

To Torex Retail Shareholders

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Torex Update – Number 4 and Meeting for Shareholders

This note is to update all Torex shareholders on the state of affairs and how our campaign has been progressing. Many of you will know from comments in the press and on bulletin boards that Torex was expected to announce a deal for the sale of the company (or its major operating assets) to a private equity house this week. For some reason, this has not taken place.

In the meantime we have been working on getting the required support of shareholders to call an Extraordinary General Meeting (EGM) of the company. Thanks to all of those who returned the completed EGM requisition forms and we expect to get the required 10% in the next day or two. As many shareholders will now be aware, the fact that you hold shares in a nominee account does not give you the right to sign such forms so you either have to get the nominee operator to sign the form on your behalf, or change into a certificated holding. Either way it takes time and effort and hence many delays have occurred in the return of these forms. Incidentally this is a good example of how shareholder democracy is being undermined and eroded by current financial market practice where many people get placed into nominee accounts without them being advised of the disadvantages. UKSA has been complaining about this for some time. It is getting more and more difficult for shareholders to take action on matters that concern them.

EGM Requisition Purpose

To remind you, our purposes in requisitioning the EGM are:

- A – To bring pressure on the directors to consider other alternatives than a simple disposal of the operating assets of the company, and to replace some of the directors if shareholders are not convinced that they are acting in their best interests; and
- B – To ensure that the directors properly account for their recent actions to shareholders and answer questions.

In regards to the latter point, the board continues to provide little information to shareholders and you can learn more about what is going on from leaks to the press or on bulletin boards than from the company itself.

The latest press coverage was an article in the Financial Times reporting that former Chief Executive Neil Mitchell has written to the Torex Chairman with a claim for wrongful dismissal. Also he is threatening other legal action under the Public Interest Disclosure Act – effectively an Act that protects “whistleblowers” who report illegal events to the relevant authorities. Having spoken to Mr Mitchell, I can certainly advise you that he is somewhat irate about his past treatment by the company.

UKSA—The independent voice of the private shareholder

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Alternatives to Asset Disposal

As regards the consideration of other alternatives to a sale of the assets, we have been working with Alix Partners LLP, a corporate turnaround specialist, who believe they may be able to put together an alternative restructuring and refinancing deal which would give a better return to ordinary shareholders. They have now been provided with some financial information by the company but much yet needs to be done and it may be too late to stop the straightforward sale.

Asset Disposal and AIM Listing Rules

Normally when a company disposes of its major assets, shareholders get a vote on the matter. As I have previously pointed out, no reassurance has been received from the current Chairman that you will get a vote. We and other shareholders have been in touch with the AIM Regulatory Authority (part of the LSE) to try and ensure that this rule is not bypassed, and this is part of the reply we have received:

"We note your concerns in respect of Torex Retail plc (the "Company") and assure you where concerns arise in relation to a company or a nominated adviser's compliance with the AIM Rules for Companies ("AIM Rules") and/or the AIM Rules for Nominated Advisers ("Nomad Rules") the Exchange takes appropriate steps to investigate any potential breaches of those rules.

Under the AIM Rules an AIM company must publish annual audited accounts which must be sent out to shareholders without delay. Until the Company has complied with this obligation and is in position to provide the market with clarity on its financial position the Company will remain suspended. However, please note, that the Company's other obligations under the AIM Rules continue despite its suspension. Therefore, under AIM Rule 15 the Company is obliged to seek shareholder approval for a disposal of its assets which is deemed to be a fundamental change in its business and the Company is obliged to seek shareholder approval if it intends to cancel the admission of its securities to AIM."

We have also requested that we be permitted to make representations if the AIM Listing Authority receives any request for a waiver of the above rule.

Meeting for Torex Shareholders

We realise that many ordinary shareholders might have questions about the affairs of Torex and our activities so we have arranged for a meeting in London on Thursday the 28th June at 1.0 pm. The meeting will be held at Friends House, 173-177 Euston Road (south side, opposite Euston station), London, NW1 2BJ. Everyone is welcome.

Don't Forget to Return the EGM Requisition Form and Donation Form

Thanks also to those who have sent donations to finance the costs of this campaign. If you haven't yet returned the donation form, or an EGM requisition form, please go to the following page of our web site where you can obtain those forms and all the past news: www.uksa.org.uk/Torex.htm

Yours sincerely

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