

**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. 2, Crown Plaza, 1-5 Spencer Street, Melbourne, at 3.30pm Wednesday 14 October 2009.

**Agenda**

**ORDINARY BUSINESS**

**1. Financial Statements and Reports**

TO RECEIVE AND CONSIDER the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 28 June 2009.

**2. Adoption of Remuneration Report**

TO ADOPT the remuneration report for the financial year ended 28 June 2009.

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

**3. Election of a Director**

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

That Mr. B.J. Beattie, having retired in accordance with article 9.3 of the Company's constitution, be re-elected as a director of the Company.

**4. 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 and for all other purposes, approval be and is hereby given to grant performance rights to Mr. GJ Masters, a Director of the Company, to subscribe for up to 34,800 fully paid shares in the Company pursuant to and in accordance with The Reject Shop Limited Performance Rights Plan and the terms summarised in the Explanatory Notes and that approval be given to Mr. Masters exercising these performance rights accordingly.

**Voting exclusion statement:**

The company will disregard any votes cast on this resolution by either Mr. Masters or any of his associates unless the vote is cast:

- as proxy for a person who is entitled to vote in accordance with directions on the proxy form; or
- 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.

By Order of the Board



Darren Briggs  
Company Secretary  
10 September, 2009

## **EXPLANATORY NOTES**

### **Item 1 Financial Statements and Reports**

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 year ended 28 June 2009.

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

### **Item 2 Adoption of Remuneration Report**

The remuneration report is set out on pages 17 to 26 of The Reject Shop annual report 2009. 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 Election of a Director**

#### **Mr. Brian Beattie**

Age 66, Independent Non-Executive Director

Appointed to the Board as Chairman in February 2004. Chairman of the Remuneration Committee and a member of the Audit Committee, Brian has been a director for over 5 years.

#### **Skills and experience**

Brian Beattie has overseen the growth of The Reject Shop Limited since the company listed back in June 2004. In addition, Brian has extensive management experience in the retail industry spanning over 30 years, including 8 years with Woolworths Limited and 24 years with Coles Myer Limited including 5 years as Managing Director of Target and 3 years as Managing Director of Coles Supermarkets. He was Chief Executive Officer of the Victorian Racing Club for 8 years.

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

### **Item 4 Approval of the Grant of Performance Rights to Managing Director**

Under ASX Listing Rule 10.14, a Director of the Company may only participate in an Employee Share Option Plan where such participation is approved by a resolution of the Company in general meeting.

It is proposed to grant performance rights to subscribe for fully paid shares in the Company to Mr. GJ Masters, who is the Managing Director of the Company, pursuant to The Reject Shop Performance Rights Plan. This represents the long term incentive component of Mr. Masters remuneration package.

Under the ASX Listing Rules, the following information is required to be provided in the notice of meeting to approve the granting of these performance rights:

- (i) The maximum number of shares that may be acquired by Mr. Masters as a result of this resolution is **34,800** fully paid shares. This consists of two tranches, the first tranche of 18,300 and a second tranche of 16,500.

- (ii) The exercise price for these shares is an aggregate consideration of \$2, being \$1 for each tranche (irrespective of the number of fully paid ordinary shares that are to be issued to Mr. Masters).
- (iii) There have been no other performance rights granted to Directors since the Company's prior year annual general meeting.
- (iv) Non-executive directors are not entitled to participate in The Reject Shop Performance Rights Plan. Only Mr. Masters, as an executive director, is entitled to participate in The Reject Shop Performance Rights Plan.
- (v) There are no loans applicable to the granting of these performance rights.
- (vi) If shareholders approve Resolution 4, the performance rights will be granted no later than 12 months after the meeting, and as soon as practicable after the meeting.
- (vii) The number of performance rights that will ultimately vest is dependent on the Earnings Per Share (EPS) growth over a 3 year period and is illustrated in the tables below:

Tranche 1: 18,300 Performance Rights

<u>FY2011 EPS Growth</u>	<u>EPS Target</u>	<u>Shares vested</u>
12.5% or more compound growth over FY2008	92.4¢	100% of grant
10.0% to 12.4% compound growth over FY2008	86.4¢	Approx 75% of grant
7.5% to 9.9% compound growth over FY2008	80.6¢	Approx 50% of grant
Less than 7.5% compound growth over FY2008	Less than 80.6¢	Zero

In addition to the performance hurdle, Mr. Masters must remain employed by the Company until 2 July, 2012.

Tranche 2: 16,500 Performance Rights

<u>FY2012 EPS Growth</u>	<u>EPS Target</u>	<u>Shares vested</u>
12.5% or more compound growth over FY2009	\$1.048¢	100% of grant
10.0% to 12.4% compound growth over FY2009	97.9¢	Approx 75% of grant
7.5% to 9.9% compound growth over FY2009	91.4¢	Approx 50% of grant
Less than 7.5% compound growth over FY2009	Less than 91.4¢	Zero

In addition to the performance hurdle, Mr. Masters must remain employed by the Company until 2 July, 2013.

Noting the interest of the Managing Director, the proposed grant of performance rights are unanimously recommended by the non-executive directors of the Board.

**Voting Exclusion Statement**

Pursuant to Listing Rules 10.14 and 14.11.1, the Company will disregard any votes cast on this resolution by either Mr. Masters 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.

## **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 12 October 2009 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 28 June 2009.

Relevant written questions for PricewaterhouseCoopers must be received no later than 5.00pm (Melbourne time) on Wednesday 7<sup>th</sup> October 2009. 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:


- 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 8 October 2008.


**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 12 October 2009.
7. The Company's principal 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

**LODGE YOUR VOTE**

 **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

 **ONLINE** [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

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

**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, 14 October 2009, at Bridge Room No. 2, 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

**STEP 2 VOTING DIRECTIONS**

	For	Against	Abstain*
<b>Resolution 2</b> Adoption of Remuneration Report (advisory only)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> Election of a Director - Mr Brian Beattie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b> Approval of the Grant of Performance Rights to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Important note:** The Chairman of the Meeting intends to vote undirected proxies in favour for all resolutions listed above.

 \* 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 SIGNATURE OF SECURITYHOLDERS - THIS MUST BE COMPLETED**

Securityholder 1 (Individual) <input type="text"/> Sole Director and Sole Company Secretary	Joint Securityholder 2 (Individual) <input type="text"/> Director/Company Secretary (Delete one)	Joint Securityholder 3 (Individual) <input type="text"/> Director
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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 share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares 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 shareholder 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 shares 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 shares 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 share 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 shares 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 share 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, 12 October 2009, 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:

 **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

 **online:** **ONLINE** [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

lodging it online at Link's website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)) in accordance with the instructions given there (you will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website);

 **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.