Argo Investments Limited

ABN 35 007 519 520

CHAIRMAN'S ADDRESS

DELIVERED BY MR. CHRIS HARRIS AT THE FIFTY NINTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT THE ADELAIDE CONVENTION CENTRE ON MONDAY 24 OCTOBER, 2005 AT 10.00 A.M.

I welcome you to the fifty-ninth Annual General Meeting of Argo Investments Limited and on behalf of your Directors, I am pleased to report that your Company delivered excellent results for shareholders for the year ended 30 June, 2005.

Argo's performance is monitored by the Board of Directors and Management using a number of indicators and benchmarks. These include growth in operating profit, earnings per share, asset backing and shareholders' equity together with the level of dividends paid to shareholders and operational efficiency as measured by the control of management costs. It is pleasing to report that on all measures, Argo had another record breaking year.

Record Profit Result
Operating profit after tax advanced by nearly 34% to $105.1 million, compared with $78.6 million in the previous period.

Our investment portfolio produced exceptionally strong growth in income from ordinary dividends, interest received and trust distributions – these revenues increasing by $31.5 million or 35.5% compared with the 2004 result. The full year benefit of the additional $195 million of new capital raised in the 1 for 10 rights issue at $4.40 per share in March 2004 also assisted the income growth.

In addition, special distributions of $9.8 million were received (including $2.9 million from Macquarie Infrastructure Group) compared with $1.6 million in the previous year.

Operating costs continued to be well controlled. The management expense ratio (MER), as measured by comparing total operating costs against the Company's total average assets at market value, reduced to 0.15%. This compares favourably with many competing managed funds which typically have a MER of 1.5% or more.

Earnings Per Share and Net Asset Backing
Earnings per share rose 22.7% from 18.7 cents to a record 22.9 cents per share even after allowing for the dilution impact of the March 2004 rights issue.

Australian equity markets continued to rally during the year under review and as a result, the net tangible asset backing per share, before providing for deferred capital gains tax on unrealised gains within the investment portfolio and based on market value, rose to a record $5.93 at 30 June, 2005 compared with $4.84 at the previous year end.

Dividends
Argo has the enviable record of paying a dividend to shareholders in each year of its fifty nine years of operation.

In recognition of the very strong earnings performance in 2005, the annual fully franked dividend to shareholders was lifted from 18 cents to a record 21 cents per share. The dividends paid from 2005 profits included 2 cents per share of special dividends and a 1 cent per share LIC capital gain dividend. Certain Australian resident shareholders are able to claim a tax benefit from the dividend sourced from LIC capital gains.

Total dividends distributed to shareholders amounted to $97.4 million – an increase of 25.5% on the previous year's distribution of $77.6 million.

Total Portfolio Return and Total Shareholder Return

Argo's portfolio performance for the 2005 financial year continued its strong growth and provided shareholders with a Total Portfolio Return of 27.1% as measured by the movement in the net asset backing per share plus dividends paid. This comfortably outperformed our benchmark, the ASX All Ordinaries Accumulation Index.

As I have stated at previous Annual General Meetings, we believe it is more important to measure performance over a longer term to accord with our corporate objective which is to maximise long-term secure returns to shareholders.

The following tables provide compound growth rates per annum to 30 September, 2005 over various longer term time periods and are compared against our benchmark, the ASX All Ordinaries Accumulation Index. The first table provides the longer term performance details for the Total Portfolio Return as mentioned earlier and the second table provides details of Total Shareholder Return as measured by the movement in the share price plus dividends paid.

Total Portfolio Return: NTA plus Dividends Paid
Compound Growth Rates per annum to 30 September, 2005

	Argo	All Ordinaries Accumulation Index
5 years	16.7%	11.4%
7 years	15.6%	13.3%
10 years	15.7%	12.2%

Source: Goldman Sachs JBWere

Total Shareholder Return: Share Price plus Dividends Paid
Compound Growth Rates per annum to 30 September, 2005

	Argo	All Ordinaries Accumulation Index
5 years	18.7%	11.4%
10 years	16.9%	12.2%
20 years	15.6%	12.2%

Source: Goldman Sachs JBWere

On all measures, I am sure you will agree that Argo has consistently produced a solid performance.

Capital Management

Argo continued to expand its capital base during the 2005 financial year. The Dividend Reinvestment Plan (DRP) raised $16.7 million of new equity and the Share Purchase Plan (SPP) saw shareholders invest an additional $54.5 million. The DRP and SPP shares were all issued at prices which have proved to be attractive for participating shareholders.

With the Company's share price consistently trading around the net tangible asset backing, the on-market share buy-back was not activated during the 2005 financial year.

As a result of the above capital raisings, Argo's contributed equity increased from $1,049.5 million to $1,120.7 million. As at 30 June, 2005, Argo had 466.9 million shares on issue.

Subsequent to year end, the September DRP raised $10.2 million and the SPP which closed on 4 October, 2005 raised a further $39.6 million of new equity.

Outlook and Prospects
The global economy continues to perform creditably despite a slowing US economy impacted by rising US interest rates, a high oil price and the fallout from hurricanes Katrina and Rita. A robust Chinese economy and a resurgent Japan, aided by the recent re-election of the ruling coalition, have helped offset the expected softening in global growth for 2006.

In Australia, the mild interest rate rises since 2003 have led to a slowdown in the economy led by housing and retail sales. Fortuitously, the strong rise in commodity prices generated by China's insatiable demand has provided an offset to the slowdown. For the twelve months ended September 2005, key commodities have risen significantly. The most relevant for Australian companies were oil, coking coal and iron ore, which saw price rises of 32%, 120% and 72% respectively.

Australia has benefited enormously through its export of these commodities, reflected in the latest company reporting season where the resource sector reported an 83% increase in net profit after tax, led by BHP Billiton and Rio Tinto. The non-financial industrial companies reported a healthy 18% increase in net profit after tax despite experiencing a rise in operating costs, including labour, energy and freight charges. From Argo's perspective, the most pleasing feature was the strong lift in dividend payments, with a number of companies again announcing special dividends. Corporate balance sheets remain in good shape allowing a continued focus on capital management initiatives.

The outlook for the sharemarket in 2006 is mixed in that we will probably see some variations in company earnings and share price performance. Larger players in the resource market are likely to continue to perform well as commodity prices remain firm on the back of high demand levels. However, further significant price rises are unlikely from here. Rising input costs and wages in Australia are expected to moderate profit growth for industrial companies, particularly those with a pure domestic focus. Consequently, profit and dividend growth for the market should be more subdued than we have experienced over the past twelve months.

Taking into account all of the above, and with our expenses being tightly controlled, Argo's profit result for the half-year to 31 December, 2005 is expected to be comfortably ahead of the previous corresponding period.

Argo currently has $190 million of cash reserves and the recent sharemarket weakness provides us with further investment opportunities.

Directors
Mr. Bob Hill-Ling A.O. will be retiring from the Board as at the conclusion of this meeting, in accordance with his Director's retiring agreement. He has served as a non-executive Director since 1992 during which time the Company's profit has grown from $17.5 million to $105.1 million and shareholders' funds have increased from $500.5 million to $2.4 billion. He has been a committed Director, serving Argo with distinction over the thirteen year period. The Company has indeed benefited from his wide experience and wise counsel. We thank him for his most valuable contribution and wish

him a long and healthy retirement. On a personal note, it has been an honour to serve on this Board with a truly great Australian who has achieved so much for the benefit of so many over his working life.

Your Directors are currently seeking to appoint a highly qualified non-executive Director to replace Mr. Hill-Ling and at the time of this appointment, Board numbers will be restored to the current level of six.

Shareholders will be asked later in the meeting to vote to increase the maximum number of Directors of the Company to eight. Although there is no immediate plan to expand the size of the Board to eight by way of additional appointments, it is considered an advantage to have the flexibility to appoint additional non-executive Directors in the future when outstanding candidates are identified.

Appreciation

I acknowledge the considerable efforts of the Managing Director and his small team throughout the year to deliver this record result. Their commitment and dedication play a vital role in adding value to your Argo investment and on behalf of the Board and all shareholders I congratulate and thank them.

I also thank my fellow Directors for their valuable contribution during a busy and successful year together with our almost 50,000 shareholders for their continuing support.