

**SmartPay Limited
("Company")**

**CHAIRMAN'S ADDRESS TO THE SPECIAL GENERAL MEETING OF
SHAREHOLDERS**

**5 February 2010
9.30am**

Bruce Mason Centre, Takapuna

Despite challenging economic conditions and reduced consumer spending impacting our customers, the first six months of the current financial year saw a significantly improved interim result to 30 September 2009.

The actions taken in late 2008 to restructure and re-confirm our strategy - while difficult - have been more than validated. Revenues have stabilised, margins improved, costs are firmly managed and the balance sheet is strengthened. SmartPay has consolidated its position as New Zealand's leading merchant services provider, and following the August purchase of the payments division of ProvencoCadmus Limited, is now the country's largest provider of technology services for merchants and retailers. As an entity, we have grown more than four-fold since we last reported to you.

As the result of the ProvencoCadmus receivership, SmartPay was forced to move quickly to effect the August purchase for \$6 million. The deal was completed in August and funded by a mixture of \$4,295,000 of new debt at interest rates ranging between 12% and 15%, the issue of options, and \$1,705,000 of new capital.

The directors consider the acquisition to represent good commercial value, as the worth of the assets acquired, together with likely future cash flows, well exceed the purchase price. The transaction included the New Zealand and Australian operations, transactional business and all intellectual property relating to payments, and will provide SmartPay with additional scale to accelerate expansion both domestically and in Australia.

As noted in our interim profit announcement, the ProvencoCadmus payments acquisition required a number of one-off payments totalling around \$900k, impacting the company's first half cash flow from operations.

Following the acquisition, our share price increased from one cent per share to around four cents at the end of September. In the months that have followed, our share price has remained above four cents, despite the number of shares on issue increasing. With a current market capitalisation of \$33 million, clearly the market recognises that SmartPay has gained significant momentum and added value to its operations over the past ten months.

Outlook

In the second half of the year we are building on SmartPay's position as New Zealand's leading merchant services company, focusing on growing the business even further, and developing and delivering new value-added services to our customers. Our already positive outlook has been enhanced and we will continue to look for opportunities to grow in our primary markets of New Zealand and Australia.

The search for suitable acquisitions that complement our business model is not over. We will continue to look for opportunities to provide further synergies, expand our product range and deepen customer relationships as appropriate.

Our future is positive. The board acknowledges the effort and contribution of the entire SmartPay team, and the support of shareholders.