MARKET ANNOUNCEMENT

9 October 2006

AGM Address by Chairman and Managing Director

Chairman's Address

Today's AGM is historic.

It marks the first meeting of shareholders since our successful merger with the Sydney Futures Exchange (SFE).

I take this opportunity to warmly welcome the 7,555 SFE shareholders who are now on our register and thank them for the support which enabled our two companies to come together. They bring the total number of shareholders to more than 28,000.

It has been a long journey. Many of our joint ambitions have been on hold for seven years. For ASX, our inability to obtain regulatory clearance in 1999, meant that in our quest for broader revenue streams and critical mass, we looked at a number of work-arounds. Some of these resulted in investments in businesses and initiatives that, with hindsight, may have been ahead of their time, proved to be non-strategic, or, produced a return below our benchmark.

As a consequence, these investments have either been sold, or, the activities discontinued. Those with potential have been retained. This will allow management to concentrate on post merger integration of our main activities.

Today, ASX and SFE are both considerably stronger, and better positioned than they were in 1999, and their results reflect this.

SFE has demutualised, become leaner and more profitable. It has diversified its product range and, at the same time, offers better value services. The acquisition of Austraclear in 2000, to become SFE Austraclear, provides Australia, New Zealand and the Asia Pacific Region, world best settlement practice and technological excellence. It is one of the suite of SFE businesses which, combined with other core activities, opens up exciting prospects for the new ASX Group. We are now in a position to better leverage our brand and management expertise.

ASX, too, as the theme of our Annual Report says, is fitter and better able to meet the challenges ahead. Our profit and loss drivers review and other measures taken in recent years have improved and streamlined the organisation. Having exceeded $1 trillion for the first time last year, domestic market capitalisation is now over $1.2 trillion, increasing Australia's share of the overall world market. Australia's stockmarket is the largest and most liquid in the

Asia Pacific Region (ex Japan). Float capitalisation is almost double that of Hong Kong and Singapore combined and 60% larger than Korea. Our strong performance has permitted us to pay a final dividend of 63.9 cents per share, making a total dividend of $1.20 for the year, all fully franked and consistent with our policy of distributing 90% of normal net profits after tax. In a similar vein, you will be asked later in this meeting to approve a capital reduction aimed at returning some $100 million to shareholders – that is a return of an additional 58.5 cents per ordinary share.

Of course, the 2006 exchange environment is a different one to that prevailing in 1999. Volumes of shares, futures and options traded, have grown impressively. Indeed, it is a tribute to the management of both our exchanges that they have been able to cope with this upsurge in activity, achieving a marvellous record of reliability of almost 100% up time in a fully electronic environment with all the third party dependencies that accompany it. In fact, so dependable have our operations become that it is now taken for granted, even though by international standards our performance is exceptional.

A characteristic of the past seven years has been the accelerating pace of market consolidation around the world. While in the nineties we saw fragmentation and the proliferation of electronic communications networks (ECNs), now the reverse is true.
In the last few years, the Island ECN merged with Instinet, the Reuters ECN. Instinet was recently acquired by NASDAQ. NASDAQ also swallowed up the ECN Brut and has now purchased 25% of the London Stock Exchange with the intent to merge. The New York Stock Exchange has merged with Archipelago, a listed ECN, to form NYX. Archipelago had previously merged with Redi, another ECN. NYX is now seeking to merge with the Paris-based Euronext. An alliance has been proposed between the Tokyo Stock Exchange and the Korean Exchange and, the Indian Government is pushing for the rationalisation, probably into the two main markets, of 23 stock exchanges, most of which are effectively ECNs. The Scandinavians have merged five exchanges, Stockholm, Helsinki, Copenhagen, Tallin and Riga, to form the Nordic Exchange – and a sixth, the Iceland Exchange, has just announced it will also join in. Singapore and Hong Kong merged with their respective futures exchanges some years ago. Deutsche Borse, which tried to merge with London, was blocked from doing so by some of its institutional investors. And, only last month the Intercontinental Exchange (ICE) agreed to purchase the New York Board of Trade (NYBOT) which trades futures and options in commodities. That is quite a lot of consolidation I think you will agree.

This is why the merging of ASX and SFE is so critical at this time. Not to have succeeded now, would not only have been damaging to us, but, over time, would have globally diminished Australia's financial markets and the economy in general.

While there is much comment about our dominant position in Australia, this commentary seems to miss the point. The markets which we operate are becoming more, not less, global. Size and liquidity are vital ingredients for a competitive market. Concentration increases liquidity and lowers transaction costs. Fragmentation has the reverse effect. What our merger has done is to ensure we remain internationally relevant. It will allow us to operate more efficiently and cost effectively to the benefit of all our users. It also provides the necessary financial and people resources to compete in this increasingly contested field.

Success, however, is not guaranteed.

Australia's current position as a competitive financial centre is due to a long period of stable government, sensible and supportive public policies, an excellent, innovative local workforce, and a regulatory structure which is principles-based and emphasises transparency and good governance. ASX has played its part in this process which has delivered dividends to all Australians by lowering the cost of capital through the operation of deep, liquid markets of integrity. This is why an ASX listing is so keenly sought after, with 232 new listings in calendar year 2005. In total $46.22 billion of primary and subsequent capital was raised during the year, making us fourth in the world. Listing on ASX is a true value proposition providing low cost access to large pools of very competitive capital.

To maintain Australia's position will require the same collaborative approach between government and the financial services sector and, an appreciation that scale is global not local. It also means that Australia should continue to follow the light touch regulation path and avoid over-regulation, which has caused Mr Bush and Mr Blair to push back on regulatory developments in their own jurisdictions. Australia should be proud of its governance standards and the general behaviour of its corporate citizens.

That is at the macro level. Naturally, at the company level, how we manage ASX will be fundamental to our success.

In this regard, I can tell you that management has been under enormous pressure this year, both pre and post the merger, but continues to deliver, despite extraordinary change. Robert Elstone will give you a progress report in a few minutes.

I would like to thank former Managing Director, Tony D'Aloisio, who departed the company as CEO in July, for his contribution. He left ASX in good shape, having prepared the way for the merger with SFE. Having acknowledged this, we must also point out, that we were and remain of the belief that the merger would not have proceeded had we not acted to terminate his contract before the SFE vote.

You will be aware from our announcement at the time and, in the Remuneration Report contained in the Annual Report and to be discussed shortly, we have agreed a deed of release with Mr D'Aloisio subject to the payment to him of $7.78 million.

This is a substantial sum of money and neither I, nor the Board, came to this decision lightly. The negotiations were hard fought and intense and took six weeks to complete.

Driving us at all times was our determination to succeed with the merger and to ensure a smooth and rapid integration process. The literature is very clear. One of the biggest mistakes made in mergers is that they are not implemented fast enough. Speed is better than perfection. It cements the amalgamation more quickly and allows those people who are continuing to become immediately engaged, rather than wondering what their future may be. We were conscious at the time of our decision that our actions may have constituted a repudiation of Mr D'Aloisio's contract, which we were already discussing extending for two years, and may have entitled him to substantial damages. We were concerned that a protracted and distracting legal battle over this and other issues, could have been detrimental to the successful outcome of the merger. Before reaching the agreement with Mr D'Aloisio we received advice from external legal advisors, including senior counsel and an external remuneration consultant. Your directors were at all times mindful of their duties and believe that the agreed arrangement was reasonable and in the best interests of shareholders.

Your Board clearly believes that under all the circumstances and on the basis of Mr D'Aloisio agreeing to release all claims he may have in respect of his employment, his contract or the termination of his employment, against ASX and other parties, this was the best settlement possible.

I believe the wisdom of that decision is already paying dividends in the ability of Board and Management to single-mindedly concentrate on putting ASX and SFE together.

From our own governance standpoint, post merger, your Board is functioning well and our new directors bring fresh experience and knowledge to the table.

I take this opportunity to acknowledge our recently retired directors, Mr Jim Kennedy and Mrs Cathy Walter, for their long and distinguished service to our company. When the going was tough, they were always there and brought their valuable corporate experience and judgement to our deliberations. We will miss them. We thank them and we wish them well.

Your Board has appointed Rick Holliday-Smith and Peter Warne to the Audit and Risk and Nomination and Remuneration Committees, with the dual purpose of tapping into their expertise, while providing them with a faster learning track into the overall operations.

Robert Elstone and I are off to an excellent start and are communicating closely, in an open and transparent way. It is important that you know this, given the unusual circumstances of his appointment.

None of this is to downplay the challenges which lie ahead or the risks we run. However, one of the important strengths which Robert Elstone, Rick Holliday-Smith and Peter Warne, as well as the SFE management team bring to us, is their knowledge of the risks associated with the futures business. Indeed, so that we all better understand the risks, your directors are involved in intensive operational briefings to familiarise or re-familiarise themselves with the mechanics and vital aspects of the enlarged business.

While we strive to improve our own management and governance performance, we also seek to make the markets we supervise models of integrity and efficiency.

As the holder of six core licenses to operate equities and derivatives markets, as well as settlement and clearing houses, ASX has to meet regular and intensive scrutiny from our regulators, ASIC and the Reserve Bank of Australia. This is day-by-day accountability. I am pleased to report that our standards, as judged by the regulators, continues to meet their expectations. Fulfilling, or, indeed, exceeding our statutory obligations, is something we constantly aim for. It is commercially critical to us because it goes to the maintenance of investor confidence in our markets. It is our reputation at stake and we are forever investing time and money in lifting the bar. These are very much core activities.

It is with this in mind that we established from July 1 this year, a wholly owned subsidiary, ASX Markets Supervision Pty Ltd (ASXMS), chaired by me and with two ASX directors, Jillian Segal and Michael Sharpe, and two independent external directors, Peter Jollie and Dr Tom Parry, to further oversee the application of ASX operating rules. We believe these further steps will reinforce the measures we have already taken to put ASX in the vanguard of stockmarket best practice. As Head of Market Supervision, Mr Eric Mayne, reports to the Board of ASXMS rather than to the Managing Director and CEO, Mr Elstone. The operations of ASXMS overlap and duplicate much of ASX Supervisory Review's (ASXSR) mandate. Indeed, ASXMS was itself a product of ASXSR recommendations in previous annual reviews. We have, therefore, decided to cease ASXSR's activities by the close of business on 31 October. These changes will not involve any diminution in our commitment to market integrity. Instead we see the change as one which reflects an evolution in our supervisory arrangements. We thank Mr David Hoare, the chairman of ASXSR since its inception and the other directors for an outstanding execution of what was a difficult mandate.

In addition to ASXMS, we have set up a Regulatory Policy Unit (RPU) which provides secretariat support for the ASX Corporate Governance Council and consults with Robert

Elstone on developing ASX's policy position on corporate governance and wider public policy issues of a regulatory nature.

Yet there are still those who, since listing, have criticised ASX for its conflicts even though when ASX and SFE were mutuals and when conflicts were far more obvious, they were largely silent. We can only hope through example and, over time, we will persuade them that the market oversight we provide is superior to alternatives and that we are scrupulous in our resolution of conflicts.

There is no doubt in my mind that the ASX/SFE merger is an enormous step forward for Australian capital markets. It is very much in the national interest and is good news for our customers and shareholders over the medium-term. As I said in the annual report, I believe, when the full benefits are realised and understood by investors, participants and market analysts, our stock will receive an appropriate re-rating.

In the meantime, we will continue to offer our customers first-class and, by international standards, low-cost services. Our markets are financially sound and our systems and technology are contemporary and reliable.

You will be aware that we recently replaced the venerable SEATS trading system with the new CLICK XT platform which offers integrated trading for all our cash equity and equity derivative products. Transaction latency, or speed of getting an order into the system under the new Integrated Trading System (ITS), is in the region of 20 to 30 milliseconds, which is around one-third of the time taken by SEATS. This is an important development for investors, traders and participants. When this innovation is combined with one of the deepest and most liquid markets in the world, which is also orderly, fair and transparent, it offers real value on any international comparison.

Finally, ladies and gentlemen, Robert Elstone and the integration team are focussed and working at great speed on merger implementation. I congratulate them for the energy and the spirit with which this is being conducted. Of course, there is always some pain associated with this process, but we expect this phase will be largely complete by the end of calendar year 2006.

All in all, it is a promising beginning and I look forward to bringing you further good news as we begin to extract value from our new combined enterprise for you, our shareholders.

Managing Director's Address

It is my task to provide you with an early sense of how the merger process is coming together, how both businesses are performing and, perhaps, to complement some of the Chairman's comments as to why the enlarged ASX represents a sound long-term investment for its shareholders.

Having assumed the Managing Director/CEO role less than three months ago, I am pleased to report that the newly enlarged group's operating and financial performance remain sound and that merger integration activity has been demanding but is well progressed. Personally, I am enjoying the challenge of leading the merged group and building an even greater company.

I will deal with the merger first, by describing Q1 of FY07 as intense. The teamwork and extent of collaboration between ASX and SFE executives, at all levels, has been impressive. Premises cohabitation in 20 Bridge Street is targeted for this month. SFE staff transitioned to ASX employment contracts last week and phases of internal organisational restructuring are currently underway. In presenting the FY06 results in August 2006 I indicated to the investment community that I would provide guidance on merger synergies at the time of the release of the 1H07 results (in February 2007) and that remains the case.

I have visited each of the mainland state offices in Adelaide, Perth, Melbourne and Brisbane, and been impressed by the quality of ASX staff in those offices who play a vital role in servicing our customers and users. In each of those visits as well as in equivalent sessions with staff and our regulators (ASIC and RBA) in Sydney I have stressed the significance of the new ASX group of companies crystallised by one of this meeting's resolutions, namely, the creation of a new holding company (ASX Limited).

This new company will retain the ASX acronym and logo, but it will represent the 'Australian Securities Exchange' brand which will, in turn, be a holding company for 2 licensee exchanges, the Australian Stock Exchange and the Sydney Futures Exchange, 2 licensee clearing houses to be branded the Australian Clearing Corporation and 2 clearing, settlement and depository facilities to be branded Austraclear.

The corporate structure to be effected assuming shareholder support for the relevant resolution is a subtle, but important step towards the creation of a new ASX during my period of stewardship. Whilst it may take several months to fully implement this structure, we are very much on track to meet our first-phase merger milestones by the end of this first half of the current financial year.

Whilst the merger remains a preoccupation, both the underlying businesses (ASX and SFE) continue to perform well. Core application availability to users has been maintained at global best practice levels. On 21st August 2006 SFE Austraclear migrated OTC market users from the 17-year-old FINTRACS system onto a new (EXIGO) platform and on 3rd October 2006 ASX migrated equity market users from the SEATS platform to CLICK XT equally successfully.

Both these major core system changes represent significant project effort for ASX and SFE as well as for market participants. This seamless transition was vital to the country's financial economy and payments system. In addition, both represent global 'firsts'. ASX is the first exchange in the world to operate its integrated cash equities and equity derivatives trading activities on the OMX CLICK XT platform, which over time should deliver substantial benefits to market users. Likewise, SFE Austraclear was OMX's inaugural customer for the world's most contemporary and generic clearing, settlement and depository platform, which again over time should deliver substantial straight-through processing efficiencies to banks, custodians and corporate users of that system.

Before moving onto some of the major business initiatives recently undertaken, let me first provide a quick summary of operational highlights for the September 2006 quarter.

Our listings business continues to grow strongly, with 50 new entities listing in the first three months of FY07, raising $4.06 billion in capital. In this time, domestic market capitalisation has risen to $1.23 trillion. Average daily equity trades have numbered 149,734, up 45% on the same time last year.

Trading volumes in SFE's futures and options contracts have shown similar strength, with total trades averaging 334,695 per day during the September quarter with a nominal value of $9.1 trillion – this is a rise of 30% on the same period last year. Turnover in the 90-Day Bank Bills and 3-Year Treasury Bond futures has been particularly strong, with trading up 7% and 19% respectively. Also during this period a new daily trading record was set for 10-Year Treasury Bond futures, with 556,449 contracts being traded on 13 September, up 27% on the previous daily record set in March this year.

At the end of August 2006 ASX divested its ownership of Orient Capital to Link Market Services for a satisfactory sale price in order to redeploy the capital and management resources devoted to that investment back into our core activities as well as to recognise a more logical ownership outcome.

At the end of September 2006 ASX announced an agreement with S&P to reconstitute index weightings for the suite of benchmark indices to incorporate ASX traded liquidity of foreign domiciled companies, to take practical effect from June 2007. This came after a thorough market consultation process and ASX received strong support from major domestic fund managers.

ASX and the Securities Exchanges Guarantee Corporation (SEGC) have also received strong industry support from the Australian Financial Markets Association to cap the levying powers ASX has over industry participants in the event of material default claims on the SEGC. This would provide scope for substituting Authorised Deposit Taking Institution status entities as clearing participants into the ACH clearing counterparty regime, thereby improving its risk profile. Dialogue with the Federal Treasury on this matter is ongoing.

In the same vein, at the end of September 2006, the SFE Clearing Corporation capital position was bolstered by a $50 million subordinated debt placement from within the group's capital resources, alongside a suite of other risk management measures adopted by that entity to enhance its compliance with Financial Stability Standards supervised by the Reserve Bank of Australia (RBA). These included the adoption of a very contemporary stress testing regime based on independent actuarial advice, other risk control mitigation measures as well as the additional SFE contribution to the adequacy of the clearing guarantee fund arrangements for SFE's futures markets. Dialogue with the RBA on clearing house integration in the wake of the ASX/SFE merger also started during the first quarter of FY07.

The first quarter has also witnessed the start up of ASX Markets Supervision, a wholly owned but independent operating subsidiary of ASX, under the leadership of Eric Mayne (Chief Supervision Officer), charged with ensuring ASX stays at the forefront of best practice supervision of its (and now SFE's) markets. Eric also chairs the ASX Corporate Governance Council.

As you can by now hopefully tell, we have had a very active first quarter to FY07.

Finally, it remains for me to impart my own thoughts, which complement those of the Chairman, as to why I believe a strong and larger ASX is good news for shareholders, for market participants and for the wider economy.

At a macro level, Australia is a small, open economy in the Asian time zone. Add to this a strong fiscal position and a sound public policy stance on national savings, as well as a regulatory framework for its financial markets not only comparable, but in many respects, better balanced than many of its peer economies, and it becomes easier to understand how a country of less than 20 million people can boast the fourth-largest funds management industry in the world.

Whilst much is written by the financial media about our global scale resource companies riding the wave of our physical resource exports to the booming economies of China, India and the ASEAN countries, the health of the financial economy of a country dependant on the efficient deployment of national savings, a fair and efficient market for corporate control and the ability to attract and maintain capital inflow is also a key ingredient to Australia's economic success.

The vital role played by Australia's domestic trading banks, its own truly global investment bank, Macquarie, most of the world's investment banks that appear to operate very profitably in Australia, and the enlarged ASX group of companies, ought not to be underestimated. For its part, the enlarged ASX plays an important role as a front-line supervisor of its (almost 2,000) listed companies and, in so doing, operates the market for corporate control. ASX also facilitates the primary issuance of capital via price discovery for listed equities as well as interest rates, is an engine of risk transfer activity and represents an important central counterparty to the financial markets as well as being a significant participant in the country's wholesale payments system.

Importantly, for a country so dependent on capital inflow, with the 5th most actively traded currency in the world (despite representing less than 2% of world trade), ASX and SFE's price discovery process for listed stocks and Australian interest rates, respectively, is domestically and globally distributed such that exposure management of underlying financial risks is very efficiently delivered via well regulated and transparent exchange-traded markets, and the largest clearing and settlement facilities in the Asian time zone.

Now, as one of the top-10 rated exchange groups in the world, the new ASX starts an important fresh chapter in its own evolution as it aspires to continuously improve its market oversight practices, further its contribution to market development, and underpin its own financial performance and strength. It is off to a good start.