



Australian Value Funds Management Ltd

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**Company Announcements Office
Australian Stock Exchange Limited**

Via: Electronic Lodgement

CHAIRMAN'S ADDRESS OCTOBER 2005 AGM

Firstly I wish to thank shareholders for their attendance today.

Update of Company's Affairs

The Company has made a strong start to the current financial year, with all investments of the Company trading at or above budget for the first quarter.

The Company is also in a strong financial position, following the additional capital raising which occurred, consequent on the exercise of options which were issued as part of the initial December, 2004 capital raising.

In summary, a total of 23.2million options, representing 96.7% of total options issued as part of the December, 2004 capital raising, were exercised by 30 September, 2005 (the expiry date). Funds raised by the options totalled approximately \$4.6m, bringing the total of funds raised in the last 12 months to \$10.6m.

As a result of the exercise of options total number of shares on issue has increased to approximately 79.4m shares.

From an operational perspective, all of the Company's investments are currently performing well and should make an increased contribution on a full year basis.

The "Armytage Strategic Opportunities Fund", in which the Company was a cornerstone investor, is tracking well in terms of its year to date performance, and is showing some impressive (unrealised) gains on several of its portfolio investments.

The financial services businesses of CPP and GPCA, in which the Company holds 28% and 40% stakes respectively, are both performing ahead of budget and corresponding previous year's results. As recently announced, the Company has entered into a conditional agreement to increase its CPP stake to 39%.

The Company is also holding cash reserves, after payment of dividends, of approximately \$3m.

The Company is on track to produce a robust first half result. We are expecting the half year result to come in substantially higher than the reported 2005 full year results.

As previously advised, the Company's 2005 results in effect only represented six months of full operations (post listing), and incorporated only 2 months contribution from GPCA, which the Company acquired a 40% interest in April 2005. The Company also incurred a lower tax expense in 2005, consequent upon offsets from losses carried forward. For these reasons, the results are not directly comparable.

The full year result will be underpinned by an increased contribution from CPP, once the agreement to increase its stake is finalized.

The Company is also anticipating a contribution from the Company's 30% investment in Balnave Corporate Limited, a recently established corporate advisory business, which has already secured two initial mandates.

In addition, the Company is actively pursuing a number of opportunities in the financial services sector, which at this point are at various stages of evaluation and negotiation.

The Company's preferred method will be to fund future material acquisitions using both equity and cash, to optimize earnings per share growth for shareholders.

The current cash reserves of the Company, coupled with its solid share price, mean that the Company is well positioned to pursue and finalise further acquisitions on this basis.

Shareholders will be updated when any further material developments occur.

Peter Kennedy
Chairman