



ASX ANNOUNCEMENT

2013 ANNUAL GENERAL MEETING

23 OCTOBER 2013

Codan Limited

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Newton SA 5074
Australia

PO Box 96
Campbelltown SA 5074
Australia

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Ladies & Gentlemen

I am very pleased to report that the performance of your company was exceptional in Financial Year 2013, with record sales and profit. The profit of \$45.4 million was nearly double that of FY12 and an increase of nearly 50% over the previous highest underlying profit ever recorded by the company.

This enabled your Board to pay an increased dividend for the year of 13 cents fully franked, an increase of 37% over Financial Year 2012. It is particularly pleasing for the Board to be able to reward our shareholders for your loyal support.

Our Balance Sheet remains strong, having recently negotiated the renewal of our \$85 million debt facility for a further period of three years.

Net debt increased from \$16 million to \$25 million during the year, primarily as a result of higher investment in working capital to meet the marked increase in the global metal detection business and the acquisition of Daniels Electronics in Canada.

The equity raising we undertook to partly fund the Daniels acquisition led to a marked improvement in the liquidity of our shares. This, in combination with strong profit growth, led to Codan's inclusion in the ASX 300.

Our Minelab business unit exceeded all expectations in FY13, with outstanding sales and profitability. While nearly all areas of the Minelab business have grown, it was the sale of metal detectors into the small-scale gold mining markets of Africa that particularly dominated the results last year.

What we have seen over recent years has been the adoption of metal detection technology by small-scale miners and the success that this has led to in finding gold. Metal detection is augmenting and replacing the more labour-intensive and environmentally damaging techniques previously employed in some artisanal mining regions, and there remain many more mining areas into which we can introduce our metal detection technology.

However, small-scale gold mining is prone to disruption by climatic, religious and political events in the countries in which it takes place. Thus, after experiencing an unprecedented and outstanding level of demand for our machines in the first eight months of FY13, sales reduced quite markedly in the last part of the financial year as these various factors took hold. Gold price also may have had an effect, although analysis of previous years' sales results shows little connection between the number of detectors sold and

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gold price. We have seen sales starting to pick up again in FY14, though well under the record levels experienced in the first part of last year.

The sale of metal detectors into the developed world economies of Australia, United States of America, Europe and Asia continue to achieve strong and steady growth.

Our radio communications business had a tough year with the troubled economic conditions being experienced throughout the world. The acquisition of Daniels Electronics in the early part of the year was undertaken to broaden our business beyond High Frequency radio and to enable Codan to participate in the global Land Mobile Radio (LMR) market space. However, the tightening of government budgets throughout the world and most notably, the so-called “sequestration” in the USA had a marked negative effect on our radio communications business.

In the middle of calendar year 2012, we launched our new Envoy™ software-defined radio. The Envoy™ radio has received strong support from the humanitarian, security and public safety markets, and sales are steadily growing as customers recognise the value proposition and its unique features.

Our mining technology business, Minetec, has been concentrating on installing its communication-based technologies in a number of blue-chip mine reference sites. These technologies, that lead to improved productivity and safety, particularly in underground mines, are proprietary to Minetec and superior to anything else available.

While the downturn in the mining industry has lead to a slower start than originally anticipated for Minetec, we are confident that these reference sites will lead to the technology gaining wider recognition as its benefits are demonstrated under actual mining conditions.

Our basic businesses of metal detection and radio communications are well-placed to continue to perform on into the future. Our sales can sometimes be volatile, particularly as gold discoveries can occur at any time and anywhere, and communications projects can often have long lead times. Our response has been to continue to pursue opportunities to broaden and further diversify the business through the development of internal technologies, new product offerings and identification of adjacent products and markets.

The start of FY14 has been subdued compared with the same period of FY13, though sales of both metal detection and radio communications products have improved on the levels experienced late in FY13. At this stage, we expect the first half of FY14 to be more consistent with the first halves of both FY11 and FY12, with an underlying net profit likely to be in the order of \$10 million. However, the actual underlying profit in the first half could vary either way by up to \$3 million based on the level of gold machine sales.

In closing, I would like to thank Codan’s people at all levels in the organisation for their contribution to our success.

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

David Klingner
Chairman

CHIEF EXECUTIVE OFFICER'S ADDRESS TO SHAREHOLDERS

Thanks, David.

The foundation of your company is built on the efforts of our exceptional people, who for the past 54 years have shaped a culture that seeks to provide innovative solutions to our customers' problems, whatever and wherever they may be. That, coupled with a relentless pursuit to continuously improve every aspect of our business, is the primary reason for our considerable success over many years.

During that time, we have actively sought to discover the core values of the organisation and have worked with all employees to articulate a set of behaviours for each value that enables us to hold each other accountable for living them. The DNA of the company is embodied in the four core values, which are Can-do, High Performing, Customer Driven, Openness and Integrity. This year's annual report contains a more comprehensive description of each core value, including the desired behaviours associated with each one.

However, a company cannot remain great if it doesn't continually seek opportunities to improve returns to its shareholders, and that cannot occur unless it continues to grow. The Board and Management of Codan are committed to strategically growing your company, and we have developed a growth framework that consists of three interrelated elements: Invest, Expand and Diversify.

The framework is drawn as a triangle to demonstrate the relative priority of each element. Our primary focus is to invest in new product development to continue to develop new technologies and product platforms that better serve our defined markets. We have no shortage of innovative ideas, supported by strong business cases and new product roadmaps extending out many years across all product groups.

In FY13 we released a significant number of new products. In our Minelab division we launched the CTX 3030, an exciting feature-packed metal detector which has set a new standard in the coin and treasure segment of the consumer market. In a business in which we have tended to highlight our gold detector sales into Africa, it is worth noting that this consumer segment of our offering represents about 30% of Minelab's sales, and has demonstrated strong and steady growth during the past four years. In addition to the new CTX platform, we also released a number of high value-add accessories, including a pinpointer and a state-of-the-art harness. We have a number of exciting new product releases planned during the next two years, including the introduction of a low-cost metal detector, which will open up a completely new market segment for Minelab. In addition to competing in the lucrative first-world market for lower-priced metal detectors at the entry level, it is designed to make metal detecting more attractive and accessible to emerging world customers and to bring even more people, particularly younger enthusiasts, into the activity.

Our next flagship gold detector will be based on new technology that we have developed and verified; technology that will dramatically improve detector performance.

In Countermine, we are developing a new dual sensor detector, aimed at further strengthening our position in the military and security segment of the market, where ground penetrating radar is used in conjunction with our world's-best metal detecting technology.

As David mentioned, in Radio Communications we released the new Envoy software-defined HF radio, which takes us past our peer competitors and provides a radio platform that will enable new software applications to be seamlessly added over time.

The new Envoy software-defined radio will eventually supersede our current NGT radio due to its superior operating performance and functionality. The key difference between the two radios is the operating system. The new Envoy is essentially software driven, whereas the NGT operates on a hardware platform and is therefore less flexible for the customer. The Envoy has the ability to add features and functionality during the life of the radio using core software modules, which essentially future-proofs the customer's investment.

During the next 12 months, higher value-add features such as digital voice, which leverages the technology we recently acquired from Rapid M, and the addition of user interfaces in languages such as Spanish, Dari, Arabic and French, will serve to move us even further ahead of the competition and provide a solid foundation from which to grow this business.

We are also investing heavily during FY14 to further develop our Land Mobile Radio product solutions in the recently acquired Daniels business located in Canada. In order to grow this business both in the US and internationally, we are upgrading our product offerings, which is a key requirement of our strategy to move up the value chain and become more relevant in our customers' programs.

In Minetec, we have taken our suite of mine safety and productivity solutions and made them market-ready, which has enabled us to successfully implement reference sites with blue-chip miners such as Newcrest and Barrack Gold for our collision avoidance and mine scheduling products. These reference sites have attracted a considerable level of interest from a number of global mining companies during the past few months, and we are making good progress taking this game-changing technology to a mining industry that now, more than ever, requires improved productivity in all aspects of mine operations.

The "Expand" part of the strategic framework looks for ways to grow existing business units by exploring opportunities around adjacent markets, adjacent products and adjacent technologies. The acquisition of Daniels is an example of this strategy. Having now diversified the Radio Communications business beyond HF by adding a Land Mobile Radio product range, there is further scope to leverage off these products and capitalise on the Daniels business's ability to sell into the US government and security markets. This will enable us to expand and further diversify our Radio Communications business into higher growth areas of the security, intelligence and reconnaissance markets in the US and internationally, supplementing these more mature and lower-growth communications markets.

In addition to the "Invest" and "Expand" elements of our growth strategy, we continue to search for acquisitions that will further diversify the business and serve to reduce some of the volatility associated with our gold detecting and Radio Communications revenues.

Although it can be difficult at times to accurately forecast sales in some of our more volatile markets, we remain very confident that the underlying principles of our business are strong. Codan is a company made up of great people and we have a plan for the future. All of these things serve to give the Board confidence that we will continue to deliver value to our shareholders over time.

In closing, I would like to join with David and thank all of our employees for their exceptional efforts during the year and for their substantial contribution towards our record result in FY13. Without them, none of this would be possible.

I will now pass the Chair back to Dr David Klingner.

Donald McGurk
Chief Executive Officer

Our Core Values



CAN-DO



HIGH
PERFORMING

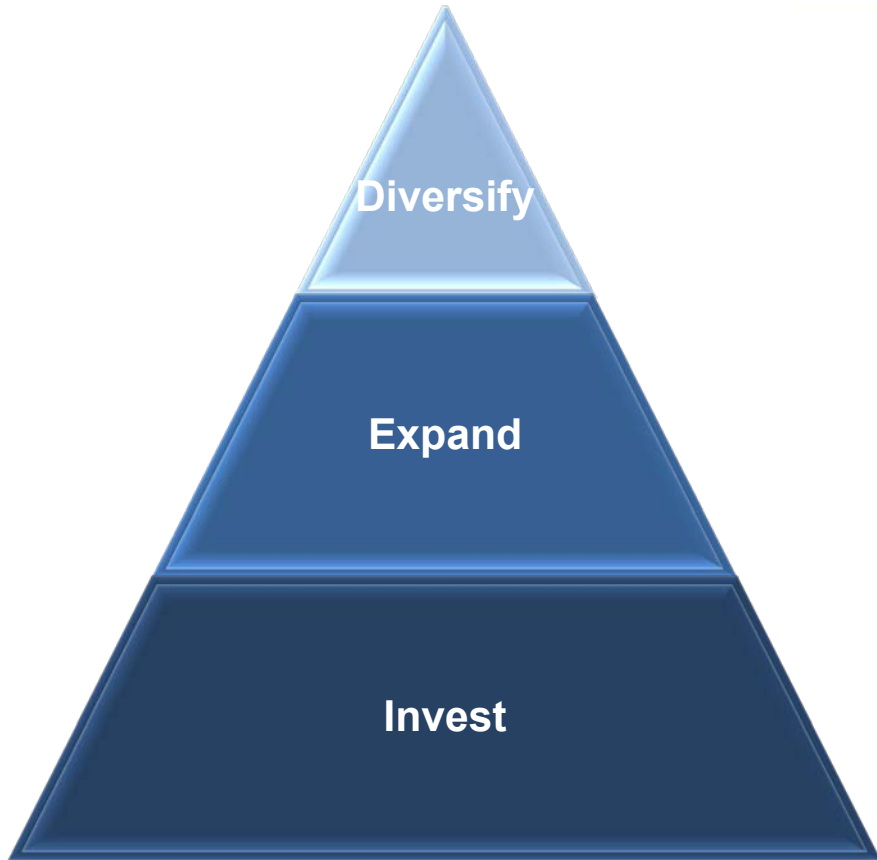


CUSTOMER
DRIVEN



OPENNESS
& INTEGRITY

Strategic Framework



New technologies and product platforms — MINELAB

Diversify

Expand

Invest

CTX 3030
The Future of Discovery



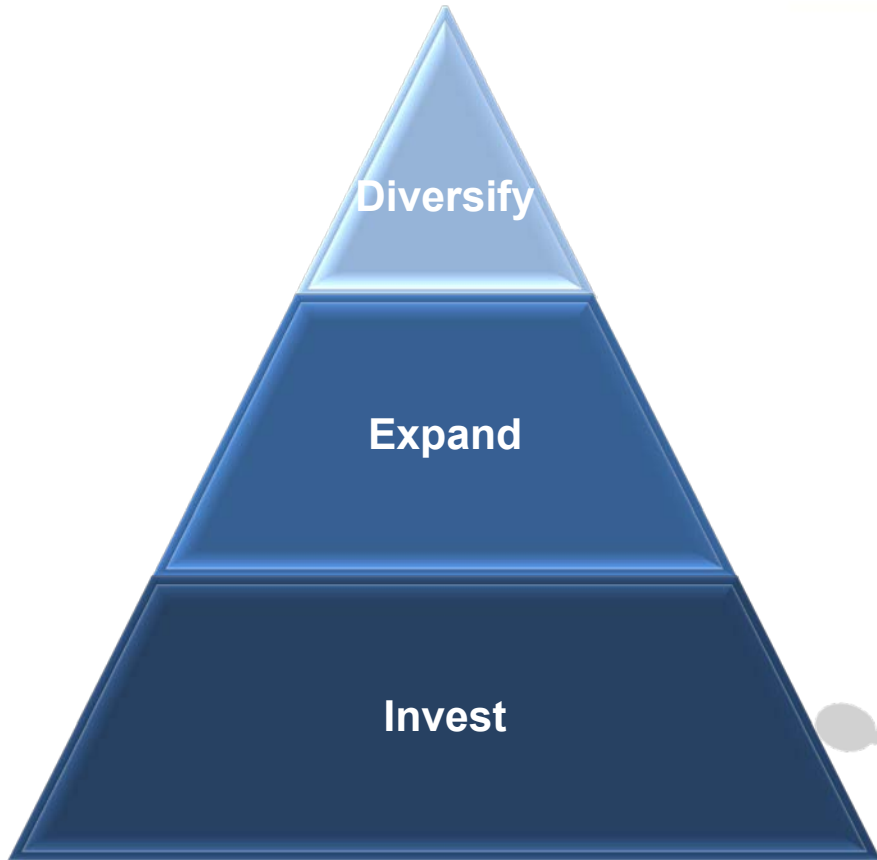
PRO-SWING 45
Detecting harness



PRO-FIND 25
pinpointer



New technologies and product platforms — MINELAB



Countermine
Dual Sensor



Super Gold
Machine



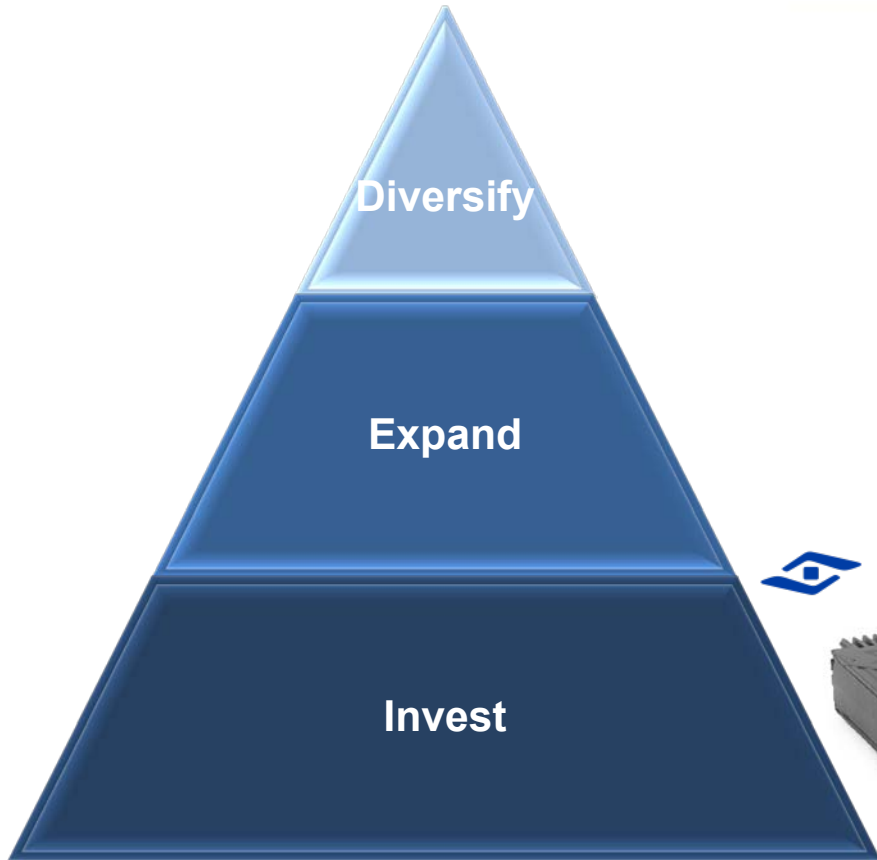
Low Cost
Metal Detector



Mid-Range
Gold Machine



New technologies & product platforms — RADIO COMMUNICATIONS



 **envoy**



Multiple Languages



Digital voice



P25 phase II



New technologies & product platforms — MINETEC

Diversify

Expand

Invest



MINETEC
TRAX+TAGS™



MINETEC
SMARTS™



SAFEDETECT™

PROXIMITY AWARENESS SYSTEM

