



**1300SMILES LIMITED**  
**ACN 094 508 166**

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**NOTICE OF ANNUAL GENERAL MEETING**

**AND**

**EXPLANATORY MEMORANDUM**

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Date of Meeting: 27 November 2008  
Time of Meeting: 10.00AM (Townsville time)  
Place of Meeting: Level 1, 105 Denham Street  
Townsville QLD 4810

This Notice of Annual General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of **1300SMILES Limited ACN 094 508 166 (Company)** will be held at Level 1, 105 Denham Street, Townsville QLD 4810 on 27 November 2008 at 10.00AM (Townsville time).

### AGENDA

#### ORDINARY BUSINESS

##### 1. Financial Statements and Reports

To receive and consider the Company's Annual Report comprising the Directors' and Auditor's Report, Directors' Declaration, Income Statements, Balance Sheets, Statements of Changes in Equity, Cash Flow Statements and notes to and forming part of the accounts for the year ended 30 June 2008.

#### ORDINARY RESOLUTIONS

##### 1. Re-election of Mr William Bass as a Director

Mr. Bass retires by rotation in accordance with Article 13 of the Company's Constitution and, being eligible, offers himself for re-election.

*"That Mr William Bass be re-elected as a Director of the Company".*

##### 2. Remuneration Report

To consider and, if thought fit, pass the following Advisory Resolution:

*"That, the Remuneration Report for the year ended 30 June 2008 (as set out in the Directors Report) is adopted."*

*The vote on this Advisory Resolution is advisory only and does not bind the Directors of the Company.*

##### 3. Appointment of Auditor

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*"That for the purposes of Section 327B of the Corporations Act and for all other purposes, Ernst & Young having consented in writing to act as auditors of the Company, be appointed as auditors, effective immediately, subject to the consent of the Australian Securities and Investment Commission (ASIC)"*

#### GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

#### BY ORDER OF THE BOARD

William Bass  
Company Secretary  
11 November 2008

## **Notes**

### **Appointment of proxy**

A proxy form is enclosed for your use if required. Please see the instructions on the back of the form.

### **Persons entitled to vote**

Under regulation 7.11.37 of the Corporations Regulations 2001, the directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the Annual General Meeting will be as it appears in the Company's register of members at 7.00pm (Townsville time) on 25 November 2008.

### **Corporate representatives**

A member, that is a body corporate, may appoint an individual as its representative to exercise all or any of the powers the body corporate may exercise at the meeting. The appointment may be a standing one.

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum is provided to shareholders of **1300SMILES Limited ACN 094 508 166 (Company or 1300SMILES)** to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at Level 1, 105 Denham Street Townsville QLD 4810 on 27 November 2008 at 10.00AM (Townsville time).

The Directors recommend shareholders read the accompanying Notice of Annual General Meeting (**Notice**) and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The Notice of Meeting sets out the details of three separate matters to be put to Shareholders comprising the following:

### Ordinary Resolutions

1. Re-election of Mr William Bass as a Director;
2. To consider the Remuneration Report;
3. To seek approval for the appointment of Ernst & Young as auditor;

Specific comments relating to the Resolutions are set out below.

#### 1. **Resolution 1 – Re-election of Mr William Bass as a Director**

Mr William Bass was appointed as a Director on 25 January 2007, and re-elected at the 2007 Annual General Meeting. Mr. Bass retires by rotation in accordance with Article 13 of the Company's Constitution and, being eligible, offers himself for re-election.

Mr Bass has considerable corporate and listed company experience. He brings extensive commercial and financial management experience from a range of leading Australian and international public companies including General Electric, Billabong, Country Road and OnCard International.

Mr Bass has a Bachelor of Economics, is an Associate of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Taxation Institute of Australia.

Mr Bass is also a member of the Company's Remuneration and Nomination Committee and Chairman of the Audit Committee.

#### 2. **Resolution 2 - Remuneration Report**

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executive of the Company; and

- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

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 adopting the Remuneration Report.

### **3. Resolution 3 – Appointment of Auditor**

Resolution 3 seeks shareholder approval to appoint Ernst & Young as auditor of the Company. A shareholder of the Company has nominated Ernst & Young as auditor of the Company. A copy of this nomination is annexed to this Explanatory Memorandum.

The Company's current auditor, PKF Chartered Accountants, have resigned as auditor of the Company. This has been approved by the Australian Securities and Investment Commission (ASIC).

Pitcher Partners had consented to act as the Company's auditor in accordance with the Corporations Act, and as advised to shareholders in the Notice of Annual General Meeting filed with the Australian Stock Exchange on 22 October 2008. The Company was subsequently advised that the Pitcher Partners practice would discontinue effective 30 November 2008, and accordingly withdrew their consent to act as auditor.

Ernst & Young have consented to act as the Company's auditor in accordance with the Corporations Act and have not withdrawn their consent. The appointment of Ernst & Young as the Company's auditor has received ASIC's approval. A copy of the consent is annexed to this Explanatory Memorandum.

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

10 November 2008

22 Victoria Street,  
NORTH WARD, QLD., 4810

Dr. D Holmes  
Managing Director  
1300SMILES Ltd  
105 Denham St  
TOWNSVILLE, QLD., 4810

Dear Dr. Holmes,

**AUDITOR NOMINATION**

I note that PKF Chartered Accountants have indicated their intention to resign as auditor of 1300SMILES Ltd. at the upcoming Annual General Meeting.

I recommend the nomination of Ernst & Young of Level 5, 1 Eagle Street, Brisbane, QLD to become auditor of the company with effect on and from the 2008 Annual General Meeting.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R. Jones', with a stylized flourish at the end.

R. Jones  
Shareholder

10 November 2008

The Directors  
1300SMILES Limited  
Ground Floor  
105 Denham Street  
TOWNSVILLE QLD  
AUSTRALIA 4810

## Consent to Act Letter

Dear Sirs,

For the purpose of Section 328A of the Corporations Act 2001, we hereby consent to act as auditors of 1300SMILES LIMITED, subject to the approval of the members and the Australian Securities and Investments Commission.

Yours sincerely



Ernst & Young



Alison de Groot  
Partner

1300 SMILES LIMITED

PROXY FORM

APPOINTMENT OF PROXY

I/We .....  
(name of shareholder)

being a member/s of 1300SMILES Limited and entitled to attend and vote hereby appoint

the Chairman of the Meeting OR  Write here the name of the person you are  
(mark with an "X") appointing if this person is someone other than the  
Chairman of the Meeting

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of 1300SMILES Limited to be held at Level 1, 105 Denham Street Townsville, Queensland on 27 November 2008 at 10.00AM (Townsville time) and at any adjournment of that meeting.

If you do not wish to direct your proxy how to vote please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. The Chairman of the meeting intends to vote undirected proxies in favour of the resolutions.

Voting directions to your proxy – please mark

		For	Against	Abstain*
Resolution 1	Re-election of Mr William Bass as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Adopt the Remuneration Report (non binding resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approve the appointment of Ernst & Young as auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* 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.

Execution

This section *must* be signed in accordance with the instructions below to enable your directions to be implemented.

Individual or Security holder 1

Sole Director and  
Sole Company Secretary

Security holder 2

Director

Security holder 3

Director/Company Secretary

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Daytime Telephone

\_\_\_\_ / \_\_\_\_ / \_\_\_\_  
Date

## How to Complete the proxy Form

### 1. Appointment of a Proxy

*If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. 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. 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 security holder of the company.*

### 2. Votes on Items of Business

*You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities 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 securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, 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.*

### 3. 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.*

*To appoint on 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 securities 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 in the same envelope.*

### 4. 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, all of the security holders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document 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.

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. A form of the certificate may be obtained from the company's share registry.

## Lodgement of a Proxy

*This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 10.00AM on 25 November 2008, being 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.*

**Documents may be lodged with the Company:**

**IN PERSON:-** 1300SMILES Limited, Ground Floor, 105 Denham Street, Townsville QLD 4810

**BY MAIL:-** 1300SMILES Limited, PO Box 5021, Townsville QLD 4810

**BY FAX:-** (07) 4771 5217