

**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 ASX Theatre Ground Floor, 530 Collins Street Melbourne, at 3.30pm Wednesday 19 October 2005.

Agenda

ORDINARY BUSINESS

1. TO RECEIVE AND CONSIDER the financial report and the reports of the directors and of the auditor for the financial year ended 26 June 2005.
2. TO ADOPT the remuneration report for the year ended 26 June 2005.
Note – the vote on this resolution is advisory only and does not bind the directors or the company.
3. TO ELECT A DIRECTOR

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

That Mr. A.C. McMorrison who will retire at the close of the meeting in accordance with article 9.3 of the company's constitution, be re-elected as a director of the company.

SPECIAL BUSINESS

4. APPROVAL OF DIRECTOR'S FEES

To consider and, if thought fit, to pass the following resolution as a special resolution:

The Company's Constitution be altered to increase the aggregate maximum sum that may be payable to directors as a whole (other than Executive Directors) as remuneration for their services be increased by \$100,000 to \$350,000 per annum 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.

By Order of the Board



GS Lever
Company Secretary
17 August 2005

EXPLANATORY NOTES

Item 1 Receive and consider the financial and other reports (ordinary resolution)

It is intended to provide an opportunity for shareholders to raise questions on the reports themselves and on the performance of the company generally.

Item 2 Adoption of remuneration report (ordinary resolution)

The remuneration report is set out on pages 18 to 23 of The Reject Shop annual report 2005. 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 specified executives 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 Election of director (Ordinary Resolution)

Mr. A.C. (Craig) McMorrison, aged 60, is an independent, non-executive director, and also the Chairman of the Audit Committee, and member of the Remuneration Committee. Mr. McMorrison has held several senior management positions in the financial services industry, including a wide range of general management and directorship responsibilities with the Commonwealth Bank Group, CBFC Limited and the Commonwealth Development Bank. Mr. McMorrison is currently practising as a consultant to public and private companies, with non-conflicting clients in other sectors of the retail industry. He was appointed a director on 21 April 2004.

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

Item 4 Approval of Directors' Fees (Special Resolution)

Presently, the aggregate maximum sum that may be payable to Directors as a whole (other than Executive Directors) is \$250,000 as remuneration for their services. It is proposed that this maximum aggregate sum be increased by \$100,000 to \$350,000 per annum.

This will provide scope for additional directors to join 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 Listing Rule 10.17, the approval of the Company's members in general meeting by way of a special resolution is required to authorize such increase.

The Reject Shop will disregard any votes cast on the resolution by:

- (i) Mr. Brian Beattie, Mr. John Shuster, and Mr. Craig McMorrison (the non-executive Directors); and
- (ii) an associate (as that term defined in the note to Listing rule 14.11) of any of the non-executive Directors.

However, The Reject Shop 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 4.

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 by 3.30pm Monday 17 October 2005 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 on proxy form).

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 the year ended 26 June 2005.

Relevant written questions for PricewaterhouseCoopers must be received no later than 5.00pm (Melbourne time) on Wednesday 12 October 2005. 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:

- to ASX Perpetual at the address on the enclosed reply paid envelope; or
- 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 12 October 2005.

Please note that:

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.
6. 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 17 October 2005.
7. The Company's principal register is maintained at the following address:

ASX Perpetual Registrars Limited
Level 8, 580 George St
Sydney, NSW 2000
Postal Address: Locked Bag A14
Sydney South NSW 1235
Telephone: 1300 554 474
(03) 9615 9947
Facsimile Number: (02) 9287 0309