ADULTSHOP.COM LIMITED (ACN 009 147 924)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AdultShop.Com Limited (the "**Company**") will be held at the Parmelia Hilton, 14 Mill Street, Perth, Western Australia, on Tuesday, 27 November 2007 commencing at 9.00am.

Information on the proposals, to which the resolutions set out below relate, is contained in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.

AGENDA

ORDINARY BUSINESS

1. Financial Report for the Year Ended 30 June 2007

To receive and consider the financial report of the Company for the year ended 30th June 2007, together with the reports by the Directors and Auditors thereon.

2. Resolution 1 – Adoption of the Remuneration Report

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

"That the Remuneration Report for the year ended 30 June 2007 is hereby adopted."

3. Resolution 2 – Re-election of Mr Hans-Rudolf Moser as a Director of the Company

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

"That Mr Hans-Rudolf Moser being a Director of the Company retires by rotation in accordance with Clause 3.6 of the Constitution of the Company and, being eligible, is hereby re-elected as a Director of the Company."

4. Resolution 3 – Renewal of Employee Option Plan

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

"That, for the purposes of Australian Stock Exchange Limited Listing Rule 7.1, Listing Rule 7.2 (Exception 9), Rule 12 of The AdultShop.com Limited 1999 Employee Incentive Scheme ("the Option Plan") and all other purposes, the Directors be and are hereby authorised to maintain the Option Plan for a period of three years from the date of this meeting upon and subject to the terms and conditions specified in the document entitled "1999 Employee Incentive Scheme Rules" , a summary of which is provided in Annexure "A" to the Explanatory Memorandum forming part of the notice of this meeting (or on such other terms and conditions as may be determined by the Directors from time to time, subject to the requirements of the Listing Rules) and that any issues of securities pursuant to the Option Plan are approved as an exception to ASX listing rule 7.2."

Note: In accordance with Listing Rule 7.2, Exception 9, the Company will disregard any votes (other than (a) by a person as proxy for a member who is entitled to vote, in accordance with the directions of the relevant proxy form, or (b), by the chairman of the meeting as an undirected proxy for a member who is entitled to vote) on resolution 3 by any Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company).

5. General Business

To transact any other business which may lawfully be brought forward.

PROXIES

In accordance with section 249L of the Corporations Law, members are advised that:

- each member who is entitled to attend and vote at the Annual General Meeting has a right to appoint a proxy;

- the proxy need not be a member of the Company;

- a member who is entitled to cast two or more votes at the Annual General Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with section 249X(3) of the Corporations Law, each proxy may exercise half of the votes.

In accordance with section 250BA of the Corporations Law, the Company specifies the following information for the purposes of receipt of proxy appointments:

Registered Office and Postal Address	118 Roe Street Northbridge WESTERN AUSTRALIA 6003
Facsimile Number:	+61 (0) 8 9227 6788

A member who appoints a proxy may specify the way in which the proxy is to vote on each resolution or may allow the proxy to vote at his discretion. The instrument appointing the proxy must be received by the Company at the address specified above at least 48 hours before the time notified for the meeting (***proxy forms can be lodged by facsimile***).

In accordance with regulation 7.11.38 of the Corporations Regulations 2001, the Company determines that ordinary shares held as at 5.00 pm on 25 November 2007 will be taken, for the purposes of the annual general meeting, to be held by the persons who held them at that time.

By order of the Board.

J Burness
Company Secretary
24 October 2007

ADULTSHOP.COM LIMITED
ACN 009 147 924

EXPLANATORY MEMORANDUM

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of shareholders of AdultShop.Com Limited (the "**Company**") in connection with the business to be conducted at the Annual General Meeting to be held at the Parmelia Hilton, Mill Street, Perth, Western Australia 6000, on Tuesday, 27 November 2007, commencing at 9.00 am.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting.

1. Financial Report for the Year Ended 30 June 2007

In accordance with the requirements of the Company's Constitution and the Corporations Act, the 2007 Financial Report together with the Directors' Report and Audit Report will be tabled at the Annual General Meeting. Shareholders will have the opportunity of discussing the Reports and making comments and raising queries in relation to them.

Representatives from the Company's auditors, Ernst & Young will be present to take shareholders' questions and comments about the conduct of the audit and the preparation and content of the Audit Report.

2. Resolution 1 – Adoption of the Remuneration Report

In accordance with section 250R(2) of the Corporations Act 2001, the Company is required to table the Remuneration Report, which is contained within the Directors' Report in the Company's Annual Report, at the Company's Annual General Meeting where it must be subject to a non binding shareholder vote.

3. Resolution 2 - Re-election of Mr Hans-Rudolf Moser as a Director of the Company

Under clause 3.6 of the Constitution of the Company, one third of the Directors, who are not the Managing Director, must retire from office and are eligible for re-election. Information on Mr Moser is contained in the Company's Annual Report.

4. Resolution 3 – Renewal of Option Plan

The AdultShop.com Limited 1999 Employee Incentive Scheme ('Option Plan") was established pursuant to shareholder approval, in December 1999. Pursuant to its rules, the Plan is to be re-presented to shareholders for approval every three years. The Option Plan was last approved in November 2004. Shareholder approval is now being sought, in accordance with the rules of the Option Plan and Listing Rule 7.2 of the Australian Stock Exchange, for the maintenance of the Option Plan, and this is the purpose of the resolution set out in the accompanying Notice of Meeting. The key features of the Option Plan are set out in Annexure "A" to this Explanatory Memorandum.

The Directors believe that the future success of the Company will depend significantly on the skills and motivation of key employees. The Option Plan is seen as an important tool to attract, motivate and retain key employees. It is important to note that an Option Plan will also enable the Company to attract top calibre staff and at the same time conserve liquids funds, which might otherwise need to be spent on cash remuneration. It is an accepted practise amongst listed companies to provide securities as part of their overall employment remuneration package.

16,714,000 options have been issued pursuant to the Option Plan since its inception in December 1999. No options issued under the Option Plan have ever been exercised. At present, 8,580,000 options issued under the plan are on issue, exercisable at prices ranging from 4.7 cents to 8.7 cents up to January 2012.

APPENDIX ‘A’

KEY TERMS OF THE ADULTSHOP.COM LIMITED 1999 EMPLOYEE INCENTIVE SCHEME

Directors of AdultShop.com Limited are not entitled to participate in the Scheme.

Under the Scheme, options (‘Options”) are able to be offered to managers, executive officers and full or part time staff members of the Company or any associated company. The offer of Options is at the discretion of the Directors of the Company.

Options shall be issued free.

One third of any Options issued to an eligible person are to consist of Series A Options which will have an exercise price of not less than 80% of the weighted average of the last sale price of the shares on the ASX at the close of business on each of the last 5 trading days on which the shares were quoted and traded on the ASX immediately preceding the allotment date or the minimum price stipulated by the Listing Rules as the exercise price for Options of the Company, whichever is the higher. The Series A Options may be exercised at any time commencing one (1) year after the allotment date.

Another one third of any Options issued to an eligible person are to consist of Series B Options which will have an exercise price of at least 20% more than the Series A options issued. The Series B Options may be exercised at any time commencing one (1) year after the allotment date.

The remaining one third of any Options issued to an eligible person are to consist of Series C Options which will have an exercise price of at least 20% more than the Series B options issued. The Series B Options may be exercised at any time commencing two (2) years after the allotment date.

Options expire on the last business day prior to the 5th anniversary of the allotment date.

Unexercised Options lapse on the day the holder ceases to be employed by the Company or associated entity.

The number of Options issued pursuant to the Scheme shall not exceed 7.5% of the issued shares of the Company from time to time.

Options shall not be transferable except to the offeror under a takeover offer or under a scheme of arrangement under the Corporations Act that is proposed by the Company.

ADULTSHOP.COM LIMITED (ACN 009 147 924)
PROXY FORM

Appointment of Proxy

I/We ………

of……….

being member/s of AdultShop.com Limited and entitled to attend and vote hereby appoint:

☐ The Chairman of the meeting (mark with an “X”) **OR** ☐ If you are not appointing the Chairman of the Meeting as your proxy please write here the full name and address of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

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 AdultShop.com Limited to be held on 27 November 2007 and at any adjournment of that meeting.

Voting directions to your proxy – please mark × to indicate your directions

	For	**Against**	**Abstain***
1. Adoption of Remuneration Report	☐	☐	☐
2. Re-election of Mr Hans-Rudolf Moser	☐	☐	☐
3. Renewal of Employee Option Plan	☐	☐	☐

The Chairman of the Meeting intends to vote in favour of each of the resolutions.

* 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 the required majority on a poll.

PLEASE SIGN HERE

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

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Dated: ___/__ /2007

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 individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the meeting please write the full name and address of that individual or body corporate in the space provided. 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 securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

2. Votes on Items of Business

You may direct your proxy 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 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 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.

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 a corporate Security holder or proxy 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 9 am on 25 November 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:

IN PERSON: Registered Office – 118 Roe Street, Northbridge, Western Australia, 6009
BY MAIL: Registered Office – 118 Roe Street, Northbridge, Western Australia, 6009
BY FAX: +61(0) 8 9227 6788