

Notice of Annual General Meeting
The Reject Shop Limited ABN 33 006 122 676

The annual general meeting of The Reject Shop Limited will be held at Bridge Room No.1, Crown Plaza, 1-5 Spencer Street, Melbourne, at 3.30pm Wednesday 20 October 2010.

Agenda

ORDINARY BUSINESS

1. Financial Statements and Reports

To receive and consider the Directors' Report, Financial Statements and Independent Audit Report for the financial period ended 27 June 2010.

2. Adoption of Remuneration Report

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That the remuneration report for the financial period ended 27 June 2010 be adopted."

Note – the vote on this resolution is advisory only and does not bind the directors or the Company.

3. Re-election of a Director – Mr. Kevin Elkington

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr. Kevin Elkington, who will retire at the close of the meeting in accordance with article 9.3 of the Company's Constitution and being eligible, be re-elected as a director of the Company."

4. Re-election of a Director – Mr. Denis Westhorpe

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr. Denis Westhorpe, who will retire at the close of the meeting in accordance with article 9.8 of the Company's Constitution and being eligible, be re-elected as a director of the Company."

SPECIAL BUSINESS

5. Approval of the Grant of Performance Rights to Managing Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 10.14 of the Australian Securities Exchange Limited (ASX) and for all other purposes, approval be and is hereby given to grant performance rights to Mr. Christopher J Bryce, a director of the Company, to subscribe for up to 19,000 shares in the Company for an aggregate exercise price of \$1 pursuant to and in accordance with the terms and conditions summarised in the Explanatory Notes and that approval be given to Mr. Bryce exercising these performance rights accordingly."

6. Approval of Director's Fees

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That pursuant to article 9.9 of the Constitution and Listing Rule 10.17 of the ASX and for all other purposes, the total amount or value of remuneration which may be provided to the directors of the Company each year be increased from the current \$350,000 per annum to \$600,000 per annum (a \$250,000 increase) and that such aggregate maximum sum (or such part thereof as determined by the directors) be divided among them in such proportion and manner as the directors determine."

OTHER BUSINESS

To deal with any other business that may be brought in accordance with the Constitution and the Corporations Act.

By Order of the Board



Darren Briggs
Company Secretary
17 September, 2010

EXPLANATORY NOTES

Item 1 Financial Statements and Reports (Ordinary Resolution)

During this item there will be an opportunity for shareholders to ask questions and comment on the Directors' Report, Financial Statements and Independent Audit Report for the financial period ended 27 June 2010.

Shareholders will also be provided the opportunity to ask questions about these reports or about the Company generally.

Item 2 Adoption of Remuneration Report (Ordinary Resolution)

The remuneration report is set out on pages 17 to 26 of The Reject Shop 2010 annual report. The report:

- Explains the board's policies in relation to the nature and level of remuneration paid to directors, secretary, and executives;
- Provides a detailed summary of performance conditions;
- Sets out remuneration details for each director and for the five highest paid key management personnel and other officers of the Company;
- Makes clear that the basis for remunerating non-executive directors is distinct from the basis for remunerating executives, including executive directors.

A reasonable opportunity will be provided for discussion of the remuneration report at the meeting.

The board unanimously recommends that shareholders vote in favour of item 2.

Item 3 Re-election of a Director – Mr. Kevin Elkington (Ordinary Resolution)

Mr Elkington retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.

Mr Elkington has provided the following information in support of his re-election:

Mr. Kevin Elkington, is an independent, non-executive director, and is Chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Elkington is currently Managing Director of EKM Legal, a specialist law firm, providing specialist intellectual property and commercial advice to Australian and overseas clients. He has had a 30 year career as a corporate lawyer and company secretary in some of Australia's leading public companies including Coles Myer Limited. He was previously a Director of Austin Group Limited and is currently a member and regular lecturer at the Australian Institute of Chartered Secretaries.

Kevin joined the Board of The Reject Shop in February 2008.

The board unanimously recommends that shareholders vote for the re-election of Mr. Elkington.

Item 4 Election of a Director – Mr. Denis Westhorpe (Ordinary Resolution)

Mr Westhorpe having been appointed as a director in August 2010 prior to this annual general meeting is required to retire at the close of this meeting in accordance with the Constitution and, being eligible, offers himself for re-election.

Mr Westhorpe has provided the following information in support of his re-election:

Mr. Denis Westhorpe is an independent, non-executive director, and also a member of the Audit and Remuneration Committees. Mr. Westhorpe is also currently the Chairman of Charles Parsons (Holdings) Pty Ltd, where he has been a Director for eight years. Mr. Westhorpe brings a wealth of experience in senior retail executive roles, including more than 14 years as an Executive Director at Target Australia, including the last two years as Managing Director Speciality Stores. During this tenure, Mr. Westhorpe was initially the Store Operations Director for a period of seven years which was followed by a five year stint as Buying Director.

The board unanimously recommends that shareholders vote for the re-election of Mr. Westhorpe.

Item 5 Approval of the Grant of Performance Rights to Managing Director (Ordinary Resolution)

Under ASX Listing Rule 10.14, a director of the Company may only participate in an employee share or option incentive scheme where such participation is approved by a resolution of the Company in general meeting. Accordingly, shareholder approval is sought for the grant to Mr. Bryce of 19,000 performance rights over 19,000 shares in the Company.

It is proposed to grant the performance rights to Mr. Christopher Bryce, who is the Managing Director of the Company, pursuant to The Reject Shop Performance Rights Plan (TRS Plan). Under the TRS Plan, subject to the vesting conditions, Mr. Bryce will be entitled to subscribe for up to 19,000 shares in the Company. This represents the long term incentive component of Mr. Bryce's remuneration package.

There have been no other performance rights granted to directors under the TRS Plan since the Company's prior year annual general meeting and non-executive directors are not entitled to participate in the TRS Plan or any other employee incentive scheme of the Company. Only Mr. Bryce, as an executive director, is entitled to participate in the TRS Plan (along with other relevant employees of the Company).

The performance rights will be granted pursuant and subject to the TRS Plan. Under the TRS Plan, the key terms of the performance rights granted to Mr. Bryce are summarised as follows::

- (i) The maximum number of shares that may be acquired by Mr. Bryce as a result of exercise of the proposed grant of 19,000 performance rights is 19,000 fully paid shares in the Company.
- (ii) The exercise price for the performance rights to be granted is \$1 (in aggregate), irrespective of the number of fully paid ordinary shares that may ultimately be issued.
- (iii) There are no loans applicable to the granting of these performance rights.
- (iv) If shareholders approve Resolution 5, the performance rights will be granted no later than 12 months after the meeting, and as soon as practicable after the meeting.
- (v) In addition to the performance hurdles set out in point (vi) below, Mr. Bryce must remain employed by the Company until 1 July, 2014 before he is entitled to exercise any performance rights proposed to be granted under this resolution.
- (vi) The number of performance rights that will ultimately vest is dependent on the Earnings Per Share (EPS) of the Company for the financial period ending on 30 June 2013 and is illustrated in the table below:

<u>FY2013 EPS RANGE</u>	<u>Performance rights / Shares vested</u>
\$1.550 per share and above	19,000
\$1.515 per share to less than \$1.550 per share	16,600
\$1.480 per share to less than \$1.515 per share	14,200
\$1.445 per share to less than \$1.480 per share	11,900
\$1.410 per share to less than \$1.445 per share	9,500
\$1.375 per share to less than \$1.410 per share	7,100
\$1.340 per share to less than \$1.375 per share	4,800
Less than \$1.340 per share	Nil

Voting Exclusion Statement

Pursuant to ASX Listing Rule 14.11.1, the Company will disregard any votes cast on this resolution by either Mr. Bryce or any of his associates.

However, the Company may not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The non-executive directors of the Company (none of whom have any personal interest in the outcome of this resolution) consider the proposed grant of 19,000 performance rights to Mr. Bryce in 2010 is reasonable given the circumstances of the Company, and each recommend in favour of this resolution by shareholders.

Item 6 Approval of Director's Fees (Ordinary Resolution)

Presently under the Company's Constitution, the aggregate maximum sum that may be payable to Directors as a whole (other than Executive Directors) is \$350,000 as remuneration for their services. It is proposed that this maximum aggregate sum be increased by \$250,000 to \$600,000 per annum.

The Board, with the steady growth of the Company, continues to monitor its resources. The proposed increase in the maximum fees will provide scope for any expansion of the Board at the appropriate time, and allow greater flexibility with respect to individual directors' remuneration.

In accordance with article 9.9 of the Company's Constitution and ASX Listing Rule 10.17, the approval of the Company's members in general meeting by way of an ordinary resolution is required to authorize such an increase.

Voting exclusion statement:

Pursuant to ASX Listing Rule 14.11.1, the Company will disregard any votes cast on this resolution by:

- (i) Mr. William Stevens, Mr. Kevin Elkington, Mr. Denis Westhorpe and Mr. Chris Bryce (being all of the directors of the Company); and
- (ii) an associate of any of the directors.

However, the company need not disregard a vote if:

- (i) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Board unanimously recommends that shareholders vote in favour of Item 6.

SHAREHOLDER INFORMATION

PROXIES

If you are unable to attend and vote at the meeting and wish to appoint a person who will be attending as your proxy, please complete the enclosed proxy form. This form must be received by the Company (or its share registry) by 3.30pm Monday 18 October 2010 at the latest.

The completed proxy form may be lodged using the reply-paid envelope by posting, delivery or facsimile to the Company's share registry (see details below or on proxy form).

1. A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies (who need not be members of the Company) to attend and vote for the member at the meeting.
2. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. A single proxy exercises all voting rights.
3. The form of proxy must be signed by the member or the member's attorney duly authorised in writing or if the member is a corporation under its corporate seal or by its duly authorised attorney or representative. If an attorney is to attend the meeting please submit the relevant certified power of attorney for noting and return. If a representative of the corporation or body corporate is to attend the meeting the appropriate Letter of Representation should be produced prior to admission.
4. In the case of joint holders the proxy form must be signed by all shareholders.

5. Proxies will only be valid and accepted by the Company and or the share registry if they are signed and forwarded to the Company at the address or facsimile number quoted below so as to be received not later than 48 hours before the meeting

CORPORATE REPRESENTATIVES

A body corporate which is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the meeting. Unless it has previously been given to the Company, the representative should bring evidence of their appointment to the meeting, together with any authority under which it is signed. The appointment must comply with section 250D of the Corporations Act.

ATTORNEYS

A shareholder may appoint an attorney to vote on their behalf. To be effective for the meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the deadline for receipt of proxy forms (see above), being no later than 48 hours before the meeting.

ADMISSION TO MEETING

Shareholders who will be attending the meeting, and who will not be appointing a proxy, are requested to bring the proxy form to the meeting to help speed admission.

Shareholders who do not plan to attend the meeting are encouraged to complete and return the proxy for each of their holdings of The Reject Shop shares.

SCRUTINEER

The Reject Shop's external auditor, PricewaterhouseCoopers will act as scrutineer for any polls that may be required at the meeting.

QUESTIONS AND COMMENTS BY SHAREHOLDERS AT THE MEETING

In accordance with the Corporations Act 2001, a reasonable opportunity will be given to shareholders to ask questions about or make comments on the management of The Reject Shop at the meeting.

Similarly, a reasonable opportunity will be given to shareholders to ask the Company's external auditor, PricewaterhouseCoopers, questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the auditors report;
- (c) the accounting policies adopted by The Reject Shop in relation to the preparation of its financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to PricewaterhouseCoopers if the question is relevant to the content of PricewaterhouseCoopers audit report or the conduct of its audit of The Reject Shop financial report for period ended 27 June 2010.

Relevant written questions for PricewaterhouseCoopers must be received no later than 5.00pm (Melbourne time) on Wednesday 13th October 2010. A list of those relevant written questions will be made available to shareholders attending the AGM. PricewaterhouseCoopers will either answer the questions at the AGM or table written answers to them at the AGM. If written answers are tabled at the AGM, they will be made available to shareholders as soon as practicable after the AGM.

Please send any written questions for PricewaterhouseCoopers (Attn: Company Secretary):

- by facsimile to +61 (3) 9372 1576; or
- to the registered office of The Reject Shop at 245 Racecourse Rd Kensington, Vic 3031, no later than 5.00pm (Melbourne time) on Wednesday 13th October 2010.

The Company has determined in accordance with regulations pursuant to section 1074E of the Corporations Act 2001 (C'wlth) that for the purpose of voting at the meeting, shares will be taken to be held by those persons recorded on the Company's register as at 7.00pm (Melbourne Time) on Monday 18 October 2010.

SHARE REGISTRY

The Company's share register is maintained at the following address:

	Link Market Services Limited
	Level 12, 680 George St
	Sydney, NSW 2000
Postal Address:	Locked Bag A14
	Sydney South NSW 1235
Telephone:	1300 554 474
	(02) 8280 7111
Facsimile Number:	(02) 9287 0309



By mail:
The Reject Shop Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: 1300 554 474 **Overseas:** +61 2 8280 7111



X99999999999

SECURITYHOLDER VOTING FORM

I/We being a member(s) of The Reject Shop Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 3:30pm on Wednesday, 20 October 2010, at the Bridge Room No.1, Crown Plaza, 1-5 Spencer Street, Melbourne and at any adjournment or postponement of the meeting.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2

VOTING DIRECTIONS

ORDINARY BUSINESS

Item 2

Adoption of Remuneration Report (advisory only)

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Item 3

Re-election of a Director - Mr. Kevin Elkington

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Item 4

Re-election of a Director - Mr. Denis Westhorpe

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Item 5

Approval of the Grant of Performance Rights to Managing Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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SPECIAL BUSINESS

Item 6

Approval of Director's Fees

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

IMPORTANT - VOTING EXCLUSIONS

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Item 6 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of that Item and that votes cast by him/her for that Item, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 6 and your votes will not be counted in calculating the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 6.

STEP 4

SIGNATURE OF SECURITYHOLDERS - THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's security registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 3:30pm on Monday, 18 October 2010, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Select the 'Proxy Voting' option on the top right of the home page. Choose the company you wish to lodge your vote for from the drop down menu, enter your holding details as shown on this form, and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

The Reject Shop Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.