2 August, 2010

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Dear Shareholder,

The Directors of Argo Investments Limited ("the Company"), a leading Australian listed investment company with total assets of $3.6 billion, report the Company's result for the year ended 30 June, 2010, a summary of which follows:-

*	Operating profit after tax and before net realised gains on sale of long-term investments	$142.8 m
*	Operating earnings per share based on above	24.2 cents
*	AIFRS accounting profit including net realised gains on sale of long-term investments	$153.9 m
*	Fully franked final dividend per share including 2 cents LIC capital gain	13.0 cents
*	Fully franked dividends per share for the year	25.0 cents
*	Management expense ratio (MER)	0.17%
*	Net tangible asset backing per share at balance date	$5.82

Financial Result

Operating profit after tax and before net realised gains on sale of long-term investments was 12.6% lower at $142.8 million, compared with $163.4 million in the previous year.

The full-year result, which followed a 23.6% decline in first-half operating profit, was achieved in a difficult economic environment which impacted on company earnings and in turn led to a cautious approach to dividend payments.

However, the Company welcomed a second-half improvement in investment income, which was accompanied by a strong recovery in interest income, reflecting a larger cash balance and higher interest rates in the second half of the year.

The management expense ratio (MER) for the year of 0.17% of average assets at market value was an improvement on the previous year's 0.19%.

Operating earnings per share was 24.2 cents, compared with 28.2 cents in the previous year.

The AIFRS accounting result for the year was a profit of $153.9 million and includes net realised gains on the sale of long-term investments after tax to 7 December, 2009 of $11.1 million. The Company adopted Accounting Standard AASB 9 as at 7 December, 2009, being the earliest allowable date of adoption. After that date, realised gains on the sale of long-term investments are accounted for through the capital profits reserve, rather than as part of profit.

To comply with the adoption of Accounting Standard AASB 9, the comparative figures for the year ended 30 June, 2009 now reflect the reversal of the net unrealised impairment revaluation charge on long-term investments, but only for long-term investments that had not been disposed of prior to 7 December, 2009. This has resulted in last year's comparative figure being restated from an AIFRS accounting loss of $64.4 million to a profit of $127.4 million.

Under the previous Accounting Standard AASB 139, an impairment charge was required to be booked through the Income Statement where there was objective evidence of impairment, even though no loss had been realised. As Argo is a long-term investor, the Directors are pleased that this requirement has been removed from the new Accounting Standard AASB 9 and believe that the current standard better reflects the Company's investment objectives.

Dividends

Following the fully franked interim dividend of 12 cents per share, the Directors have declared a steady fully franked final dividend of 13 cents per share, which includes a 2 cents per share Listed Investment Company (LIC) capital gain component (last year 2 cents per share). The LIC component of the dividend will give rise to an attributable part of 2.86 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2010/2011 income tax returns. The amount which eligible shareholders may be able to claim as a tax deduction depends on their individual situation. Details will be provided in the dividend statement.

The fully franked final dividend, totalling $78.9 million, will be paid on 3 September, 2010. The shares will trade ex-dividend on 12 August, 2010 and the record date to establish shareholder dividend entitlements is 18 August, 2010.

Total fully franked dividends for the year amount to 25 cents per share, compared with fully franked dividends of 27 cents per share for the previous year.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will operate for the dividend payable on 3 September, 2010.

The Directors have resolved that the shares will be allotted at a discount of 2.5% from the market price of Argo shares, as defined by the DRP, to eligible shareholders participating in the DRP.

Eligible shareholders, being those shareholders with registered addresses in Australia or New Zealand, who wish to participate in the DRP and who have not already lodged their intention, must do so by 18 August, 2010. Any variation to an existing election must also be lodged by this date.

Net Asset Backing

Reflecting an improved performance in equity markets over the reporting period, net tangible asset backing per share was $5.82 as at 30 June, 2010 compared with $5.32 as at 30 June, 2009.

As a long-term equity investor, Argo does not intend to dispose of its long-term investment portfolio. However, if estimated tax on unrealised portfolio gains was to be deducted, the net tangible asset backing per share would be $5.32 as at 30 June, 2010 compared with $4.95 as at 30 June, 2009.

Investment Portfolio

The Company's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio.

For the last 10 years, Argo's investment portfolio has produced a compound annual return of 9.5% as measured by the movement in net asset backing per share plus dividends paid. This return is after payment of all administration costs and tax and compares with a return of 7.1% from the S&P ASX All Ordinaries Accumulation Index, which makes no allowance for these items. As a result of the improvement in investment values generally, the total return from the Company's portfolio in the 2010 financial year was 13.9%. The S&P ASX All Ordinaries Accumulation Index rose 13.8% over the same period.

In view of the uncertain nature of the share market, only a small number of investment purchases were made by the Company during the year. The larger purchases were $7.8 million in Commonwealth Bank of Australia, $6.9 million in Lend Lease Group and $6.8 million in Woodside Petroleum Ltd. During the reporting period, ABB Grain Ltd was taken over and our holding in Bendigo and Adelaide Bank Ltd. was sold. We also reduced our holdings in James Hardie Industries SE and Macquarie Group Ltd.

A list of the Company's principal equity investments as at 30 June, 2010 is set out below:-

	Market Value $M
BHP Billiton Ltd.	266.1
Westpac Banking Corporation	183.6
Rio Tinto Ltd.	159.6
Macquarie Group Ltd.	132.8
Wesfarmers Ltd.	132.1
Milton Corporation Ltd.	124.0
Australian United Investment Company Ltd.	118.3
National Australia Bank Ltd.	116.0
Commonwealth Bank of Australia	114.2
Woolworths Ltd.	107.7
Australia and New Zealand Banking Group Ltd.	105.7
Telstra Corporation Ltd.	104.0
Origin Energy Ltd.	80.8
Woodside Petroleum Ltd.	65.6
QBE Insurance Group Ltd.	59.4
Orica Ltd.	52.0
Westfield Group	49.6
Computershare Ltd.	46.7
Diversified United Investment Ltd.	42.7
Santos Ltd.	42.2

Outlook

The success of governments in supporting their economies with stimulus spending has led to a tentative global economic recovery. However, as the stimulus fades and with the US housing industry looking to be further deteriorating, the outlook for growth is unclear. In addition, gross government debt of the developed countries now exceeds 100% of their aggregate GDP and as a result, many of these governments are now being forced to reduce budget deficits through austerity measures and raising taxes. This process will reduce growth and it is likely that these economies will be supported by accommodative monetary policies for an extended period of time. For these reasons, financial stress and risk levels remain elevated and the global economic recovery is still fragile.

China and the developing countries have continued to provide strong growth in the first half of calendar 2010. While this rate of growth is slowing, expectations are that China in particular will return to a more sustainable rate of growth following its excessive stimulus spending on infrastructure and real estate during the global financial crisis. This has been and will continue to be particularly positive for Australia, with its relatively strong economy being reflected by six interest rate rises since October 2009 and a relatively low unemployment rate.

Domestic issues have dominated the Australian share market in recent times and added to the volatility. The release of the Henry Review and the Resources Super Profits Tax, since watered down to the Mineral Resources Rent Tax, caused global uncertainty towards Australia as an investment location. The backlash from the mining industry and public contributed to the removal by the Labor party of Kevin Rudd as Prime Minister. His replacement, Julia Gillard, has called a Federal election to be held on 21 August, 2010. The pre-election period adds to market uncertainty with the two major parties having very different policies on a number of investment sectors, including mining and telecommunications.

Taking account of the above issues, we expect to see modest growth in Australian corporate profits and dividends in the period ahead. With current cash reserves of about $240m and no debt, Argo remains ready to take advantage of opportunities as they present themselves in the share market.

Annual General Meeting

The Annual General Meeting will be held at the Adelaide Convention Centre, North Terrace, Adelaide on Monday 25 October, 2010 at 10.00 a.m.

Information Meetings

For the benefit of shareholders unable to attend the Annual General Meeting in Adelaide, informal meetings will be held in Melbourne on Tuesday 26 October, 2010 at 10.00 a.m. at the Melbourne Convention and Exhibition Centre, Room 212, Level 2, 1 Convention Centre Place, South Wharf, Melbourne and in Sydney on Wednesday 27 October, 2010 at 10.00 a.m. in the offices of PricewaterhouseCoopers, Darling Park Cockle Bay, Tower 2, 201 Sussex Street, Sydney.

Yours faithfully,
ARGO INVESTMENTS LIMITED

C.L. Harris
Chairman

R.J. Patterson
Managing Director