

MR CHRIS BRYCE
COMPANY SECRETARY
FAX: (03) 9372 1211



K2 ASSET MANAGEMENT

Name	The Manager, Listings Department	Company	Australian Stock Exchange Ltd
From	K2 Asset Management Pty Ltd	Date	18/08/06
No. of pages (inc. cover sheet)	3	Facsimile no.	1900 999 279
Subject			

Dear Sir/Madam,

Please find attached Form 605 – Notice of Ceasing to be a Substantial Shareholder in relation to The Reject Shop Limited.

Yours faithfully,

Campbell W Neal
Executive Director
K2 Asset Management Pty Ltd

605 18 August 2006

Form 605Corporations Law
Section 671B**Notice of ceasing to be a substantial holder**To Company Name/Scheme The Reject Shop Limited**1. Details of substantial holder(1)**Name K2 Asset Management Pty LtdABN (if applicable) 95 085 445 094The holder ceased to be a
substantial holder on 17/08/06The previous notice was given
to the company on 31/05/06The previous notice was dated 31/05/06**2. Changes in relevant interests**

Particulars of each change in, or change in the nature of, a relevant interest (2) of the substantial holder or an associate (3) in voting securities of the company or scheme, since the substantial holder was last required to give a substantial holding notice to the company or scheme are as follows:

Date of change	Person whose relevant interest changed	Nature of change (4)	Consideration given in relation to change (5)	Class (6) and number of securities affected	Person's votes affected
31/07/06	K2 Asset Management Pty Ltd	Purchase / (Sales) on the ASX	(1,421,523.20)	(234,000)	(234,000)
17/08/06	K2 Asset Management Pty Ltd	Purchase / (Sales) on the ASX	(2,534,067.42)	(363,120)	(363,120)

3. Changes in association

The persons who have become associates (3) of, ceased to be associates of, or have changed the nature of their association (7) with, the substantial holder in relation to voting interests in the company or scheme are as follows:

Name and ACN (if applicable)	Nature of association
Not applicable	

4. Addresses

The addresses of persons named in this form are as follows:

Name	Address
K2 Asset Management Pty Ltd	Level 24, 360 Collins Street, Melbourne, Victoria, 3000

SignaturePrint name Campbell W Nealcapacity DirectorSign here date 18/08/06

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DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 4 of the form.
- (2) See the definition of 'relevant interest' in section 608 and 671B(7) of the *Corporations Law*.
- (3) See the definition of 'associate' in section 9 of the *Corporations Law*.
- (4) Include details of:
 - (a) any relevant agreement or other circumstances because of which the change in relevant interest occurred. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).See the definition of 'relevant agreement' in section 9 of the *Corporations Law*.
- (5) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be include of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.
- (6) The voting shares of a company constitute one class unless divided into separate classes.
- (7) Give details, if appropriate, of the present association and any change in that association since the last substantial holding notice.