CHAIRMAN'S & MANAGING DIRECTOR'S PRESENTATION AT AGM HELD ON 16th OCTOBER 2013

CHAIRMAN'S ADDRESS

Good afternoon Ladies and Gentlemen.

My name is Bill Stevens 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. The Company Secretary has advised me that we have a quorum present, so I declare the Annual General Meeting open.

Before we proceed, I would like to introduce, with me here today, my fellow non-executive directors, Ms. Melinda Conrad (Chairman of our Remuneration Committee), Mr. Kevin Elkington (Chairman of our Audit Committee), Mr. Denis Westhorpe and our Managing Director Mr. Chris Bryce; also to my far right is Mr. Darren Briggs, the Company Secretary and Chief Financial Officer.

Mr. Daniel Rosenberg, of PricewaterhouseCoopers, the Company Auditor, is also with us today; as are a number of members of our management team, and a number of our staff.

I would today like to present a brief overview of the company's activities for the year, including a number of significant events; highlight the impact of those events on a number of key decisions made by the Board during the year; and profile the progress on some significant strategic objectives.

Chris Bryce, our 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 Remuneration Report; the Director's Declaration; and the Auditors Report for consideration and invite questions from registered shareholders or their registered representatives.

The Board

In the past couple of years, the Board has conducted an internal assessment of its performance, both collectively and individually. The Board, in conducting this review, has also sought feedback from the Executive Team.

This year, it was determined that we would have an external review of the Board's performance conducted – and this review is currently in progress. Rather than pre-empt the formal outcomes, I propose that the result of the review will be posted onto the Company's web-site as soon as it is completed.

I consider that the size and skills of the Board continue to be appropriate for your Company.

Having regard to the significant activity during the 2012-2013 year – and including the capital raising and the acceleration of the store expansion program - I consider that the Board continues to work well with your Management Team.

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The Year

As you are all aware, 2012-2013 continued the tough conditions for the retail industry generally, with the Australian economy, as frequently reported in the press, continuing to do well in certain areas, but in those employment areas which support a significant portion of our natural customer base, there continue to be challenges.

Chris will talk to you in a little more detail regarding the year, however you will be aware of the acceleration of the store opening program that has been undertaken since October 2012.

Since that time, until today, we have opened some 62 stores. This has been achieved through some exceptional efforts from all of our people - and with the support of you, our shareholders, who have provided the bulk of the additional capital funds required to enable this to happen sensibly.

The market has been fully appraised of the fact that we expense the operating costs of opening these new stores as they are incurred. If opened fairly consistently across the first and second halves of the financial year they are unlikely to contribute significantly to our net result in the year of opening.

Accordingly, with the volume of stores in the second half of 2012-2013, and with the current plans to open over 40 stores again this financial year, the full earnings impact of the accelerated new store opening program will not be seen until the 2014/15 financial year.

Significant efforts, in addition to the new store program, are focused on optimizing overall cost outcomes, driving greater efficiency in the logistics costs and timelines, and ensuring that we are able to bring our satellite Western Australian Distribution Centre on-line in the planned timeframe and on budget – by June of 2014.

In addition, we have continued to develop the company's longer term vision - inclusive of increased investment in brand awareness through media programs - as well as people development, and infrastructure spend.

On January 26th 2013, with the heavy rains again in Queensland, we initiated our flood mitigation plans, which actually included the partial erection of the flood barrier system that we had purchased following the 2011 Ipswich floods. Although the floods did not eventuate, and hence we did not need to fully complete the barrier erection, we learnt many valuable lessons from the 'live' test, and we are satisfied that the system would have prevented a recurrence of the 2011 flood impact on our business.

We are cognizant of the costs associated with building our business, particularly in this retail market. However with our model and this market - we believe the opportunity exists to expand our customer base via increased store growth coupled with increased brand awareness. To achieve this requires increased costs in the short term for significant future benefit.

Remuneration

Short term incentives

The Remuneration Report will be subject to a shareholder advisory vote – in accordance with legislation. You will also be aware that the Remuneration Report specifically deals with those employees who are considered to be Key Management Personnel (KMP's). We consider this group to be our Executive Team, as well as the Board.

By reference to the Annual Report, it will be noted that short term 'at risk' remuneration was paid for the 2012-2013 period to key management personnel. As outlined in the Annual Report, short term 'at-risk' remuneration is payable upon achievement of a combination of specified, focused elements of the executive roles. This continues to include the specific objectives essential to each year and the continued growth prospects of the company; as well as the financial earnings targets for each year.

The amounts paid to the Executive Team generally comprised up to 50% of their 'at-risk' short term remuneration for the year, primarily with respect to progress on key strategic initiatives critical to the future profitability of the business.

Long term incentives

Consistent with its determinations last year, the Board has, in its discretion, allowed 50% of the Performance Rights granted prior to the 2011 flood, to vest. In vesting these Performance Rights, we consider that the efforts of the Executive Team post the flood to secure the long term objectives of the Company required their total commitment, whilst we acknowledge that the financial hurdles established prior to the flood, could not be achieved.

This therefore included the Performance Rights granted in 2009 that were vested in 2013. The remaining 50% of Performance Rights granted prior to the flood have been forfeited.

Based on external advice and review by the Board, the Performance Rights granted each year vest subject to a mix of financial performance metrics and other operational Key Performance Indicators. These hurdles have relative weightings of 60% for financial performance (EPS growth, EBITDA to Sales improvements and Balance Sheet metrics) and 40% individual KPI's (established each year).

These metrics are designed to ensure the Board fairly remunerates the Executive Team as well as establish appropriate hurdles which sustain the long term profitability of the business and provide appropriate returns to shareholders. The Board spends considerable time each year in both evaluating the performance against prior year objectives as well as establishing appropriate and measurable KPI's for Performance Rights granted each year.

The Board acknowledges the support of the shareholders, in allowing us to fully consider all elements of performance, and to fairly remunerate our Executive Team.

Strategic Direction

The Company remains committed to a number of strategic initiatives, which Chris will discuss in more detail.

The ability to continue our new store growth remains paramount, and while elements of this are opportunistic, it has been driven very aggressively during the past twelve months. We continue to drive to reach more customers with our value offering. The responses to our new store openings program, Australia wide, have continued to be extremely positive.

This is particularly so in Tasmania, where we had just 4 stores as at 30 June 2012. As of today, we operate 21 stores in Tasmania. This has required a great deal of effort in bringing a significant number of new staff to our brand. The manner in which they have embraced our model, together with the fantastic support from our Tasmanian customer base, is seen as very positive in the medium to long term.

We remain committed to building a model which delivers a trusted and well-priced offering to our customers, and which provides an appropriate return to our shareholders and finance providers for their capital support. These remain our drivers.

We will continue to evaluate every opportunity, including the ways in which we can embrace the digital media and all available market channels to support our customers – and their access to our products.

Nonetheless, we will ensure that the business model remains prudent. We will also ensure that the company is always able to secure appropriate funding support for its growth.

The Team

In regard to our operations, and the sound business model that has been developed, the strength and commitment of the Management Team remains a major component of our ongoing success - and I sincerely thank all of them for their continuing efforts.

During the year our long standing General Manager of Distribution, Phil Beckett retired from the business and I thank Phil for his significant contribution to the Reject Shop, and wish him well in his retirement. While appointed earlier in 2013, I would also like to formally welcome Danielle Aquilina as an internal appointment to the role of General Manager – Distribution.

On behalf of the Board, I would again like to thank our 5,000+ team members for their continued efforts in delivering value to our customers, and for our shareholders.

I now invite our Managing Director, Mr. Chris Bryce, to address you in regard to our results, and some of the further challenges and opportunities facing us for the future.

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MANAGING DIRECTOR'S ADDRESS

Good afternoon everyone and thank you for joining us.

This year and last represent the most testing yet exciting times for our business since I commenced with The Reject Shop over 10 years ago. The new store opening program currently underway is starting to realize the inherent growth potential we had already identified and planned for, albeit in a very condensed period.

Our preparation for this growth commenced several years ago as we have invested significantly in infrastructure and organizational depth on the basis of the identified growth potential of our business.

The combined effects of the Queensland flood in 2011 and the more recent weak retail environment have limited our ability to leverage off this investment and therefore our overall cost base, which is evident in our financial results in recent years.

However, I believe without this investment, we would not be in the position we are today to take advantage of the opportunity in front of us.

While the long term benefits of this rapid expansion program will be clear in the coming years, in the short term it requires constant focus and energy from our management team and staff and continued support from our shareholders. We have invested significantly in capital expenditure and inventory to open the stores. Additional costs are also being incurred to open the stores as well as ensuring ongoing support is in place for the stores and staff post opening.

This has had a pronounced impact on our financial results for FY2013 and will again in FY2014. However we believe inherently the costs incurred today will provide significant future benefit for our business.

With that in mind, I will briefly touch on last year's financial result but my main focus today will be on providing you all an update on:

- the status of the new store rollout and new stores to come; and
- the inherent challenges associated with such a rapid store rollout and how we are managing these challenges.

FY2013

You have all seen our financial results for FY2013 so I will not revisit the details behind the result. The overall financial performance in FY2013 against the prior year includes a combination of increased opening costs as part of the accelerated new store rollout, insurance recoveries relating to prior years received in both years as well as a 53rd week in FY2012.

Excluding the impact of the increased opening costs, the 53rd week and insurance recoveries, we achieved an underlying Net Profit After tax of $20.0m up 15% on the prior corresponding year.

On a 52 week basis sales were up 13.3% on the prior corresponding year with:

- Comparable store sales up 1.8% with:
    - The First half up 2.1%; and
    - The Second half up 1.4%; as well as
- Sales from the 41 new stores opened last year.

We are pleased to have maintained comparable store sales growth throughout the year, in what continues to be a very tough trading environment. We have now maintained comparable stores sales growth in the 7 consecutive quarters since re-opening our Ipswich Distribution Centre in October 2011.

Our first quarter comparable store sales in FY2014 remain positive and we aim to maintain this through the peak trading period to December.

New Store Status

As you are aware we successfully raised $44m in April, predominantly to fund the significant additional store openings (i.e. more than the normal 20 per annum) over the course of FY2012/13 and FY2013/14.

This is because we have a strong operating model and understand the potential of our market segment. We believe with the rapid expansion of stores, we will be well placed to capitalize on improved retail conditions, whenever they may occur, with a larger store base, better operational leverage and a strong balance sheet.

In FY2013 we opened 41 new sites in total with

- 17 new stores in the first half; and
- 24 new stores in the second half

In FY2014 we have 45 confirmed store openings:

- 33 new stores in the first half; and
- 12 new stores in the second half

We have opened 27 new stores year to date with a further 6 stores to open pre-Christmas. We currently have 303 stores trading and will have 309 stores by December 2013. This will mean we will have opened close to 60 stores in the calendar year 2013 - averaging more than 1 new store per week, each week.

In addition, we are in ongoing negotiation with a number of landlords regarding potential sites of interest which could mean the possibility of further new stores to open in the second half of FY2014.

The trading to date across these new stores has exceeded our expectations, particularly considering the bulk of these stores are currently operated and supervised by staff new to the business. This confirms our strategy of building the platform for future earnings now is the right one and the market is ready for us to do so.

Whilst we are extremely excited about what the increased new stores will deliver both financially and operationally into the future, the challenges and necessary costs of the current rollout cannot be underestimated.

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Having a new store roll out program of this magnitude requires different practices and additional costs compared to a more normalized year. It requires continuous planning & monitoring from all departments with respect to:

- Purchasing & timing the increased inventory required for both the opening day & post opening sales given:
  - Movement in opening dates can occur; and
  - The need to ensure each distribution centre has the right balance of inventory to service both new & existing stores at the right time
- Picking inventory significantly in advance of each store opening, which requires additional storage capacity to hold picked stock prior to the opening of the store which:
  - Places strains on our Distribution Centres and freight providers; and
  - Has required additional temporary storage capacity during FY2014.
- Supporting a larger store footprint on an ongoing basis - this has meant we have also had to ensure future capacity exists by:
  - Installing increased capability in our Ipswich Distribution Centre in March this year; whilst
  - Ensuring our Western Australian facility is operational by the end of FY2014.
- Identifying when and where the store growth will occur, which requires rationalizing our on ground supervision and support ahead of the openings; this has ultimately required:
  - 8 new regions (and therefore 8 new Area Managers) and a new Divisional Manager (all of which are important roles to be filled) ahead of the new stores coming on line; and
  - HR and Loss Prevention resources also needing to be in place for recruiting, induction & training & post opening support.

The new stores themselves are performing extremely well, however as you can expect we have new teams in all these stores with a significant proportion being new to both The Reject Shop and Discount Variety; and the new Area and Divisional Managers taking time to understand our business.

These stores and new staff naturally require more support from our business than existing stores.

What has been achieved to date in such a short timeframe has been extremely satisfying but the hard work is not complete with many more new stores to come. It will take us time to bed down these stores and the future stores progressively during this year. It is pleasing all of this complexity has been managed in condensed timeframes which is testament to the quality of both our people and our systems.

The Future

Notwithstanding current retail conditions, we are exceptionally excited about our future.

By the end of FY2014 we will have in excess of 320 stores contributing strongly with room still to grow.

The influx of new stores also provides the opportunity to balance our overall store portfolio to where we want to be in the future. This means we can be strategic in lease negotiations on existing stores with the possibility of store closures along the way.

We have already commenced some rationalization of our store base by issuing notices to several landlords of our intention to exit selected stores in the second half of this financial year. The bulk of these stores are in larger shopping centres and whilst the stores are currently trading profitably we are not prepared to accept the non-commercial rental terms currently being offered. Selective store closures are likely in coming years unless landlords become more realistic concerning the value of their centres.

Store closures, should they occur, will not impact our long term growth plans given we have identified substantial future growth opportunities beyond the rapid growth we are experiencing today. This growth may be supplemented by a smaller footprint store model which we aim to trial once we bed down our current new store opening program.

With the ongoing investment in our brand we continually research and analyse our results to ensure we maintain top of mind awareness and improve the understanding of our offer. Our recent analysis shows some positive signs and the work currently undertaken to enhance our digital and mobile capability is progressing well.

Our focus on merchandise planning and system enhancements has also led to strong progress this half, with some improved store service capability expected in the second half.

Our people remain the key to our success. During the year we finalised an exhaustive review of our expected competencies by role within our business as well as updating our performance management practices. This provides a stronger basis for both the development of our people as well as succession planning across the business.

Our focus this year will be on ensuring identified development needs across the business are serviced appropriately as well as reviewing our organisational structure to support the business long term.

FY2014

As stated earlier we are comparable stores sales positive year to date as we head into the peak trading period for retail. Our seasonal offer including Christmas merchandise is now in stores and we still have 6 more stores to open by calendar year end. It is too early for us to predict how the October to December period will perform however our aim is to focus on ensuring we provide the best offer possible to our customers over the coming months.

With our plans in place for this half we are now diligently planning our second half with another strong opening program expected of at least 12 new stores plus a strong refurbishment program.

We will deliver solid profit growth in FY2014 and believe we will be well placed for strong profit growth in FY2015.

In the meantime we will continue to manage the new store program, efficiently & cost effectively, whilst ensuring we continue to support our existing stores and focus on our future opportunities.

I thank you again for your attendance today and will now hand you back to Bill for the formal part of today's meeting.

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