

ASX ANNOUNCEMENT
2014 ANNUAL GENERAL MEETING
29 OCTOBER 2014

Codan Limited
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Australia

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

PO Box 96
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Good Morning.

Welcome to the 2014 Annual General Meeting of Codan Limited.

Your directors are here, including your Chief Executive, Donald McGurk.

I'd also like to welcome our newest director - Jim McDowell.

It is disappointing for me as your Chairman to report that 2014 proved to be a very difficult year for your company. The profit of \$9.2 million was well down on our record profit of \$45.4 million reported in FY13 and, in fact, was the lowest profit we have reported for several years. The lower profit resulted in a significantly lower dividend of 3 cents compared to 13 cents paid in FY13.

While net debt increased during the year from \$25 million to \$47 million, our balance sheet remains sound and debt is well under our approved debt facility of \$85 million. The increase in debt was primarily a legacy of the very successful FY13 year, with significantly higher dividend and tax payments made following that year's end.

The underperformance of the company in FY14 was almost entirely due to the dramatically reduced sales of gold detectors into Africa, which were down \$80 million on the record sales of FY13. While climatic, political and armed conflict factors had an adverse effect on our sales, the overwhelming factor was the severe competition we faced from competitors who copied our brand and stole our technology despite strenuous efforts to protect it. We have spent considerable time and effort in successfully responding to this threat and have implemented a number of initiatives aimed at strengthening our position in the market and attacking the counterfeiters.

Firstly, we have moved to get closer to the market by taking a greater involvement in the distribution of our gold detector products into Africa by opening an office and setting up a subsidiary company in Dubai. This will ensure that we are physically located and operating in the markets on a daily basis and therefore well positioned to receive and act on information immediately.

Secondly, after substantial investigative work, which has been difficult and time consuming, we identified what we believe to be the major factories producing the counterfeit product in China and successfully had them raided by the police. This has resulted in the closure of those factories and the arrest of the company principals who are now in jail awaiting trial.

Thirdly, in cooperation with the police in the United Arab Emirates, the warehouse of the main counterfeit product assembler and distributor was identified and raided recently, with the seizure of more than \$10 million of product and the arrest of the principals. The police have stated that this is the largest seizure of counterfeit product ever in Dubai and the resulting publicity has been beneficial as a warning to others.

Finally, our research and development activity will result in the release of new products with significant safeguards built into their design, making them even more difficult to copy. Our Managing Director will give further details.

In the other markets of consumer products and countermine, our metal detection business performed acceptably, though a little down on FY13.

The profitability of our Radio Communications business improved significantly in FY14. This has always been a core business of Codan which we have been striving to improve and expand for some years. This effort is starting to take effect.

The new Radio Communications senior management team has implemented a full restructure of the business. The Envoy radio, a new and fully digital product, is proving very attractive to customers and we believe that this new technology will enable the company to expand its share of the HF radio market. We are confident, and the market is confirming it, that this is superior to any equivalent product solution on offer.

Envoy is such a significant development that it has reinforced the utility and flexibility of HF as a means of communication at a time when other types of communication had become more readily available.

Sales of land mobile radio products, which we acquired with the purchase of Daniels Electronics, have been impacted by the well-publicised cut in US Government spending. We have a clear vision of the way ahead, and together with further development and investment in new technology, we will be able to expand our offering in this new segment of the large radio communications market.

I look forward to significant growth in our Radio Communications business over the coming years.

Our Minetec business has the potential to become the third major arm of our Codan business offering, though we still have work to do to get it fully accepted and established in the global mining industry, particularly at this time when the industry is facing changed circumstances.

Minetec has now successfully completed a number of proof-of-concept trials to the satisfaction of the global miners. In every case where we have had to compete with rival systems, Minetec's offering has come out on top. We are now completing pilots of our technology, which is the final stage in proving the effectiveness, reliability and robustness of our solutions in a complex and rugged mining environment before full mine rollouts.

Additionally, as in the past, we continue to invest heavily in new product development in all of our businesses and to look for ways to capitalise on our core capabilities and strengths to move into new markets. The Managing Director will provide further details on these initiatives.

As always, our staff has responded well to the challenges that FY14 has brought. With hard work and determination, they have achieved significant reductions in our cost base. Once again, I would like to express my appreciation on behalf of the Board for the efforts of all of our 400 dedicated people in 9 offices and 7 countries around the world.

Codan is truly a global company.

We design and manufacture a diversified product range for the international radio communications, metal detection and mining technology markets. Our products are sold in more than 150 countries. At Codan, we have a history of developing clever and robust products that our customers trust.

While the outlook for the global economy is uncertain and volatile, our largest customers are demanding products and services that safely increase productivity.

Given our 55-year history, our reputation for products that just work no matter the conditions and our new mining technology that offers unique solutions to the world's largest resource companies, we are confident in the future of your company.

The profitability of the Company is driven by our two largest business units, Radio Communications and Metal Detection.

Radio Communications has started FY15 well and in the current half year it will again deliver an improved profit performance over the prior corresponding period.

The results of our Metal Detection business continue to be significantly influenced by the level of gold detector sales into Africa and we have discussed the actions being taken to improve this part of the business.

While it is too early to predict at this stage what the full year is likely to bring, trading results for the first four months are satisfactory and we are cautiously optimistic for the balance of the year.

Our Managing Director, Donald McGurk, will now address the meeting to expand on and further discuss the business of our company.

Thank you

David Klingner
Chairman

CHIEF EXECUTIVE OFFICER'S ADDRESS TO SHAREHOLDERS

Thank you, David, and good morning.

Let me also welcome you to the Annual General Meeting.

Over the past 18 months, Codan has faced some very significant challenges.

These impacted our earnings and your dividend.

First let me say I share your disappointment in the performance of our company this year. But let me assure you we have taken strong action to restructure the company and we are now seeing positive results.

Codan is in a solid financial position. The company is profitable, gearing is at 28 per cent, we have taken \$10 million out of the cost base and we have a strong corporate governance framework.

We have also moved to significantly strengthen our management team with the appointment of new leaders for our Radio Communications and Mining Technology businesses.

Paul McCarter is our Executive General Manager of Codan Radio and Rory Linehan joined us recently as the Executive General Manager of Minetec.

Both executives come to Codan from large world-class technology companies. They bring with them considerable technical and business leadership experience in the markets in which Codan operates.

The primary reason for our lower profit in FY14 was a significant drop in gold detector sales into Africa. The success of our Minelab gold detectors encouraged competitors to copy our products and brand. When demand slowed as gold rush activity subsided, there was excess supply in the market, with second-hand machines adding to oversupply. These two factors, along with a number of other political and climatic factors, reduced demand for our metal detection products in Africa.

As well as reducing costs and stock, we have taken strong action against the manufacturers and suppliers of counterfeit gold detectors into Africa.

As David mentioned, in cooperation with local authorities, we have completed a number of successful raids against manufacturers and suppliers of counterfeit Minelab-branded gold detectors in China and Dubai.

These raids are a very positive step in our ongoing fight against the companies which attempt to steal our intellectual property.

While we have restructured the cost base and heavily focused on lifting productivity across all our businesses, we have increased our investment in new product development. Today we have a number of innovative new product releases planned during the next 9 months.

Over 55 years your company has successfully met difficult market and economic conditions and developed innovative technologies to deliver value to shareholders.

These range from the Type 6104 High Frequency Radio Transceiver – designed over 50 years ago to meet the needs of the School-of-the-Air network – to Minetec's Trax & Tags technology, a world-leading technology that allows mining operators to track people and assets to sub-metre accuracy above and below ground.

Codan exists to provide our customers with high technology-based products and systems that operate day in, day out in some of the harshest environments on the planet.

Our customers, such as the United Nations and some of the world's largest resource companies, rely on the fact that our products 'just work' no matter what the conditions. They expect us to provide best-in-class solutions that solve their safety, security and productivity problems.

As you know, we have three divisions: Minelab, Codan Radio and Minetec.

Let me now give you an update on the progress we're making across each of them.

In our Minelab division, the single most important issue facing the business is increasing our sales of gold detectors.

Minelab manufactures and markets the world's best metal detectors. We are forming even stronger relationships with our distribution partners while setting up our own distribution capability in Dubai to serve the African and Middle Eastern markets.

These steps will bring us much closer to our customers, improve our responsiveness and ultimately grow both volume and margins of gold detector sales. We intend to exercise higher levels of control and better leverage our position as the manufacturer of the world's best metal detector.

The considerable investment in new product development during the past 3 years in Minelab, has resulted in the development of new technology platforms that we believe will be a game changer for metal detecting. We are fast tracking these technologies through our product realisation process and are confident that the resultant products will return Minelab to a position of technical and market dominance. To ensure we remain technology leaders, we have incorporated a number of innovative safeguards to protect our designs, including protecting our software with military-grade encryption, using proprietary electronic devices in our designs and incorporating a number of product-verification techniques, all of which make it extremely difficult for the product to be copied.

In Codan Radio we have released our new Envoy platform, a fully software-defined radio that sets a new standard in long-range digital communications. Envoy is changing perceptions of HF technology in the market.

We are seeing a dramatic shift in sales to the new digital platform, as users experience the benefits of the vastly superior voice quality and simplicity of the radio to operate. We are also beginning to convert customers that would not previously have considered HF for their communications requirements, instead relying on more expensive mainstream infrastructure solutions or satellite systems.

The ability to link our digital radio system into other networks by simply plugging it into the internet has created the possibility to re-route radio calls and turn our Envoy radio into a global communications device. This enables users to be in touch with anyone on the planet with crystal-clear voice quality.

These new innovative features are a real step change for long range radio communications and are driving a level of excitement in the market that we are confident will drive growth for our business.

We are also well progressed with our new technology roadmap for the Land Mobile Radio business and within the next 18 months will bring product solutions to market that will enable us to participate in larger, higher value-add communications projects, which will leverage our ability to provide a total communications solution to customers, by incorporating our new digital HF radio with a land mobile radio solution.

Since acquiring the Minetec business in 2011, Codan has focused on investing in its leading edge technology and bringing our suite of products to the mining market. While this has taken longer than we had expected, this business has the potential to provide Codan with an important third leg.

Using innovative technology under licence from the CSIRO, Minetec is able to give resource companies superior tracking and location of assets in underground and open-pit mines.

Sub-metre tracking accuracy enables mining companies to significantly improve safety and security and allows them to use that information to reduce operating costs and improve productivity.

The Minetec solutions are genuinely different to current industry-standard technology. Our approach has been validated through engagements with mine operators in Australia, Africa and Latin America. In the last 12 months, Minetec has successfully passed proof-of-concept demonstrations and is now at the final stages of certification and pilot rollout as a pre-cursor to full-scale operational deployment.

The challenge over the next 12 months will be to successfully deploy and replicate full-scale operational deployments so that the business can be scaled and become the dominant standard within the mining industry.

Let me sum up by saying that as a company we remain focused on you, our shareholders. While this has been a difficult year, we are committed to restoring value for you.

It has always been difficult to forecast with accuracy the level of sales and profits that will be achieved in any 6-month period, but as a result of all of the things we have learned during the past 18 months and, more importantly, the steps we have taken to strengthen your company and position it for future growth, I remain confident and excited about what we can achieve on your behalf over the coming years.

Finally, I would like to acknowledge the resolve and considerable efforts of our amazing people, who despite being faced with major challenges, change and uncertainty during the past 12 months, have been unwavering in their support and desire to do whatever it took, and never stopped believing in themselves.

Thank you

Donald McGurk
Chief Executive Officer