CHAIRMAN'S & MANAGING DIRECTOR'S PRESENTATION AT AGM HELD ON 14th OCTOBER 2009

CHAIRMAN'S ADDRESS

Good afternoon Ladies and Gentlemen.

My name is Brian Beattie and as the Chairman of The Reject Shop I welcome you all to the Annual General Meeting and thank you for your attendance here today.

Before we commence, I will quickly walk you through today's agenda.

I will present a brief overview of the Company's achievements for the year and highlight the progress on some significant strategic objectives.

Chris Bryce, our newly appointed Managing Director, will then present his report.

Following Chris's presentation I will formally submit the Annual Report, inclusive of the Director's Report; the Director's Declaration and the Auditors Report for approval and invite questions from registered shareholders or their registered representatives.

We will then proceed with the ordinary resolutions on the agenda, noting resolution 4 has been withdrawn and will not require a vote.

Before going too much further, as you are aware we recently announced the appointment of Mr. Chris Bryce as the new Managing Director of the business.

Chris was the Chief Financial Officer of the Company since February 2003 and has built up an extensive knowledge of the Company's operating activities over that time.

Chris was identified as a future leader of the Company some time ago. He has worked extensively with the current Management Team and both Gerry Masters and his predecessor Barry Saunders, and accordingly is well credentialed and positioned to take over as Managing Director.

I am pleased to report the transition to the new role has been seamless and extremely well received both internally and externally. Chris has also consented to join the Board effective15th October 2010.

I take the opportunity to formally congratulate Chris on his appointment and on behalf of my fellow Directors look forward to continued growth of the business under his leadership.

I would now like to share with you a brief overview of the past year and the status of a number of key strategic initiatives identified as a platform for our future growth.

This was a demanding year for the Company however another successful trading result provided strong returns to our shareholders:

- Sales were up 18.8% to $412m (like for like);
- Net Profit After Tax was up 21.8% to $19.0m (like for like);
- Earnings per share were 73.6 cents, up 13.4%;
- Ordinary dividends of 55 cents per share were declared and have been paid.

This result was achieved during a period of economic uncertainty whilst focusing on a number of strategic initiatives important to our future growth, namely the implementation of SAP, the potential acquisition of a major competitor and preparing for the opening of our Queensland distribution centre.

I take the opportunity to thank my fellow Directors, the management team and all our team members for their significant contributions to the Company's successful year and look forward to further success in the coming years.

In 2008 we provided an insight into a number of key strategic initiatives identified as part of the annual strategic review process. The Board is pleased with the progress to date with the successful implementation of SAP and the preparation for the opening of our new Queensland Distribution Centre well advanced.

Looking ahead, we are committed to supporting management in developing the business. In the current year we will continue to invest time, resources and funds in a number of areas such as the new Queensland distribution centre and a strong store opening program.

This investment, coupled with SAP, is geared towards supporting our long term growth plans, both in continued store growth but more importantly improving our existing business.

More details on these and other initiatives will be provided in the Managing Directors address shortly.

Before I hand you across to Chris I will take the opportunity to update you all on the results of the annual review we undertake on the effectiveness of the Board and its Committees. This is an important process as myself and my fellow directors are committed to ensuring the Board is effective in its role.

The process this year was again robust and I am pleased to report the Board is fulfilling its role appropriately and that the Board & Management is continuing to work well together.

I now invite Chris Bryce to provide more details on the result and our outlook.

MANAGING DIRECTOR'S ADDRESS

Thank you Brian, and thanks to you all for joining us today.

I am pleased to be able to present my first report as Managing Director and whilst I am personally excited about my new role I am really looking forward to the challenges and opportunities inherent in the business over the next few years.

Whilst I have met a number of you over the past seven years I felt it appropriate to outline some of my background by way of introduction. I joined the Reject Shop in 2003 predominantly after many years at PriceWaterhouseCoopers.

In this time the business has grown from a semi-national retailer of 80 Reject Shop stores with sales around $150m to a truly national retailer with over 180 stores and sales heading towards $500m. More importantly we have been able to invest to support our business whilst still delivering strong profit growth and consistent returns to shareholders.

I believe there have been number of factors integral to the success of this business over this time and which are critical to our future success:

- A stable and experienced management team and team members who are truly committed to the business;

- An approach of keeping it simple and sticking to basic retail strengths whilst always seeking improvement;
- Providing our customers with real value for money with the merchandise we sell;
- Maintaining store standards, second to none in our retail space
- A Board often challenging management on the directions we have set, formally through our annual strategic review process, but consistently throughout the year; and
- Working hard to over achieve the targets we set ourselves.

None of this will change going forward and if anything the next few years will be just as demanding but at the same time very exciting.

I will now provide:

- A brief overview of our headline results for the 2009 financial year;
- An update on the key initiatives outlined earlier; and
- Finally, provide some insight into the current financial year.

Key Highlights FY 2009

The FY2009 result was pleasing given the economic downturn and the volatility of the Australian dollar experienced throughout the year.

The company achieved a strong result:

- Sales of $412m; up 18.8% on LY (like for like)
- Comparable store sales of 5.6%
- NPAT of $19.0m; up 21.8% on LY (like for like)

The full year result incorporated a 52 week trading period compared to 53 weeks for the corresponding period last year, impacting the comparison between the periods on both sales and net profit after tax.

The result was underpinned by:

- Strong comparable store growth despite volatility in trading throughout the year
- Our new stores performing at or above expectations;
- A reduced gross margin as a result of the sudden and significant drop in the AUD, however this was more than offset by realigning our costs quickly to compensate
- The exchange rate volatility also meant some price changes were necessary where possible however we were always mindful of remaining competitive; - prices have subsequently been re-aligned as the AUD has strengthened;

We opened 22 new stores during the year across all states:

- 9 in NSW
- 5 in Victoria
- 2 in Qld
- 3 in SA
- 2 in WA; and
- Our first store in Tasmania

We were very pleased with the performance of these stores providing us further confidence our model works in new regions.

Operationally we continued to refine our business where necessary however a strong focus was and continues to be on the strategic initiatives noted below.

Last year we set ourselves some significant challenges:

- Implementing SAP as our main IT platform;
- Developing a fully automated distribution centre in Queensland;
- Introducing overseas consolidation;
- Increasing the use of replenishment via our distribution centre

As Brian pointed out earlier these initiatives are designed to support our business into the future:

- As we head towards 400 stores we need more distribution capacity and IT grunt;
- To improve our service to stores and ultimately our customers we need the right tools and processes to streamline our supply chain;
- To continue to offer great value to customers we need to be more efficient at what we do.

These initiatives come at a cost, both in significant capital expenditure and internal transition costs, as well as a strong focus by the business, particularly in the short term, but we believe the long term benefits more than compensate for the dollars and time spent.

I will now give you a brief update on the status of these initiatives.

SAP Implementation

As you were well aware, we have spent the last two years preparing for and then implementing SAP as the IT platform to support our future business. Implementations of this scale come with an inherent risk and without focus and attention from the business can cause disruption to the operation of any Company.

We implemented SAP in May this year and whilst we still are getting used to the system and learning more about its functionality the outcome was a resounding success. For a Company our size it was a major achievement and would not have been possible without the dedication and commitment of all our team members involved in the implementation.

SAP provides both scalability for our future growth but also a platform with inherent enhanced functionality and the ability to cater for future developments more readily.

Supply Chain

I am pleased to report the construction of our new Queensland distribution centre is on track and planning for the operational changes to be made to service the facility are well advanced. The opening is planned for early FY2011 and will provide the necessary scale to service our ever increasing store portfolio and in particular provides a platform for further growth into northern Queensland, a key growth area.

To service this facility we will also expand the number and use of overseas consolidation facilities which were successfully trialed during FY2009.

The new facility will also improve our service capability to stores via the introduction of full sortation and conveying with the aim that our Melbourne Airport facility will be upgraded to match the capability in the future.

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The combination of the above will provide the flexibility to continually refine the way we order and distribute stock to our stores to drive both sales and efficiency.

Future Store Growth

We have previously advised we believe our long term national footprint to be over 400 stores. This has not changed and with the implementation of SAP and the opening of the Queensland distribution centre we will have the capacity to grow. As noted earlier northern Queensland is now firmly on the radar however we see growth in all states and territories and are actively seeking new sites.

This is not growth for growth sake, each store must meet our stringent operating and financial criteria and therefore we will continue to be selective in our new stores.

In addition, we will continue to re-invest in our existing portfolio to maintain our standards and keep our chain fresh and appealing to our customers and team members.

Value Drives Sales

Whilst expanding our portfolio is exciting and SAP and the new distribution centre are high profile initiatives, the real opportunity has and will always be constant attention on our existing business. This is underpinned by delivering great value to our customers and balancing our offer between the products our customers expect every day with new lines and seasonal offers which add excitement to the range.

We position ourselves in high traffic areas and utilise catalogues to promote new lines and remind customers of our everyday range however the real driver of our business is the value we offer to our customers. We constantly need to challenge ourselves on range, pricing, packaging and store standards to ensure we satisfy our customer's needs and keep one step ahead of our competition.

People

The success of our business has been the dedication and commitment of our people. We have been extremely fortunate to have had continuity of senior management for a number of years. More importantly we have been able to develop our people within to bolster our senior ranks and provide realistic logical future leaders.

As was the case this year when our General Manager of Merchandise, Charlie McShanag felt the time was appropriate to pass the baton to his logical successor Andy McShanag. Both Charlie and Andy have been integral to the long term success of the business having worked together for over 20 years. Charlie has committed to stay with the business in a consulting role for an extended period making the transition seamless and spending time helping develop our buyers – a real strength of our business. I take the opportunity to thank Charlie for his significant contribution to the Company and wish him well for the future, whilst at the same time congratulating Andy on his appointment.

In addition, we recently announced the appointment of Darren Briggs as Chief Financial Officer of the Company. Darren has been with The Reject Shop since May 2008 as the Company Secretary and obviously he and I have worked closely together since he joined. I congratulate Darren on his appointment and I am sure he will become well known to you all as part of his new role.

The enthusiasm our management group shows for the business is only surpassed by the commitment by our team members across the business. Internally the sharing of ideas and team ethic across departments is what makes our business tick.

At store level, store management treats each store as their own, striving to deliver the best possible offer to our customers and the best result for the Company. Their contributions to the current and future success of the Company cannot be underestimated and I look forward to continued support and enthusiasm for years to come.

FY2010 Financial Outlook

Our outlook for FY2010 remains as forecast in August and we are confident of achieving Net Profit After Tax of between $21.4m and $21.6m (an increase of approximately 14% on FY09).

As previously reported we were disappointed with the start to the year. Whilst the economy obviously impacted our business to some degree, we missed some sales by not being in stock of wanted lines which have been fundamental to our success. As a result, we started the year with comparable stores sales below the prior year for the first 6 weeks. This was factored into the guidance provided in August however it was a strong reminder to always maintain focus on the fundamentals which drive our business.

Year to date our comparable store sales growth is flat but we expect the recent trend to continue and anticipate the remainder of the half to produce comparable sales growth of around 3%, bringing the first half comparable sales growth to around 1.5%.

However, the new store opening program has added some additional sales above initial expectations.

Pleasingly we have addressed the situation quickly and comparable store sales growth has been increasingly positive since mid August with recent weeks particularly strong.

Our improved trading has been driven by:

- Our in-stock positions have improved sharply;
- We are using the strengthening AUD to reduce prices and drive sales across a number of key areas and lines;
- Our other key metrics such as gross margin and CODB are better than expected:
    - Gross margin as a percent to sales is strengthening despite recent price reductions; and
    - Costs have been well controlled; and
- We have also successfully opened 13 stores so far this half, with 9 new stores to come before Christmas, totaling 22 new stores for the half – a Company record.

We currently have 182 stores, with two new stores to open tomorrow and will finish the half with 191 stores.

The highlight to date was the opening of five new stores across multiple states on one day on September 17 this year. Something the Company had never achieved before and most likely not achieved by any other Australian discount variety retailer.

This to me is a reflection of the maturity of the business in which all departments are able to prepare for and open this number of stores in such a short timeframe, all to our standard.

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The performance of the new stores have exceeded expectations and particularly pleasing is the exceptional results achieved from the nine new stores sourced from a major competitor.

As a result of the improved sales trend and the strong new store performance we are optimistic by where we sit today.

As you all know Christmas is a peak time for retailers, with the Reject Shop being no exception.

With a further 9 new stores still to open this half we are well placed to track into Christmas.

Christmas stock already being built up ready for the peak November and December trade and we are confident we have a very appealing and competitive offer.

Looking ahead we can't predict what the economy and interest rate impacts will be over the short term and are therefore mindful of the volatility in which we operate. This may provide some extra challenges during the year, but our job is to focus on the things we can control, range, price, in-stock positions and store standards.

By maintaining our focus on our core strengths the outlook for this year is increasingly positive. With the plans we have in place and the identified new store growth the future looks bright.

I thank you all for attending today.

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