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ASX ANNOUNCEMENT

21 November 2005

ANNUAL GENERAL MEETING - MANAGING DIRECTOR REPORT

The year ended 30 June 2005 saw the Company achieve a number of major milestones.

Listing & Capitalisation

Early in the year the Company was converted from a proprietary limited company to a public company. In December 2004, the Company lodged its prospectus for an issue of shares.

This prospectus issue closed oversubscribed, with all public applications for more than a minimum allocation scaled back. When the prospectus allocations were finalised, we welcomed over 600 new shareholders to the Company.

In March this year the Company's shares commenced trading on the Australian Stock Exchange. Subscribers to the issue paid 80c each for their shares. On the first day of on-market trading they closed at 99c and have never closed below that price. Most recently they have traded at around \$1.20, up fully 50% on the issue price.

The fact that the market has responded so favourably to the listing of 1300 SMILES Ltd amounts, I believe, to an endorsement of the Company's achievements to date, as well as an understanding of the Company's potential.

Profit & Dividends

The Company continued to build its business during the year. As you will have seen in the annual report, the net profit after tax for the 2005 year was just over \$1.5 million, an increase of 44% over the previous year.

As promised in the prospectus, the Company paid a maiden dividend in April 2005, soon after listing. This dividend derived from profits produced during the December quarter, during which time subscribers to the issue were not yet shareholders in the Company. Nevertheless, the Company fulfilled its promise to

deliver this initial dividend and in so doing underscored its intention to deliver generous dividends on an ongoing basis. This maiden dividend was 0.8c per share, fully franked, equal to 1% of the issue price.

More recently you have received a larger final dividend of 3c per share, fully franked. This dividend was effectively derived from the profits of the half year ended 30 June. To meet our ongoing objectives, we will remain focussed on expanding the business while maintaining our commitment to a tight capital structure.

The Market

One of the Company's core beliefs is that the dental industry is undergoing a structural change. Dental services are, in the main, still delivered by individual businesses comprising just one or two dentists. We believe there exists significant scope to consolidate the ownership and management of practices. This creates enormous opportunities to improve the delivery of dental care via coordination and management - not by telling dentists how to do dentistry, but by freeing them of management and administration tasks and allowing them more time to concentrate on what they are professionally trained for and are good at – dentistry.

We've seen the successful consolidation of professional practices in several areas, most notably radiology, pathology and ophthalmology, where carefully crafted systems, innovative operating models and strong management combined with the right timing have transformed a number of stand alone operations into hugely successful companies.

We are not the only company providing aggregated dental services in the Australian market although we are at this point the only listed company focussed only on dentistry. Companies providing these services, together with 1300SMILES Ltd, still comprise only a fraction of the dental market. It appears to us that now consolidation has started, it is most unlikely to be reversed. Our success to date, our systems, our operating model combined with our strong financial position plus our management expertise mean we are ideally placed. We will maintain our focus so as to ensure 1300 SMILES Ltd stays on the leading edge of change in the industry.

Growth and Outlook

The core of our business is the provision of facilities and services to self-employed dentists who operate their businesses through our facilities. The growth of our business comes from these main sources:

- Increasing the number of dentists who use the Company's existing facilities.
- Assisting the dentists who use the Company's facilities to increase their turnover.
- Acquiring additional practices.

- Establishing new practices.

During the 2005 year the Company achieved significant growth by focusing on its core activities. The number of dentists using our facilities increased. Many of these dentists increased their individual turnover. While we did not open any new facilities during the 2005 year, we expanded our operations and revenues within a number of our practices, including our newest flagship facility in the Townsville CBD, our impressive practice co-located with the Townsville Hospital in Douglas, and our practice facility serving the northern beaches of Townsville/Thuringowa, located in the main shopping centre in Deeragun. Since the end of the financial year we have also acquired an existing, established Practice in the Mackay CBD, which we regard as an important growth market.

Going forward, the Company will continue to focus on its core activities and seek to grow the turnover and profit from operations. While we are not releasing any guidance on future earnings at this stage, more specific information about our performance will be released in our report for the half year to 31 December 2005, in February 2006.

Between now and then I can assure you that the Company's board and management will remain absolutely focussed on careful, deliberate expansion and on continuous growth of earnings and dividends.

I thank you for your support of the Company during the year and look forward to a very long and profitable association.

Dr Daryl Holmes
Managing Director