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If you have sold or otherwise transferred all your ordinary shares of 0.1p in the Company, please send this document at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

COFFEE REPUBLIC PLC

Registered in Scotland No SC125098

Directors:

Peter Breach, *Chairman*
Steven Bartlett, *Chief Executive*
Simon Drysdale, *Finance Director*
Brian Carroll, *Franchise Director*
Nicholas Jeffrey, *Non-Executive Director*

Registered Office:

50 Lothian Road
Festival Square
Edinburgh EH3 9WJ

Head Office:

Ground Floor
109-123 Clifton Street
London EC2A 4LD

20 December 2006

To Shareholders and (for information purposes only) option holders

Dear Shareholder

Extraordinary General Meeting

This letter is being mailed to shareholders together with the interim report for the half year ended 24 September 2006. As a result of losses sustained during the half year to 24 September 2006, the parent company, Coffee Republic plc (the "Company"), had a deficit of net assets of £719,000 at that date.

In accordance with the requirements of Section 142 of the Companies Act 1985, the Directors are convening an Extraordinary General Meeting ("EGM") for the purpose of considering whether any, and if so what, measures should be taken to deal with the situation.

The Board has set out its strategy both in the Interim Report (enclosed herewith) and at the Annual General Meeting held on 26th October (the "AGM").

I believe that in their support of recent Board changes and in the discussion which took place at the AGM shareholders have already grasped the issues which Section 142 of the Companies Act 1985 requires addressing. I can tell you that the Board changes have galvanized the Company and, it would seem, potential franchisees into a determination to make the most of the opportunities which our powerful brand name affords us.

I do not claim that the efforts of staff and directors will change the fortunes of the Company overnight. However, it is my belief that the foundations for strong growth are being laid and will bear fruit before long.

I am well aware, as is Steven Bartlett, our CEO, and all our staff of our obligation to reward the confidence which shareholders have shown in us. I have no cause to doubt that such confidence is justified.

The Board will be pleased to respond to any further questions which shareholders wish to raise at the EGM.

Yours faithfully

Peter Breach
Chairman

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NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that, in accordance with the requirements of Section 142 of the Companies Act 1985, an Extraordinary General Meeting of the Company shall be held at 11.00 am on 8 February 2007 at the offices of Lawrence Graham LLP, 190 Strand, London WC2R 1JN, for the purpose of considering whether any, and if so what, steps should be taken to deal with the fact that the net assets of the Company have fallen to less than half of its called up share capital.

By Order of the Board

J P Gorman FCA
Secretary

Registered Office

50 Lothian Road
Festival Square
Edinburgh EH3 9WJ

Dated: 20 December 2006