



notice of annual
general meeting
2007



Fone Zone Group Limited

ACN 113 178 519

Registered Office:

67 Links Avenue North,
Eagle Farm,
Queensland, 4009

notice of annual general meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Fone Zone Group Limited will be held on Monday 29 October 2007 in the Clayfield Room, Brisbane Riverview Hotel, Cnr Kingsford Smith Drive and Hunt St, Hamilton, Brisbane at 2.00pm.

business

1. Financial Statements and Reports

To receive and consider the Financial Statements and the Reports of the Directors and the Auditor for the financial year ended 30 June 2007.

2. Re-election of Directors who retire by Rotation

Resolution 1 – Re-election of Ms Maxine Horne

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

That Ms Maxine J Horne, an Executive Director retiring by rotation in accordance with Clause 59 of the Company's Constitution, being eligible, be re-elected as an Executive Director of the Company.

Resolution 2 – Re-election of Mr Richard Simpson

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

That Mr Richard A Simpson, a non-Executive Director retiring by rotation in accordance with Clause 59 of the Company's Constitution, being eligible, be re-elected as a non-Executive Director of the Company.

3. Re-election of Director appointed since the last AGM

Resolution 3 – Re-election of Mr Neil Osborne

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

That Mr Neil A Osborne, a non-Executive Director who was appointed on 25 June 2007 by the Directors, and who is retiring in accordance with Clause 58 of the Company's Constitution, being eligible, be re-elected as a non-Executive Director of the Company.

4. Remuneration Report

Resolution 4 – Adoption of Remuneration Report

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

That the Remuneration Report contained in the Company's 2007 Annual Report in respect of the financial year ended 30 June 2007, be adopted.

(This resolution is advisory only and does not bind the Directors or the Company)

5. Constitution – Proportional Takeover Approval Provisions

Resolution 5 – Renewal of Proportional Takeover Approval Provisions

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

That Clause 25 of the Company's Constitution be renewed for a further 3 year period in accordance with Part 6.5 of the Corporations Act 2001

Please refer to the Explanatory Note

6. Financial Assistance

Resolution 6 – Approve the giving of Financial Assistance

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

That the Company approve the transactions described in the explanatory statement accompanying this resolution (which forms a part of this resolution) and all elements of those transactions that may constitute financial assistance by the companies referred to in the explanatory statement as Target Group Companies for the purposes of section 260A of the Corporations Act 2001 (Cth), by:

- (a) giving an interlocking guarantee and indemnity by each Target Group Company for the repayment of money that may become owing, under the Facilities Agreement; and*
- (b) giving a fixed and floating charge by each Target Group Company.*

In this resolution a reference to any document in this resolution is the document as amended, restated or replaced from time to time.

Please refer to the Explanatory Note

By order of the Board



W L te Kloot Company Secretary

25 September 2007

explanatory notes

1. Financial Statements and Reports

The Financial Statements and Reports are included in the Fone Zone Group Limited Annual Report for 2007 which has been made available to Shareholders and can be found on the Company's website (<http://www.fonezone.com.au/annualreport>). Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports and on the business, operations, financial position, management, and prospects of the Company. The Company's external auditor, Ernst & Young, will be in attendance to respond to questions in relation to the conduct of the audit and the preparation and content of the Auditor's Report.

There is no requirement for the Financial Statements and these Reports to be formally approved by Shareholders.

2. Re-election of Directors who retire by Rotation

Clause 59 of the Company's Constitution provides that at each AGM, at least one third of the total Directors of the Company (excluding the Managing Director) must retire from office. The Directors to retire are those who have spent the longest time in office. Each retiring Director is eligible for re-election in accordance with ASX Listing Rules and the Company's Constitution.

At this AGM, Ms Maxine Horne and Mr Richard Simpson are retiring from office, and both are seeking re-election. Their details are:

Maxine J Horne

Executive Director and Chief Operating Officer

Maxine is Co-founder and Chief Operating Officer of Fone Zone. She is responsible for leading and managing Fone Zone's operations, with a particular focus on the employees of Fone Zone, customer service training, and career development, ensuring that Fone Zone really is a great place to work. Maxine has also been instrumental in the integration of Fone Zone's previous acquisitions.

Maxine has over 17 years' experience in the mobile communications industry in the United Kingdom and Australia. Maxine received the President's Award at the 2005 NSW ARA Awards for Excellence, and was named QBR Business Woman of the Year, Retail in 2006.

Richard A Simpson

Independent Non-Executive Director

Richard was formerly President International for Telstra, based in Hong Kong. In this role he was Chairman of CSL (the leading Hong Kong mobile operator), TelstraClear in New Zealand, and REACH (Asia's largest international communications carrier). He took over as CEO of REACH from 2003 to 2005, and then retired back to Australia.

Richard started his career in IT, spending 20 years with IBM and then Unisys, in Australia as well as the USA. He then joined Optus and subsequently Telstra, where he was Group Managing Director, Mobiles in Australia, before moving to Telstra's International operations in Hong Kong.

Richard became a Director of Fone Zone in September 2005, and is Chairman of the Remuneration & Nomination Committee.

The Directors (in each case excluding the relevant Director) recommend that Shareholders vote in favour of Resolutions 1 and 2.

3. Re-election of Director appointed since the last AGM

Clause 58 of the Company's Constitution provides that a Director appointed since the last AGM, will hold office until the end of the next Annual General Meeting of the Company, at which the Director may be re-elected

Mr Neil Osborne was appointed to fill a casual vacancy on 25 June 2007, and he holds office until the end of this meeting. Mr Osborne is seeking re-election. His details are:

Neil A Osborne

Independent Non-Executive Director

Neil was formerly a partner with the world's largest consulting and technology services firm, Accenture. He has over 17 years experience in the retail industry and has held a variety of senior executive positions with Myer Grace Bros and Coles Myer Ltd

in corporate and operating brands across finance, supply chain, strategic planning and merchandise, including the positions of Myer Chief Operating Executive (CFO and Supply Chain) and CML Group General Manager, Retail Services.

Neil became a Director of Fone Zone in June 2007, and is a member of the Audit, Compliance & Risk Committee.

Neil is currently a Director of Colorado Group Limited (from February 2007), and a Director of Foodworks Ltd (from November 2006).

The Directors (excluding Mr Osborne) recommend that Shareholders vote in favour of Resolution 3.

4. Remuneration Report

The Remuneration Report is included in the Company's Annual Report. It sets out the Board's remuneration policies, and the remuneration of Directors and Key Managers for the financial year.

Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on the report.

The Resolution is advisory only and does not bind the Directors or the Company.

The Directors recommend that Shareholders vote in favour of Resolution 4.

5. Constitution – Proportional Takeover Approval Provisions

The Board seeks approval by Special Resolution of Shareholders to renew Clause 25 of the Company's Constitution for a further 3 year period in accordance with Part 6.5 of the Corporations Act 2001.

Effect of renewing proportional takeover provisions

The effect of renewing the provisions will be:

- If a proportional takeover offer is received, the Directors are required to convene a meeting of Shareholders to vote on a resolution to approve the offer. That meeting must be held at least 15 days before the offer closes;
- A majority of shares voted at the meeting, excluding the shares of the bidder and its associates, is required for the resolution to be passed;
- If no resolution is voted on at least 15 days before the close of the offer, a resolution to approve the proportional takeover bid is taken to have been approved;
- If the resolution is rejected, the registration of any transfer of shares resulting from the proportional offer will be prohibited and, under the Corporations Act 2001, the offer will be ineffective; and
- If the resolution is approved, the relevant transfer of shares will be registered provided they comply with the other provisions of the Company's Constitution.

The provisions do not apply to full takeover offers.

Reasons for renewing the provisions

The Board considers that Shareholders should have the opportunity to vote on a proposed proportional takeover scheme.

A proportional takeover bid for the Company may enable control of the Company to be acquired by a party holding less than a majority position and without Shareholders having the opportunity to dispose of all their shares, so that Shareholders could be at risk of being left as part of a minority interest in the Company.

This could place Shareholders under pressure to accept the bid. If the Constitution includes these proportional takeover provisions, it will minimize this risk to Shareholders by permitting Shareholders in general meeting to decide whether a proportional takeover bid should be permitted to proceed.

Present acquisition proposals

As at the date of this Notice, no Director is aware of a proposal by any person to acquire, or increase the extent of, a substantial interest in the Company.

Review of the advantages and disadvantages of the proportional takeover provisions during the period it was in effect previously

The potential advantages and disadvantages of the proportional takeover provisions for the Directors and Shareholders are set out below. There has not been any proportional takeover bid during the period that the provisions were in effect previously.

Potential advantages and disadvantages for the Directors and Shareholders of the Company associated with proportional takeover provisions

Advantages

- Enables the Board to formally ascertain the views of Shareholders in respect of a proportional takeover offer;
- Ensures that all Shareholders will have an opportunity to study a proportional takeover offer and then attend or be represented by proxy at a meeting of Shareholders called specially to vote on the offer;
- Enables Shareholders to prevent a proportional takeover bid from proceeding if they believe that control of the Company should not be permitted to pass under the bid; and
- Likely to encourage any proportional bid to be structured so as to be attractive to a majority of Shareholders.

Disadvantages

- May discourage proportional takeover bids for the Company;
- May as a result reduce any 'takeover speculation' element in the Company's share price or deny Shareholders the opportunity of selling some of their shares at a premium; and
- May restrict the ability of individual Shareholders to deal freely with their shares in some circumstances.

The Directors consider that it is in the interest of Shareholders to have a continuing right to vote on any proportional takeover and recommend you vote in favour of Resolution 5.

Note: A copy of the Company's Constitution is available for review on the Company's website at www.fonezone.com.au under *Investor Relations*.

6. Financial Assistance

This explanatory statement is given to members of the Company for the purpose of section 260B(4) of the Corporations Act.

It contains information known to the Company material to deciding how to vote on Resolution 6 set out in the accompanying notice to Shareholders. The Resolution will approve the giving of financial assistance by companies that have now become subsidiaries of the Company.

Certain terms and expressions used in this explanatory statement are defined below.

The share acquisition

Under the Share Sale Agreement, the Company has acquired the entire issued ordinary share capital of Next Byte Holdings Pty Ltd. The completion of the acquisition occurred on or about 5 September 2007.

Next Byte Pty Ltd is a subsidiary of Next Byte Holdings Pty Ltd.

The Target Group Companies are now subsidiaries of the Company.

Sections 260A and 260B of the Corporations Act

Under section 260A of the Corporations Act, a company may financially assist a person to acquire shares (or units of shares) in the company or a holding company of the company only if:

- (a) giving the assistance does not materially prejudice:
 - (i) the interests of the company or its shareholders; or
 - (ii) the company's ability to pay its creditors; or
- (b) the assistance is approved by shareholders under section 260B; or
- (c) the assistance is exempted under section 260C.

Under section 260B of the Corporations Act, if immediately after the acquisition, the company will have an Australian listed holding company, the financial assistance must also be approved by a special resolution of the holding company. Because the Company is now the holding company of the Target Group Companies, Shareholders of the Company are asked to approve the financial assistance.

The financial assistance

As part of the arrangements to acquire the shares in Next Byte Holdings Pty Ltd, the Company has arranged term facilities from the National Australia Bank Limited.

In order to secure and regulate the obligations of the Company in relation to the Facility, each Target Group Company is required to:

- (a) give an interlocking guarantee and indemnity for the repayment of money that may become owing, in relation to the Facility; and
- (b) execute a fixed and floating charge over its assets and undertaking,

(which together with the Facilities Agreement are referenced as the Finance Documents).

Each Target Group Company's obligations under the Finance Documents are significant. Those obligations include:

- (a) unconditionally and irrevocably guaranteeing the performance of the obligations (including payment obligations) of the Company and any applicable subsidiary or related entity of it under the Finance Documents;
- (b) indemnifying the financier against any liability, loss or cost incurred under the Finance Documents; and
- (c) giving security interests over its assets to secure its obligations and the obligations of the Company under the Finance Documents from time to time.

Entering into, and performing obligations under, the Finance Documents as set out above constitutes financial assistance for the purposes of s260A of the *Corporations Act*.

Reasons for the financial assistance

The Company needed to secure the facility to fund its purchase of the Target Group Companies and to provide working capital for the business of the Target Group Companies and related companies. This finance has been obtained on the condition that the Target Group Companies would be able to provide security over their assets in favour of National Australia Bank Limited.

The acquisition of the Target Group Companies will benefit the Company by broadening its income stream and enhancing its prospects for growth. It will also enable the Company to complement its strong product offerings and exclusive relationship with Telstra in the mobile phone market with an equally strong proposition in the field of cutting edge computers and consumer electronics. The acquisition will benefit the Target Group Companies by providing them with a link to the enhanced financial position of the Company.

Effects of the financial assistance

The giving of the guarantee and indemnity and any security in connection with them may impact on each Target Group Company's ability to borrow money in the future, and it is possible that this could materially prejudice the interests of each Target Group Company and its shareholders. This is because a lender may be deterred by the existence of the Finance Documents from making finance facilities available to each Target Group Company. It might also impact on the ability of the Target Group Company to pay amounts owing to other creditors.

The Directors of the Company do not currently have any reason to believe that the Company (or any applicable subsidiary or related entity of it) is likely to default in its obligations under the Finance Documents.

However, if a Finance Party becomes entitled to enforce any of its rights under a Finance Document the enforcement may materially prejudice the interests of each Target Group Company and its shareholders by enabling the financier to procure the sale of the assets of each Target Group Company.

Recommendation of Directors

The Directors recommend that Shareholders vote in favour of the Resolution to approve the giving of financial assistance by the Target Group Companies for the reasons above.

Approval of financial assistance

Under section 260B(2) of the Corporations Act, Shareholder approval for financial assistance by the Target Group Companies must be approved by Special Resolution passed at a general meeting of the Company.

Accordingly, to approve the proposed financial assistance, it will be necessary for at least 75 percent of Shareholders to vote in favour of the resolution at the Company's Annual General Meeting.

Notice to ASIC

Copies of the notice to Shareholders of the proposed resolution and this explanatory statement were lodged with the Australian Securities and Investments Commission before being sent to Shareholders, in accordance with section 260B(5) of the Corporations Act.

Disclosure of information

The Directors consider that this explanatory statement contains all material information known to the Company that could reasonably be required by Shareholders in deciding how to vote on the proposed resolution, other than information that it would be unreasonable to require the Company to disclose because the Company has previously disclosed the information to its Shareholders.

Inspection of documents

Copies of the Share Sale Agreement and the Finance Documents (in draft or final copy) are available for inspection to a Shareholder upon request from the Company.

Accompanying documents

This explanatory statement is accompanied by a formal notice of the Resolution to be placed before the Shareholders of the Company at its Annual General Meeting.

Defined terms and interpretation

In this explanatory statement:

Corporations Act means the *Corporations Act 2001* (Cth).

Facility means each loan facility granted to the Company under the Facilities Agreement, together amounting to approximately \$45 million.

Facilities Agreement means the facilities agreement referred to in the section 'The financial assistance' above.

Finance Documents means the Facilities Agreement and each document referred in the section 'The financial assistance' above.

Finance Party means each financier, arranger, agent, hedging lender, trustee or security trustee under the Finance Documents.

Share Sale Agreement means the share sale agreement between the Company and Crawford Giles Pty Ltd, Kavel Pty Ltd, NBPC Pty Ltd, Desktop Power Pty Ltd and others, dated 30 July 2007.

Target Group Company means Next Byte Holdings Pty Ltd and Next byte Pty Ltd.

In this explanatory statement, except where the context requires otherwise:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning; and
- (c) a reference to a document includes the document as novated, altered, restated or replaced from time to time.

Further information

If you have any questions or need more information, please contact the Company Secretary, Bill te Kloot on +61 7 3868 6000.

entitlement to vote

For the purposes of the meeting, shares will be taken to be held by the persons who are registered as Shareholders as at 2.00pm Brisbane time on Saturday 27 October 2007.

proxies

If you are a Shareholder entitled to attend and vote, you are entitled to appoint one or two proxies. Where two proxies are appointed, you may specify the number or proportion of votes that each may exercise, failing which each may exercise half of the votes. A proxy need not be a Shareholder of the company.

If you want to appoint one proxy, you can use the form provided. If you want to appoint two proxies, please follow the instructions on the front of the proxy form.

The company's constitution provides that, on a show of hands, every person present and qualified to vote shall have one vote. If you appoint one proxy, that proxy may vote on a show of hands, but if you appoint two proxies, neither proxy may vote on a show of hands.

If you appoint a proxy who is also a Shareholder or is also a proxy for another Shareholder, your directions may not be effective on a show of hands. Your directions will be effective if a poll is required and your proxy votes.

You may lodge a proxy online at Computershare's internet address below by following the instructions set out on the website. Shareholders who elected to receive their notice of meeting and proxy electronically will have received an e-mail with a link to the Computershare site. To be effective, the proxy form or electronic proxy appointment must be received by Computershare Investor Services Pty Limited at the address, facsimile number or internet address below, or by Fone Zone at its registered office, 67 Links Avenue North, Eagle Farm, Queensland, 4009 not later than 2.00 pm Brisbane time on Saturday 27 October 2007.

where to lodge a proxy

Fone Zone Group Limited share registry:

Computershare Investor Services Pty Limited
Level 19, CPA Building
307 Queen Street, Brisbane, 4000
GPO Box 242, Melbourne VIC 3001

Facsimile +61 7 3237 2152

Lodge proxy electronically at:

www.computershare.com/au/proxy/fzn

email: investor@fonezone.com.au

You can arrange to receive Shareholder information electronically, or obtain a replacement or second proxy form, by contacting Computershare on 1300 552 270 (within Australia) or +61 3 9415 4000 (outside Australia) or go to www.computershare.com (Investor Centre).

admission to meeting

Shareholders who will be attending the Fone Zone Annual General Meeting and who will not be appointing a proxy, are asked to bring the proxy form (if they have one) to the meeting to help speed admission.

Shareholders who do not plan to attend the meeting are encouraged to complete and return a proxy form or lodge a proxy online, for each of their holdings of Fone Zone shares.

shareholder questions

Fone Zone is offering a facility for Shareholders to submit written questions in advance of the meeting. To submit a written question, please complete and return the accompanying form, or submit the question online, in accordance with the instructions on the form.

The question must be received by the Company no later than Monday 22 October 2007 (five business days before the meeting). Questions should relate to matters that are relevant to the business of the meeting as outlined in the Notice of Meeting.

Questions will be collated and, during the meeting, the Chairman will endeavour to address as many of the more frequently asked questions as possible and, where appropriate, will give the representative of the auditor, Ernst & Young, the opportunity to answer written questions submitted to the auditor. However, there may not be sufficient time available at the meeting to address all questions.

As soon as practicable after the meeting, a summary of the questions and answers will be made available and posted on the Company's website under the *Investor Relations* section, and where it is not possible to address a question at the meeting, an individual response will be sent to the Shareholder who raised the question.

Fone Zone Group Limited

ACN 113 178 519

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Queensland 4009