

**11.30AM TUESDAY
30 NOVEMBER 2010
GRAND BALLROOM 4
SHERATON MIRAGE RESORT & SPA
SEAWORLD DRIVE
MAIN BEACH QLD
AUSTRALIA**



2010 NOTICE OF ANNUAL GENERAL MEETING



**RETAIL FOOD GROUP LIMITED
ACN 106 840 082**

NOTICE OF ANNUAL GENERAL MEETING RETAIL FOOD GROUP LIMITED ACN 106 840 082

DATE: 30 November 2010
TIME: 11.30am (Qld time)
PLACE: Grand Ballroom 4
Sheraton Mirage Resort & Spa
Seaworld Drive
Main Beach Qld 4217

NOTICE is given that the annual general meeting ('AGM') of Retail Food Group Limited ('the Company') will be held at 11.30am (Queensland time) on Tuesday the 30th of November 2010 at the Grand Ballroom 4, Sheraton Mirage Resort & Spa, Seaworld Drive, Main Beach Qld 4217.

Agenda Items:

1. Financial statements and reports:

To receive and consider the financial statements of the Company, together with the directors' and auditors' reports, for the financial year ended 30 June 2010.

2. Remuneration report:

To consider, and if in favour, pass the following resolution under section 250R(2) of the Corporations Act 2001 (Cth) ('Corporations Act'):

'That the remuneration report for the financial year ended 30 June 2010 be adopted by the Company.'

This resolution will be decided as if it were an ordinary resolution. However, under section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the directors or the Company

3. Re-election of directors:

To consider, and if in favour, pass the following resolutions as ordinary resolutions:

'That, Mr Colin Cameron Archer who retires by rotation in accordance with the Company's constitution and, being eligible, offers himself for re-election, is re-elected as a director of the Company.'

'That, Mr Bruce Alan Hancox, who retires by rotation in accordance with the Company's constitution and, being eligible, offers himself for re-election, is re-elected as a director of the Company.'

4. Approval of a previous issue of ordinary shares:

To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, shareholders approve the issue of 1,900,000 ordinary shares on 31 March 2010, issued pursuant to the dividend reinvestment plan ('DRP') shortfall placement, particulars of which are provided in the explanatory memorandum accompanying this notice of AGM.'

5. Approval of a previous issue of ordinary shares:

To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, shareholders approve the issue of 447,458 ordinary shares on 15 January 2010 as part consideration for the acquisition of the Brumby's Bakeries North Queensland and New Zealand master franchise businesses'

6. Approval of a previous issue of ordinary shares:

To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, shareholders approve the issue of 420,495 ordinary shares on 16 February 2010 as part consideration for the acquisition of the Brumby's Bakeries Western Australia and Northern Territory master franchise businesses'

7. Approval of a previous issue of ordinary shares:

To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, shareholders approve the issue of 106,383 ordinary shares on 13 January 2010 as part consideration for the acquisition of DCM Donuts, Coffee & Muffins franchise system'.

8. Approval of options issued to executive director:

To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue 100,000 options to subscribe for ordinary shares in the Company exercisable at \$1.50 on or after 1 December 2010 but before 5.00pm 30 November 2012 to Mr Nigel Norman Nixon being a director of the Company or his nominee'

9. Approval of options issued to executive director:

To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue 100,000 options to subscribe for ordinary shares in the Company exercisable at \$2.78 on or after 1 December 2011 but before 5.00pm 30 November 2013 to Mr Nigel Norman Nixon being a director of the Company or his nominee'

10. Approval of options issued to executive director:

To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue 250,000 options to subscribe for ordinary shares in the Company exercisable at \$2.78 on or after 1 December 2011 but before 5.00pm 30 November 2013 to Mr Anthony James Alford being a director of the Company or his nominee"

Dated 29 October 2010.

By order of the board

A handwritten signature in black ink, appearing to be 'AMC', enclosed within a circular stamp or seal.

Anthony Mark Connors
Legal Counsel & Company Secretary
Retail Food Group Limited

VOTING EXCLUSION STATEMENT:

The Company will disregard any vote cast:

- a) on resolution 4 by any party who participated in the issue and their associates;
- b) on resolution 5 by any party who participated in the issue and their associates;
- c) on resolution 6 by any party who participated in the issue and their associates;
- d) on resolution 7 by any party who participated in the issue and their associates;
- e) on resolution 8 by Mr Nigel Norman Nixon and his associates;
- f) on resolution 9 by Mr Nigel Norman Nixon and his associates;
- g) on resolution 10 by Anthony James Alford and his associates;

However, the Company need not disregard a vote if:

- h) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy voting form; or
- i) if 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.

NOTES:

1. Pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Directors have determined that, for the purpose of the AGM, all shares in the Company shall be taken to be held by the persons who were registered as shareholders at 7.00pm (Sydney time) on the 28th of November 2010. Accordingly, those persons are entitled to attend and vote at the AGM.

2. Eligible members are encouraged to attend the AGM. If unable to attend, members may appoint a proxy to attend and vote for them. A proxy need not be a member of the Company.

If members are entitled to cast two or more votes, they may nominate two persons to vote on their behalf at the AGM.

If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of the member's votes. Fractions of votes will be disregarded. If no number or proportion is specified, each proxy may exercise half the member's votes.

A proxy form and reply paid envelope have been included for members with this notice of AGM. Proxy voting instructions are provided on the proxy form.

Members who wish to direct a proxy how to vote on a resolution must place a mark (ie a cross 'X') in the appropriate box on the proxy form.

3. Proxy forms must be completed and respectively returned by post, facsimile or delivery to the Company:

- a) via PO Box 1549, Southport Qld 4215;
- b) via (07) 5591 9021; or
- c) at 26 Railway Street, Southport Qld 4215;

or its share registry, Computershare Investor Services Pty Limited:

- a) via GPO Box 242, Melbourne Vic 3001;
- b) via 1800 783 447 or + 61 3 9473 2555 (outside Australia) ; or
- c) Intermediary Online Subscribers (Custodians/Nominees) may lodge their vote electronically by visiting www.intermediaryonline.com

on or before 11.30am (Qld time) on the 28th of November 2010.

4. Any revocations of proxies must be received (at the addresses or in the manner noted at Note 3 above) before commencement of the AGM, or at the registration desk in the Grand Terrace, Sheraton Mirage Resort & Spa, Seaworld Drive, Main Beach Qld 4217 from 11.00am to 11.30am (Qld time) on the 30th of November 2010.
5. Any proxy form, or revocation thereof, received after the deadlines indicated above will be treated as invalid.
6. If a member has appointed an attorney to attend and vote at the meeting, or if a proxy form is signed by an attorney, the power of attorney (or a certified copy of it) must be received by the Company or its share registry (at the addresses or in the manner noted at Note 3 above) by 11.30am (Qld time) on the 28th of November 2010.
7. If a corporate shareholder wishes to appoint a person to act as its representative at the meeting, that person must be provided with a letter or certificate authorising him or her as the company's representative (executed in accordance with the law and the company's constitution) or with a copy of the resolution appointing the representative, certified by a secretary or director of the company.
8. A proxy may decide whether to vote on any motion except where required by law or the Company's constitution to abstain in their capacity as proxy. If a proxy is directed to vote on an agenda item, he or she may vote only in accordance with the direction. If a proxy is not directed how to vote on an agenda item, he or she may vote as the proxy thinks fit.
9. If a member appoints the chairman of the meeting as the member's proxy and does not specify how the chairman is to vote on an item of business, the chairman will vote, as proxy for that member, in favour of that item on a poll.
10. Members entitled to vote at the AGM may submit written questions to the Company's auditor provided such questions are relevant to the content of the auditor's report or the conduct of the audit of the Company's annual financial report to be laid before the AGM. Written questions for the auditor must be submitted no later than the fifth (5th) business day before the 30th of November 2010.

EXPLANATORY NOTES REGARDING AGENDA ITEMS:

These explanatory notes have been prepared to assist shareholders with their consideration of the resolutions to be put to the AGM to be held on 30 November 2010. These explanatory notes should be read with, and form part of, the accompanying notice of AGM:

1. FINANCIAL STATEMENTS & REPORTS:

Section 317 of the Corporations Act requires that the Company's annual financial report, the Directors' report and auditors' report be laid before the AGM. Whilst shareholders may ask questions about the reports, there will be no formal resolution put to the meeting concerning these matters.

An electronic copy of the Company's annual report (incorporating the Company's financial reports together with the directors' and the auditors' reports) may be accessed via the following website address: www.rfg.com.au

Alternatively, shareholders can contact the Company secretary on 07 5591 3242 and request a copy be forwarded to them by mail.

2. REMUNERATION REPORT (resolution 1):

The Corporations Act requires that the Company's remuneration report (forming part of the directors' report and contained in the Company's annual report) be put to vote by shareholders at the AGM.

The vote on the proposed resolution is advisory only and will not bind the directors or the Company.

The board recommends that shareholders vote in favour of this resolution.

3. RE-ELECTION OF DIRECTORS (resolution 3):

Rule 16.1 of the Company's constitution requires that one third (or the nearest number thereto but not less than one third) of the directors, other than the managing director, must retire from office. Pursuant to Rule 16.2 of the Company's constitution, the director/s who must retire are those director/s who have been in office longest since last being elected.

Directors retiring by rotation are eligible for re-election under Rule 16.2 of the Company's constitution.

Colin Cameron Archer:

Colin Cameron Archer is required by rotation to retire, however, offers himself for re-election.

Mr Archer was appointed an independent director by the board on the 12th of April 2006. That appointment was subsequently ratified by shareholders during the Company's AGM of 29 November 2006. He was subsequently re-elected following retirement by rotation at the Company's AGM of 27 November 2008.

Mr Archer is the founding partner of Archer Gowland Chartered Accountants which has operated for 25 years. He advises in the corporate services division, specializing in management and letting rights, property trusts, mergers and acquisitions and corporate governance.

Mr Archer holds a bachelor of economics, is a chartered accountant and a registered tax agent. He is a member of the Australian Institute of Company Directors and a fellow of the Community Title Institute of Queensland.

Mr Archer is the chairman of the Company's audit & risk management committee and a member of the Company's nomination committee and remuneration committee. He is also a director of Oaks Hotels and Resorts Limited.

The board (with Mr Archer abstaining) recommends that shareholders vote to re-elect Mr Archer.

Bruce Alan Hancox:

Bruce Alan Hancox is required by rotation to retire, however, offers himself for re-election.

Mr Hancox was appointed an independent director by the board on the 14th of December 2007. That appointment was subsequently ratified by shareholders during the Company's AGM of 27 November 2008.

Mr Hancox has over 35 years experience in corporate positions, manufacturing and retail including with Lane Walker Rudkin Industries (New Zealand's leading clothing and fabric manufacturer) and A B Consolidated Limited (a biscuit and confectionary manufacturer).

Mr Hancox was also with Brierley Investments Limited for 19 years during which time the market capitalization of that company increased from NZ\$28 million to NZ\$7 billion. Mr Hancox occupied the positions of general manager, group chief executive, and ultimately, chairman of the Brierley Investments Limited board of directors. He also served as a director of many of the company's subsidiary and associated boards in Australia, New Zealand and the United States, exposing him to many industries and business sectors. More recently he has held directorships with a regional port company and national meat company.

He is a member of the Company's audit & risk management committee, nomination committee and remuneration committee.

The board (with Mr Hancox abstaining) recommends that shareholders vote to re-elect Mr Hancox.

4. ISSUE OF ORDINARY SHARES (resolutions 4, 5, 6, & 7):

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of the securities at the commencement of that 12 month period.

Prior to the date of this notice of AGM:

- a) 1,900,000 ordinary shares were issued pursuant to a DRP shortfall placement announced to the market on 26 March 2010;
- b) 447,548 ordinary shares were issued as part consideration for the Company's acquisition of the Brumby's Bakeries North Queensland and New Zealand master franchise businesses;
- c) 420,495 ordinary shares were issued as part consideration for the Company's acquisition of the Brumby's Bakeries Western Australia and Northern Territory master franchise businesses; and
- d) 106,383 ordinary shares were issued as part consideration for the Company's acquisition of the DCM Donuts, Coffee & Muffins franchise system.

Prior shareholder approval of the issue of the above shares was not necessary.

The allotment and issue of securities detailed in resolutions 4 to 7 did not exceed the 15% threshold for the purpose of ASX Listing Rule 7.1. ASX Listing Rule 7.4 provides that where a Company subsequently approves an issue of securities, the issue will be treated as having been made with approval for the purpose of ASX Listing Rule 7.1, thereby replenishing the Company's 15% capacity and enabling it to issue further securities up to that limit.

The board recommends that shareholders vote in favour of resolutions 4, 5, 6 and 7.

Resolution 4:

The purpose of resolution 4 is for shareholders to approve, pursuant to ASX Listing Rule 7.4, the issue of 1,900,000 ordinary shares to sophisticated and professional investors on 31 March 2010 which counted toward the Company's 15% limit under Listing Rule 7.1. The Company seeks approval of the issue to preserve its ability to issue shares under the 15% limit in Listing Rule 7.1 throughout the coming 12 months.

Particulars of the placement are as follows:

- a) the issue price for the shares was \$2.62 (being consistent with the DRP price applicable to the Company's interim dividend for the period ending 31 December 2009);
- b) the shares were placed with ANZ Nominees Limited, Aust Executor Trustees NSW Limited, Citicorp Nominees Pty Limited, Cogent Nominees Pty Ltd, Guerilla Nominees Pty Ltd, HSBC Custody Nominees, Merrill Lynch (Australia) Nominees Pty Ltd and UBS Nominees Pty Ltd;
- c) the shares rank equally in all respects with, and have identical terms to, the other existing ordinary shares on issue;
- d) the purpose of the issue was a DRP shortfall placement and the funds raised will be used as part of capital management initiatives; and
- e) the shares were issued on 31 March 2010 following settlement of the placement on 30 March 2010.

Resolution 5:

The purpose of the resolution is for shareholders to approve, pursuant to ASX Listing Rule 7.4, the issue of 447,458 ordinary shares to Tropical Bakeries Pty Ltd ACN 062 199 053 on 15 January 2010 which counted toward the Company's 15% limit under ASX Listing Rule 7.1. The Company seeks approval of the issue to preserve its ability to issue shares under the 15% limit in ASX Listing Rule 7.1 throughout the coming 12 months.

Particulars of the issue were as follows:

- a) the issue price for the shares was \$2.95;
- b) the shares were issued to Tropical Bakeries Pty Ltd ACN 062 199 053 (the former master franchisee of the Brumby's Bakeries system in the territories of North Queensland and New Zealand);
- c) the shares rank equally in all respects with, and have identical terms to, the other existing ordinary shares on issue;
- d) the purpose of the issue was to pay a portion of the consideration payable by the Company in connection with its acquisition of the Brumby's Bakeries' North Queensland and New Zealand master franchise businesses; and
- e) the shares were issued on 15 January 2010 following settlement of the aforementioned transaction on that date.

Resolution 6:

The purpose of the resolution is for shareholders to approve, pursuant to ASX Listing Rule 7.4, the issue of 420,495 Ordinary Shares to Wishaw Holdings Pty Ltd ACN 009 049 076 on 16 February 2010 which counted toward the Company's 15% limit under ASX Listing Rule 7.1. The Company seeks approval of the issue to preserve its ability to issue shares under the 15% limit in ASX Listing Rule 7.1 throughout the coming 12 months.

Particulars of the issue were as follows:

- a) the issue price for the shares was \$2.83;
- b) the shares were issued to Wishaw Holdings Pty Ltd ACN 009 049 076 (the former master franchisee of the Brumby's system in the territories of Western Australia and the Northern Territory);
- c) the shares rank equally in all respects with, and have identical terms to, the other existing ordinary shares on issue;
- d) the purpose of the issue was to pay a portion of the consideration payable by the Company in connection with its acquisition of the Brumby's Western Australia and Northern Territory master franchise businesses; and
- e) the shares were issued on 16 February 2010 following settlement of the aforementioned transaction on that date.

Resolution 7:

The purpose of the resolution is for shareholders to approve, pursuant to ASX Listing Rule 7.4, the issue of 106,383 ordinary shares to WPDT2 (Investments) Pty Ltd ACN 083 384 712 on 13 January 2010 which counted toward the Company's 15% limit under ASX Listing Rule 7.1. The Company seeks approval of the issue to preserve its ability to issue shares under the 15% limit in ASX Listing Rule 7.1 throughout the coming 12 months.

Particulars of the issue were as follows:

- a) the issue price for the shares was \$2.82;
- b) the shares were issued to WPDT2 (Investments) Pty Ltd ACN 083 384 712 (the former owner of the DCM Donuts, Coffee & Muffins franchise system);
- c) the shares rank equally in all respects with, and have identical terms to, the other existing ordinary shares on issue;
- d) the purpose of the issue was to pay a portion of the consideration payable by the Company in connection with its acquisition of the DCM Donuts, Coffee & Muffins franchise system; and
- e) the shares were issued on 13 January 2010 following settlement of the aforementioned transaction on that date.

5. APPROVAL OF OPTIONS FOR DIRECTORS (resolutions 8, 9 & 10):

Messrs Nigel Norman Nixon and Anthony James Alford are current directors of the Company to whom it is proposed to issue options over shares in the Company.

It is proposed to issue the following options:

- a) to Mr Nigel Norman Nixon (or his nominee):
 - i) 100,000 options to subscribe for ordinary shares in the Company exercisable at \$1.50 each on or after 1 December 2010 but before 5.00pm 30 November 2012 ('the N1 Options'); and
 - ii) 100,000 options to subscribe for ordinary shares in the Company exercisable at \$2.78 each on or after 1 December 2011 but before 5.00pm 30 November 2013 ('the N2 Options'); and
- b) to Mr Anthony James Alford (or his nominee) 250,000 options to subscribe for ordinary shares in the Company exercisable at \$2.78 each on or after 1 December 2011 but before 5.00pm 30 November 2013 ('the A1 Options').

Approval for the issue of the aforesaid options is sought in accordance with the provisions of ASX Listing Rule 10.11 and Part 2E of the Corporations Act. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

In order for the N1, N2 & A1 Options ('the Options') to be granted to directors, this notice of AGM must observe the requirements of Chapter 2E of the Corporations Act and ASX Listing Rule 10.13.

Option Terms:

A summary of the material terms of the Options is set out below:

- a) the N1 Options shall have a grant date and vesting date of 1 December 2010 and shall be exercisable wholly or in part by notice in writing to the Company received at any time on or after 1 December 2010 but before 5.00pm 30 November 2012 together with a cheque for the exercise price of the options exercised;
- b) the N2 Options shall have a grant date of 1 December 2010, shall vest on 1 December 2011 and shall be exercisable wholly or in part by notice in writing to the Company received at any time on or after 1 December 2011 but before 5.00pm 30 November 2013 together with a cheque for the exercise price of the options exercised;

- c) the A1 Options shall have a grant date of 1 December 2010, shall vest on 1 December 2011 and shall be exercisable wholly or in part by notice in writing to the Company received at any time on or after 1 December 2011 but before 5.00pm 30 November 2013 together with a cheque for the exercise price of the options exercised;
- d) the Options are options to subscribe for ordinary shares in the capital of the Company;
- e) the Options are to be issued for no consideration;
- f) shares issued on exercise of the Options will rank pari passu with all existing ordinary shares of the Company from the date of issue;
- g) the Options shall be unlisted;
- h) upon allotment of shares pursuant to the exercise of Options, the Company shall use its best endeavours to have such shares quoted and listed on the Official List of the ASX;
- i) the Options will not carry any entitlement to participate in dividends declared or paid by the Company; and
- j) the rights of Messrs Alford and Nixon in accordance with the Options may be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital of the Company at the time of the reorganisation.

It is intended that funds raised on the exercise of the Options will be used to meet the Company's working capital requirements.

Corporations Act (Cth) 2001:

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless:

- a) the benefit has been approved by shareholders in the manner provided for in the Corporations Act, and the benefit is given within 15 months of approval; or
- b) the benefit falls within one of various exceptions to the general prohibition.

A 'related party' for the purposes of the Act is defined widely and includes a director of the public company.

A 'financial benefit' for the purposes of the Act has a wide meaning. It includes the public company issuing securities or granting an option to the related party. In determining whether or not a financial benefit is being given, the economic and commercial substance of conduct is to prevail over its legal form and any consideration given for the benefit must be disregarded even if adequate.

Resolutions 8, 9 & 10, if passed, will confer financial benefits upon Messrs Alford and Nixon and the Company seeks to obtain member approval in accordance with the requirements of the Corporations Act. For this reason and for all other purposes the following information is provided to shareholders:

- a) the related parties to whom the proposed resolution would permit financial benefits to be given are:
 - i) in the case of the N1 Options and N2 Options – Mr Nigel Norman Nixon (or his nominee); and
 - ii) in the case of the A1 Options – Mr Anthony James Alford (or his nominee).
- b) the nature of the proposed financial benefit to be given is the grant, for no cash consideration:
 - i) to Mr Nigel Norman Nixon (or his nominee) of the N1 Options and N2 Options; and
 - ii) to Mr Anthony James Alford (or his nominee) of the A1 Options.
- c) each of the directors of the Company (other than Mr Nixon in respect of the N1 Options and N2 Options and Mr Alford in respect to the A1 Options) recommend that shareholders vote in favour of the resolution. The reasons for their recommendation are:
 - i) the grant of the Options as proposed to Messrs Alford and Nixon (or their respective nominees) will provide them with reward and incentive for future services they will provide to the Company;
 - ii) the grant of the N1 Options as proposed to Mr Nixon (or his nominee) constitute a reward for past performance and service to the Company, and specifically, Mr Nixon's integral involvement in bringing to fruition the Company's acquisition of the DCM Donuts, Coffee & Muffins franchise system and acquisition of the Brumby's Bakeries master franchise businesses for North Queensland, Western Australia, the Northern Territory and New Zealand; and
 - iii) in the Company's circumstances as at the date of this explanatory memorandum, the directors considered that the proposed grant of the Options to Messrs Alford and Nixon (or their respective nominees) provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg cash bonuses, increased remuneration). However, it is recognised that there will be an opportunity cost to the Company in granting the Options for nil consideration being the value of the Options to a third party.

As Mr Nixon is interested in the outcome of resolutions 8 and 9, he accordingly makes no recommendation to shareholders in respect of these resolutions.

As Mr Alford is interested in the outcome of resolution 10, he accordingly makes no recommendation to shareholders in respect of this resolution.

- d) None of the directors of the Company (other than Mr Nixon in respect of the N1 Options and N2 Options and Mr Alford in respect of the A1 Options) have an interest in the outcome of the proposed resolution.

Mr Nixon holds an interest in the outcome of resolutions 8 and 9 given that those resolutions approve the grant to him (or his nominee) of the N1 Options and N2 Options.

Mr Alford holds an interest in the outcome of resolution 10 given that this resolution approves the grant to him (or his nominee) of the A1 Options.

- e) Other information that is reasonably required by members in order to decide whether or not it is in the Company's interest to pass the proposed resolution and that is known to the Company or its directors:

Potential benefits to the Company:

If the Options are issued as proposed pursuant to resolutions 8, 9 and 10, the Company considers the following benefits arise:

- Messrs Nixon and Alford, each of whom are executive directors, will have an increased interest in the affairs of the Company as the holders of the Options (as the case may be) and as shareholders upon exercise of the Options. The Company has determined the number of Options to be issued to Messrs Nixon and Alford on the basis that it will provide a meaningful incentive to them in the context of their total remuneration packages;
- the issue of the Options to Messrs Nixon and Alford is a non-cash form of remuneration, thus conserving the Company's cash reserves. The issue enables the Company to provide its executive directors with reward for services provided and an incentive for future services they will provide to the Company in a cost-effective manner as opposed to other forms of remuneration; and
- the exercise of the Options will provide working capital for the Company. If all of the Options proposed to be issued to Messrs Alford and Nixon are ultimately exercised, an amount of \$1,123,000 would be raised. As the Options are to be granted for nil consideration, there will be no funds raised by the Company in granting the Options.

Potential costs to the Company:

The issue of the Options to Messrs Nixon and Alford will result in a dilution of the issued share capital of the Company if the Options are exercised.

If all of the Options granted are exercised by Messrs Alford and Nixon (or their respective nominees), the dilutionary effect on the current issued capital of the Company and the effect on control will be as set out in the table below:

Shareholders	Ordinary shares on issue (undiluted)	Ordinary shares on issue (fully diluted other than for exercise of the Options)	Ordinary shares on issue on exercise of the Options (undiluted)	Ordinary shares on issue on exercise of the Options (fully diluted)
Current shareholders other than Mr Nixon and Mr Alford	77,936,719 (72.67%)	79,162,253 (72.9%)	77,936,719 (72.4%)	79,162,253 (72.6%)
Mr Nixon*	5,650,009 (5.27%)	5,760,341 (5.3%)	5,850,009 (5.4%)	5,960,341 (5.5%)
Mr Alford*	23,660,197 (22.06%)	23,670,197 (21.8%)	23,910,197 (22.20%)	23,920,197 (21.9%)
Total:	107,246,925 (100%)	108,592,791 (100%)	107,696,925 (100%)	109,042,791 (100%)

* Includes shares in which Mr Nixon or Mr Alford hold a notifiable interest pursuant to the Corporations Act

Until exercised, the issue of the Options will not impact upon the number of ordinary shares on issue in the Company. The directors (other than Mr Alford and Mr Nixon) consider that the dilutionary impact of the exercise of the Options and the effect on control of the Company is more than offset by the advantages accruing from the Company securing the services of Messrs Nixon and Alford on appropriate incentive terms.

If the Options are exercised at time when the market price of the Company's shares is greater than the exercise price of the options, the Company will be required to issue shares at a price lower than it might otherwise have been able to.

In the twelve months to 19 October 2010 (being the day before the date that this notice of AGM went to print) the Company's ordinary shares have traded on ASX at prices of between \$2.11 (21 May 2010) and \$3.10 (11 January 2010). The closing price on 19 October 2010 was \$2.42. The volume weighted average trading price of the Company's ordinary shares on ASX in the year to 19 October 2010 was \$2.58.

Shareholders should note that the exercise price of the N1 Options is significantly lower than the recent trading prices of the Company's shares. Notwithstanding that this is the case, the board considers that the issue of the N1 Options provides an appropriate reward to Mr Nixon for past performance and service to the Company, and specifically, Mr Nixon's integral involvement in bringing to fruition the Company's acquisition of the DCM Donuts, Coffee & Muffins franchise system and acquisition of the Brumby's Bakeries master franchise businesses for North Queensland, Western Australia, the Northern Territory and New Zealand.

AASB 2 "Share Based Payments" requires that these payments shall be measured at the fair value of the equity instrument with such amount being expensed in the Company's income statement.

Valuation:

The Options will not be quoted on the ASX and as such will have no market value. The Options do however grant the holder thereof a right to acquire one ordinary share in the Company upon exercise of each of the Options and payment of the exercise price

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- i) the period before lapse;
- ii) the exercise price relative to the underlying price or value of the securities into which they may be converted; and
- iii) whether the Options are listed.

The Company has estimated the value of the Options using the Black-Scholes Model which is the most recognised and widely used model for pricing options. Inherent in the application of the Black-Scholes Model are a number of inputs some of which must be assumed. The data relied upon in applying the Black-Scholes Model was:

- i) in respect of the N1 Options:
 - the exercise price of the Options (\$1.50);
 - the exercise period (being two years from 1 December 2010 to 30 November 2012);
 - A volatility measure of 42.00%;
 - A risk-free interest rate of 4.50%;
 - A dividend yield of 5.02%;
 - An Option life of 1.00 years; and
 - the Company's volume weighted average share price over 12 months ending 19 October 2010 being \$2.58.
- ii) In respect of the N2 Options and A1 Options:
 - the exercise price of the Options (\$2.78);
 - the exercise period (being two years from 1 December 2011 to 30 November 2013);
 - A volatility measure of 42.00%;
 - A risk-free interest rate of 4.81%;
 - A dividend yield of 5.02%;
 - An Option life of 2.00 years; and
 - the Company's volume weighted average share price over the 12 months ending 19 October 2010 being \$2.58.

Based on this information, and using the Black-Scholes Model as aforesaid, the Company has adopted an indicative value for the N1 Options of \$1.0566 each and for the N2 Options and A1 Options of \$0.4764 each. On that basis:

- i) the value of the Options to be issued to Mr Nixon (or his nominee) under resolution 8 is \$105,660 and under resolution 9 is \$47,640; and
- ii) the value of the Options to be issued to Mr Alford (or his nominee) under resolution 10 is \$119,100.

Taxation consequences:

No stamp duty will be payable in respect of the grant of the Options. No GST will be payable by the Company in respect of the grant of the Options (or it is then it will be recoverable as an input tax credit). The Company will be liable to the Queensland State Government (Office of State Revenue) for payroll tax on the taxable value of the Options computed for payroll tax purposes. The Company elects to be taxed for Payroll Tax purposes on the date shares are granted pursuant to the exercise of the Options.

Related parties existing interest:

Excluding the Options the subject of resolutions 8, 9 and 10, the voting power of Messrs Alford and Nixon (and entities associated with them) in the Company's securities as at close of trade on 19 October 2010 (being the day before the date that this notice of AGM went to print) are as follows:

Director	Shares	Options
Mr N N Nixon*	5,650,009	110,332
Mr A J Alford*	23,660,197	10,000

* Includes shares in which Mr Nixon or Mr Alford hold a notifiable interest pursuant to the Corporations Act

Directors remuneration:

Total remuneration paid to Messrs Alford and Nixon in the financial years ended 30 June 2008, 2009 and 2010 was as follows:

Director	Position	Year	Short term employment benefits	Post employment benefits	Share based payments	Total
Mr N N Nixon	Corporate Counsel & Executive Director	FY2008	\$261,572	-	\$21,675	\$283,247
		FY2009	\$348,603	-	\$15,867	\$364,470
		FY2010	\$401,141*	-	\$6,127	\$407,268
Mr A J Alford	Chief Executive Officer & Managing Director	FY2008	\$366,200	-	\$24,289	\$390,489
		FY2009	\$450,000	\$22,777	\$16,994	\$489,711
		FY2010	\$611,000*	\$16,200	\$6,215	\$633,415

* including cash bonuses paid

In relation to FY2011 and beyond:

- the contract of employment entered into between Mr Alford and RFGA Management Pty Ltd (a subsidiary of the Company) requires the employee to give a minimum of three (3) months notice of termination to the employer. RFGA Management Pty Ltd could terminate the employee by giving a minimum of six (6) months notice or payment of the equivalent salary in lieu. Mr Alford's base salary will increase from \$520,000 per annum to \$575,000 per annum effective from 1 November 2010. Short and long term remuneration and incentive arrangements are considered by the Company's remuneration committee and board on a regular basis and are dependent upon, among other things, the executive's performance, the achievement of applicable performance hurdles (where set) and the circumstances of the Company at the applicable time.
- The contract of employment entered into between Mr Nixon and RFGA Management Pty Ltd (a subsidiary of the Company) requires the employee to give a minimum of three (3) months notice of termination to the employer. RFGA Management Pty Ltd could terminate the employee by giving a minimum of six (6) months notice or payment of the equivalent salary in lieu. Mr Nixon's base salary will increase from \$350,000 per annum to \$371,000 effective from 1 November 2010. Short and long term remuneration and incentive arrangements are considered by the Company's remuneration committee and board on a regular basis and are dependent upon, among other things, the executive's performance, the achievement of applicable performance hurdles (where set) and the circumstances of the Company at the applicable time.

Other than the information above and otherwise set out in this explanatory memorandum, the directors do not believe that there is any other information known to the Company or its directors that shareholders reasonably require to make a decision in relation to the benefits contemplated by the resolutions 8, 9 and 10.



000001 000 RFG
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 552 270
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 11.30am (Queensland time) Sunday 28 November 2010

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:
www.investorcentre.com



Review your securityholding



Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Retail Food Group Limited hereby appoint

☐

the Chairman
of the meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate 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 Retail Food Group Limited to be held at the Grand Ballroom 4, Sheraton Mirage Resort & Spa, Seaworld Drive, Main Beach, Queensland on Tuesday, 30 November 2010 at 11.30am and at any adjournment of that meeting.

STEP 2 Items of Business



PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
2. Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3a. Re-election of Mr Colin Cameron Archer as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3b. Re-election of Mr Bruce Alan Hancox as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approve the issue of 1,900,000 ordinary shares on 31 March 2010, issued pursuant to the dividend reinvestment plan ('DRP') shortfall placement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approve the issue of 447,458 ordinary shares on 15 January 2010 as part consideration for the acquisition of the Brumby's Bakeries North Queensland and New Zealand master franchise businesses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approve the issue of 420,495 ordinary shares on 16 February 2010 as part consideration for the acquisition of the Brumby's Bakeries Western Australia and Northern Territory master franchise businesses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approve the issue of 106,383 ordinary shares on 13 January 2010 as part consideration for the acquisition of DCM Donuts, Coffee & Muffins franchise system.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Approve the issue 100,000 options to Mr Nigel Norman Nixon.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Approve the issue 100,000 options to Mr Nigel Norman Nixon.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Approve the issue 250,000 options to Mr Anthony James Afford.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) This section must be completed.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

RFG

1 2 1 8 8 9 A

Computershare +