CODAN LIMITED

Management Briefing & Site Tour Presentation
19 May 2017

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AGENDA

9.10am	**Introduction to Codan & Business Overview** – Donald McGurk (Managing Director & CEO) & Michael Barton (CFO & Company Secretary) – *40 mins*
9.50am	**Break & Radio Communications product demo** – *10 mins*
10.00am	**Radio Communications** – Steven Jenkins (General Manager Radio Communications Australia) & Francesca Doyle (Director of Marketing, Radio Communications) – *45 mins*
10.45am	**Morning Tea & Radio Communications product demo** –*15 mins*
11.00am	**Metal Detection** – Peter Charlesworth (Executive General Manager Minelab) & Mark Lawrie (Product Technology Manager) – *45 mins*
11.45am	**Tracking Solutions** – Rory Linehan (Executive General Manager Minetec) – *30 mins*
12.15pm	**Site Tour** – *45 mins*
1.00pm	**Lunch**
1.45pm	**Conclusion**

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INTRODUCTION & BUSINESS OVERVIEW

Donald McGurk

Managing Director & CEO

Michael Barton

CFO & Company Secretary

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TECHNOLOGIES FOR GLOBAL MARKETS

> Headquartered in South Australia, Codan is an international company that develops rugged and reliable electronics solutions for government, corporate, NGO and consumer markets across the globe

> Our purpose is to create long term shareholder value through the design, development and distribution of innovative technology solutions

> Over our 57 year history we have developed technologies which give us a sustainable competitive advantage in our chosen markets

DELIVERING SHAREHOLDER VALUE OVER THE LONG TERM

Shareholder value

We succeed by:

- Developing unique, high value technology
- Delivering superior product performance in the harshest conditions
- Solving customers' safety, security and productivity problems
- Creating multiple revenue streams from globally diversified markets
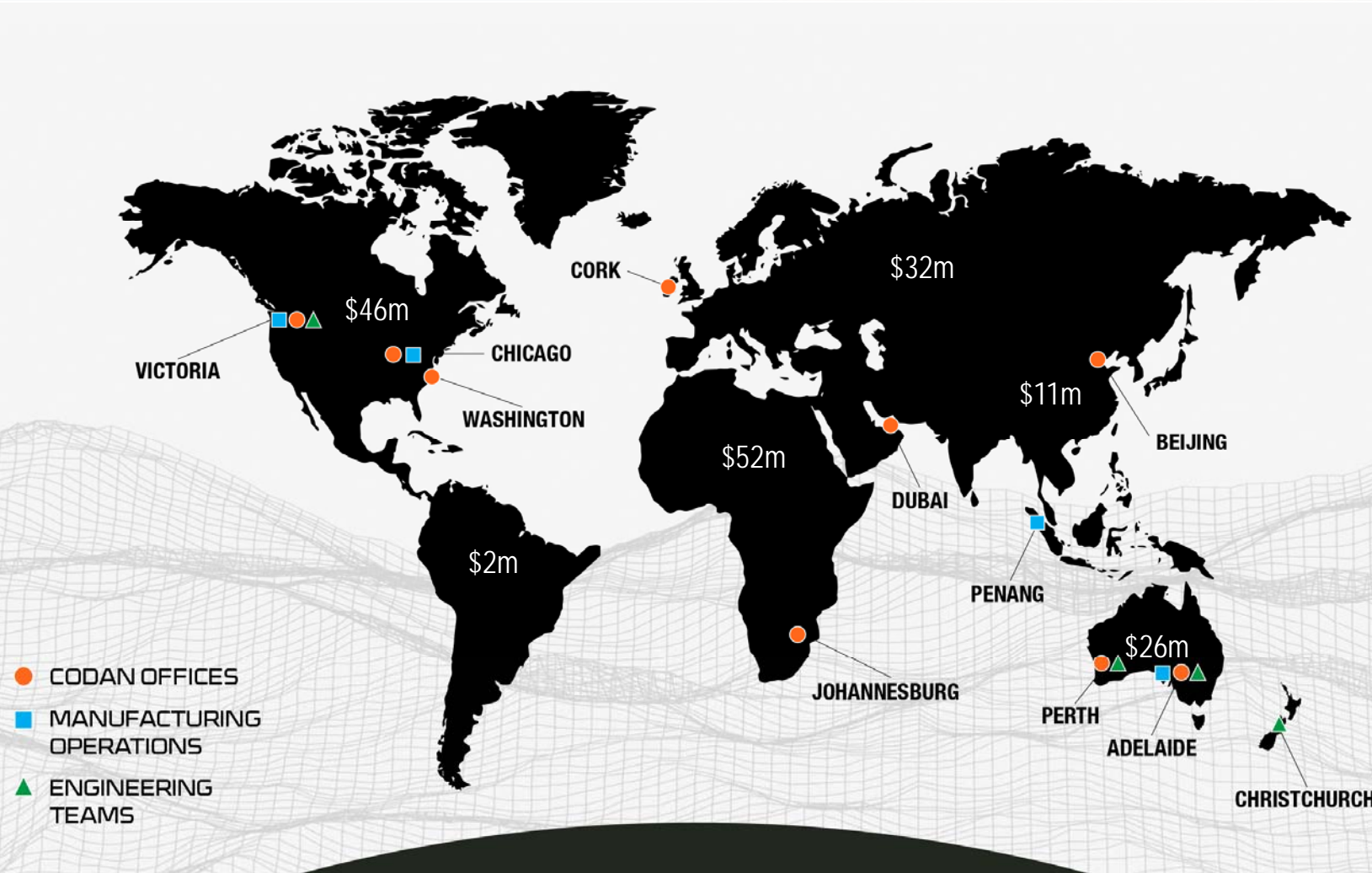
Core values

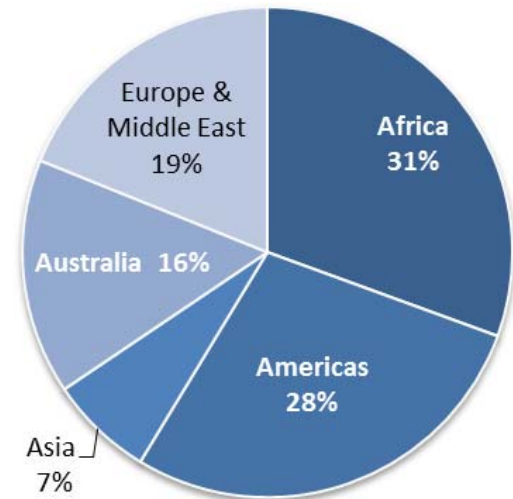| Can-Do | High Performing | Customer Driven | Openness & Integrity |

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GLOBAL FOOTPRINT – 85% OF SALES EXPORTED

FY16 sales by location

Map locations and values:
- CORK
- VICTORIA — $46m
- CHICAGO
- WASHINGTON
- $32m
- DUBAI
- $52m
- $11m — BEIJING
- PENANG
- $2m
- JOHANNESBURG
- PERTH — $26m
- ADELAIDE
- CHRISTCHURCH

Legend:
- ● CODAN OFFICES
- ■ MANUFACTURING OPERATIONS
- ▲ ENGINEERING TEAMS

Pie chart – FY16 sales by location:
- Africa 31%
- Americas 28%
- Europe & Middle East 19%
- Australia 16%
- Asia 7%

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FY17 PROFIT UPGRADE

Strong sales continue

> Gold detector sales into Africa in the second half have continued to be strong

> Total sales 10 months to 30 April $191 million – up 33%

> Full year underlying NPAT guidance upgraded to circa $44 million

> Strong balance sheet – $20 million net cash position at 30 April

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BUSINESS UPDATE

Radio Communications

> Sales 10 months to 30 April $61 million – up 6%

> Strong first half in HF due to delivery of large project

> Will deliver a stronger second half for LMR

> Cascade development on track for FY18 release

> Growth over the medium term as we transition from a product to solutions business

Minelab

> Sales 10 months to 30 April $124 million – up 52%

> Gold detector sales into Africa continue to be strong as customers upgrade their GPX gold detecting equipment

> Remain well connected into the African market

> Established consumer markets outside Africa have also performed well
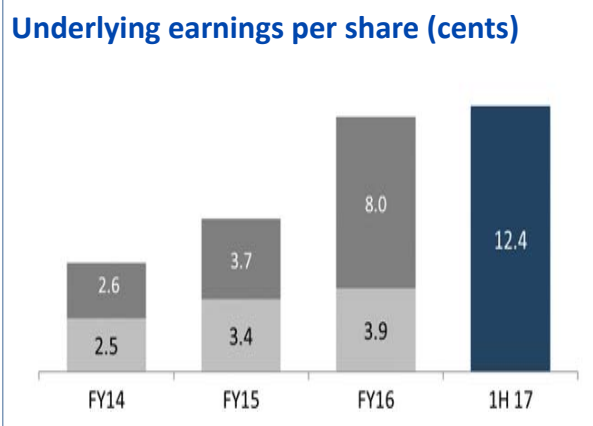
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BUSINESS UPDATE

Minetec

> Positive profit contribution for FY17

> Successfully deployed technology for key customers

> Unique product offering in high precision underground tracking

> Focus directed towards scaling the business and increasing profitability

Codan Defence Electronics

> Recent initiative to capitalise on our long history of supplying the defence sector

> Core technical competence in RF sub-system design

> Supplying to large defence contractors

> Significant opportunity – long sales cycle

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PROFITABILITY

Key ratios at 31 December 2016

Underlying earnings per share (cents)

	FY14	FY15	FY16	1H 17
2H	2.6	3.7	8.0	
1H	2.5	3.4	3.9	12.4

Free cash flow ($m)[2]

	FY14	FY15	FY16	1H 17
2H	21.0	17.7	33.2	20.5
1H	-25.6	-3.3	-2.0	

Return on equity (%)[1]

FY14	FY15	FY16	1H 17
7%	10%	16%	25%

Gearing (%)[3]

FY14	FY15	FY16	1H 17
28%	22%	8%	0%
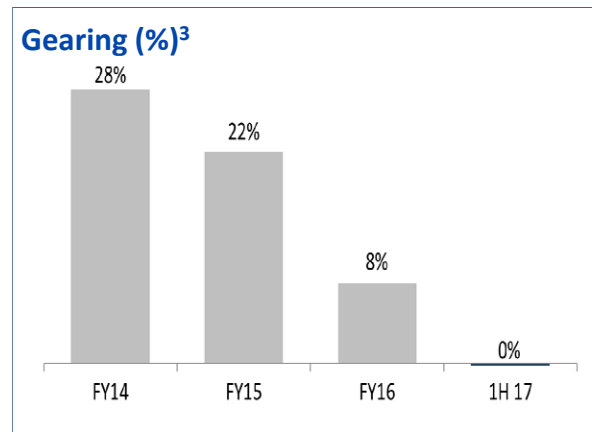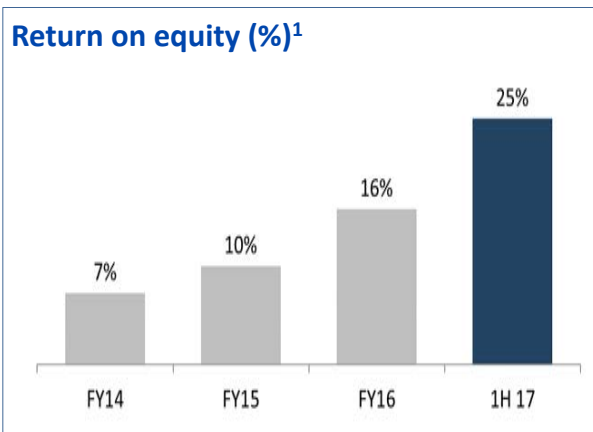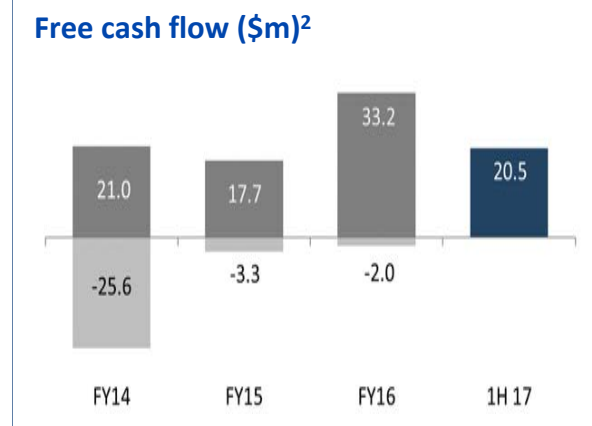
■ 1H ■ 2H

[1]Return on equity calculated as net profit after tax divided by total equity
[2] Free cash flow = operating cash flow + interest – cash outflow for product development, IP acquisition and capital expenditure
[3]Gearing = net debt / net debt plus equity

> Continuing to generate positive free cash flow

> Debt free - $20 million net cash position at 30 April

> Banking facility $55m

> Strong investment in product development continues

> Unique products deliver high operating margins

> Strong sales on a largely fixed cost base deliver increasing profitability

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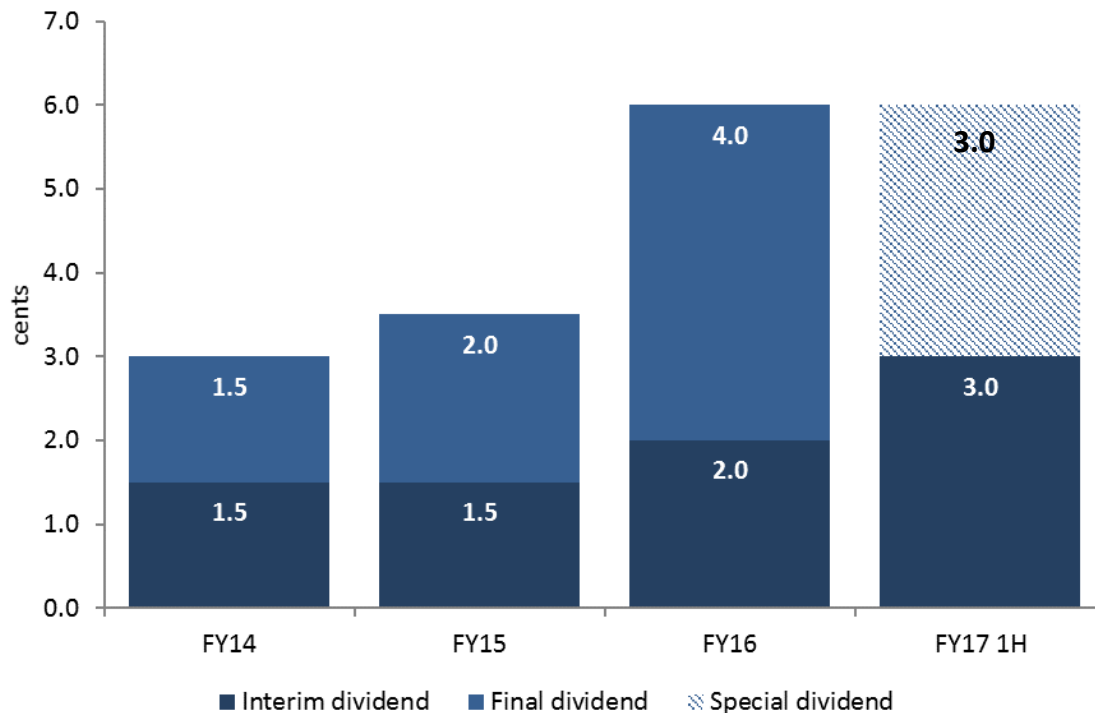
DIVIDENDS

- Strong history of dividend payments
- Board has maintained a 50% dividend payout ratio
- Dividends are fully franked
- FY17 interim dividend was increased 50%
- Also paid a special dividend to reflect outperformance of the business

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Q&A

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Steven Jenkins

Vice President and General Manager, RC Australia

Francesca Doyle

Director of Marketing, Radio Communications

RADIO COMMUNICATIONS
Overview

Communication Solutions that simply and reliably connect those that defend, protect and support humanity in the harshest environments

› High Frequency (HF) core of the founding company

› Land Mobile Radio (LMR) acquired in 2012 (Daniels Electronics) and located in Victoria, Canada – 50+ year history

› Offices in Adelaide, Canada, USA, Dubai, New Zealand

› Engineering teams in Adelaide, Canada and New Zealand – 70 engineers

Long Range Digital Radio (HF)

> Infrastructure free, long range radio

> Used by security, peacekeeping, humanitarian and military organisations

> Used extensively in Africa, Middle East and Asia

Land Mobile Radio (LMR)

> Land based VHF, UHF wireless systems

> Used by emergency responders for mission-critical communications (i.e. police, ambulance, firefighters)

> Our products predominantly used in North America and Australia

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RADIO COMMUNICATIONS
HF products & markets

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RADIO COMMUNICATIONS

Long range digital radio (HF)

> New product development directed at Military 2

> Acquisition of Stealth Telecom (Jan 2017) expanded product line to include HF antennas

> Large project wins impact annual revenues

Codan's HF markets
US$500M

Commercial 10%

NGO/Security 30%
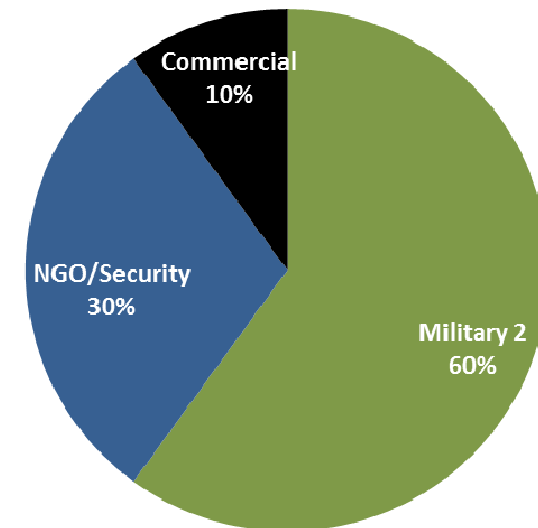
Military 2 60%

HF market segments:

> Military 2 – developing world military in Africa, Middle East, Asia, Eastern Europe & Latin America

> NGO/Security – UN, Humanitarian, Border Guards & Peacekeeping

> Commercial – Government, Emergency Services & Utilities

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HF products & markets

HF products for Military market:

> Sentry-V military VHF radio

> Sentry-H military HF radio

> Stealth 93XX series antenna

> RIOS radio interoperability system

RADIO COMMUNICATIONS
LMR market

Current market
~USD100M

Future market
~USD1B

Low-Power
Remote
Infrastructure

2016

Systems Integration

Infrastructure

Services

2020[1]
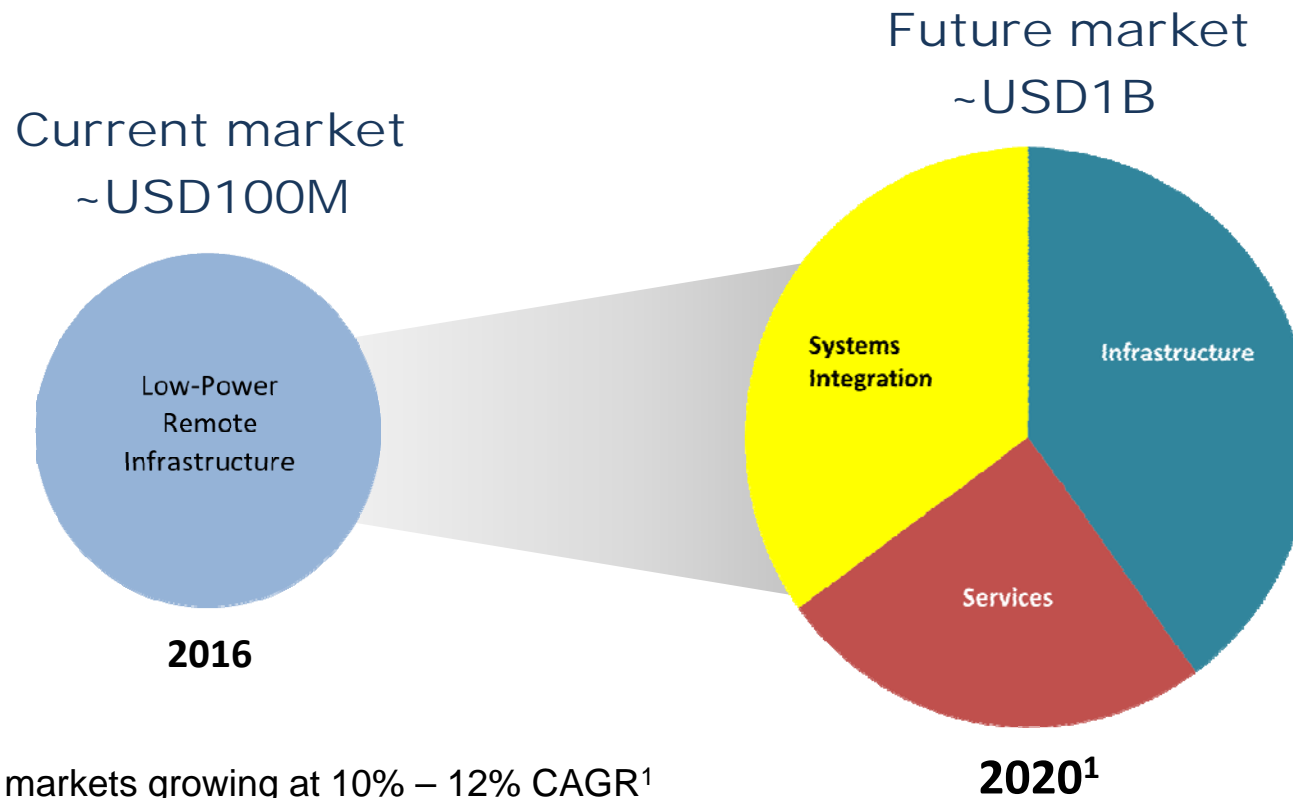
> Target markets growing at 10% – 12% CAGR[1]

> Expanding from ~USD100M low-power, remote infrastructure market into ~USD1B systems market as a Radio Network Solutions provider

> Key customers:
> > Public safety organisations (first responders)
> > State and county offices
> > Mining, oil & gas, utilities

[1] Source: IMS Research LMR Infrastructure and System Integration – World, Feb 2015

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RADIO COMMUNICATIONS
LMR Cascade – Software defined radio based on P25 Standard

> 50+ year history in the mountain top repeater space

> Positioning as a Radio Network Solution

> Targeting customers with large land areas and low population

> Demand for 'simple to use' radios and interoperability is driving the solutions focus for Codan

> Gap in the market for good quality and service

> Phased approach for Cascade release starting FY18

IWCE Cascade launch, March 2017

LMR – Radio Network Solutions

Q&A

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Peter Charlesworth

Executive General Manager, Minelab

Mark Lawrie

Product Technology Manager

METAL DETECTION
Overview

World's best metal detecting technology for finding gold, treasure and land mines

> Minelab - founded in 1989

> Acquired by Codan in 2008 – $38M sales

> FY16 sales $99M – strong growth as new markets opened

> Offices in Adelaide (engineering & sales), Dubai, USA, Ireland

> Engineering team in Adelaide

At Minelab, **We Change People's Fortunes** by creating the world's best metal detectors

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METAL DETECTION
Markets

Recreation
Adventure • Treasure • Gold
We have recreational detectors for all skill levels.

Gold Mining
Prospecting • Community • Environment
Gold Detectors for the small scale gold miner.

Countermine
All Mines • All Soils • All Conditions
Detectors for landmine and UXO clearance.

Key markets - Australia, USA, Europe, Russia

Users:

> Families

> Weekend enthusiasts

> Serious treasure hunters

> Keen gold prospectors

> Archaeologists

> Beach & deep sea detectors

Key markets – Africa / AsiaPac / LATAM

Users:

> Small scale artisanal miners
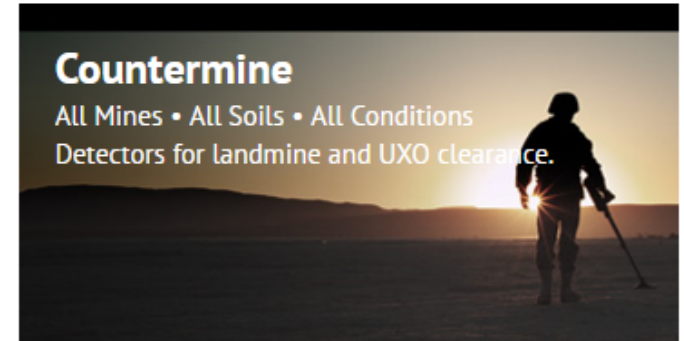
Key market – countries impacted by war – past and present

Users:

> Demining organisations

> Governments

> Security forces

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Coin & Treasure detectors

Retail prices ranging from US$150 to US$2500

From the entry level GO-FIND 20 to the ultimate CTX 3030, Minelab has the right treasure detector for you.

	GO-FIND Series	X-TERRA Series	Safari	E-TRAC	Excalibur II	CTX 3030
Discrimination	★	★★	★★★	★★★★	★	★★★★★
Waterproof Detector	✗	✗	✗	✗	✓✓ 60m	✓ 3m
Waterproof Coil	✓ 0.6m	✓ 1m	✓ 3m	✓ 3m	✓✓ 60m	✓ 3m
Standard Coil	8" / 10" Rectangular	9"	11"	11"	10"	11"
Batteries	4 x AA	4 x AA	8 x AA (Rechargeable Option)	Rechargeable (8 x AA Option)	Rechargeable	Rechargeable (8 x AA Option)

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Gold detectors

Retail prices ranging from US$999 to US$9,999

From the entry level X-TERRA 705 Gold Pack to the ultimate GPZ 7000, Minelab has the right gold detector for you.

	X-TERRA 705 Gold Pack	GOLD MONSTER 1000	SDC 2300	GPX Series	GPZ 7000
Relative Depth	★	★	★★	★★★	★★★★★
Waterproof Detector	✘	✔ Rainproof	✔	✘	✔ Rainproof
Waterproof Coil	✘	✔	✔	✘	✔
Standard Coil	10" x 5"	10"x6" DD + 5" DD	8"	11" DD + 11" Mono	14"
Batteries	4 x AA	Rechargeable	4 x C-cell	Rechargeable	Rechargeable

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METAL DETECTION
GPZ 7000®

> Ground-breaking technology

> Up to 40% depth improvement over GPX 5000®[1]

> Deepest ground penetration available

> Three to five year development cycle for major technology platforms

> High return on investment

> Large Coil (19") now available; even deeper detecting performance

[1] when compared to average GPX 5000® performance in the same environment

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METAL DETECTION
New product

> Entry level specialist gold detector for recreational enthusiasts and small-scale gold miners

> Retail price under US$1,000, below that of GPX

> Designed specifically for small-scale gold mining

> Rugged and easy to use through automation

> First product sales May 2017

وحش الذهب ١٠٠٠
GOLD MONSTER 1000

Features:

> Fully automatic operation
> Extra sensitive performance
> Highly adaptable
> Easy quick start
> Waterproof

METAL DETECTION

Developing dual sensor detector for Australian Defence Force

> $6.7m development contract awarded by Australian Defence Force in August 2016

> Funds majority of engineering investment

> Working with US partner, NIITEK Inc.

> Combines Minelab's metal detection technology with advanced ground penetrating radar

> Dual sensor in compact platform, enhanced capability meeting ADF specifications

> Development to be completed during FY18

> Will result in world's best dual sensor detector

Q&A

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MINETEC

Rory Linehan

Executive General Manager, Minetec

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MINETEC

Highly accurate tracking of assets to improve mine productivity and safety

> Minetec - founded in 2000

> Acquired by Codan in 2012

> Continued development of underground tracking solutions

> Offices in Adelaide (project delivery), Perth (engineering & sales), South Africa (sales)

Stop working in the dark

When you're working underground, even the best laid plans can fail. We're changing that.

http://minetec.com.au/

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MINETEC
Competitive Advantage

> **Product differentiation:**
>> Real time production management system
>>
>> Single sensor: communications, ranging & localisation
>>
>> Single vendor: tracking, safety & task management
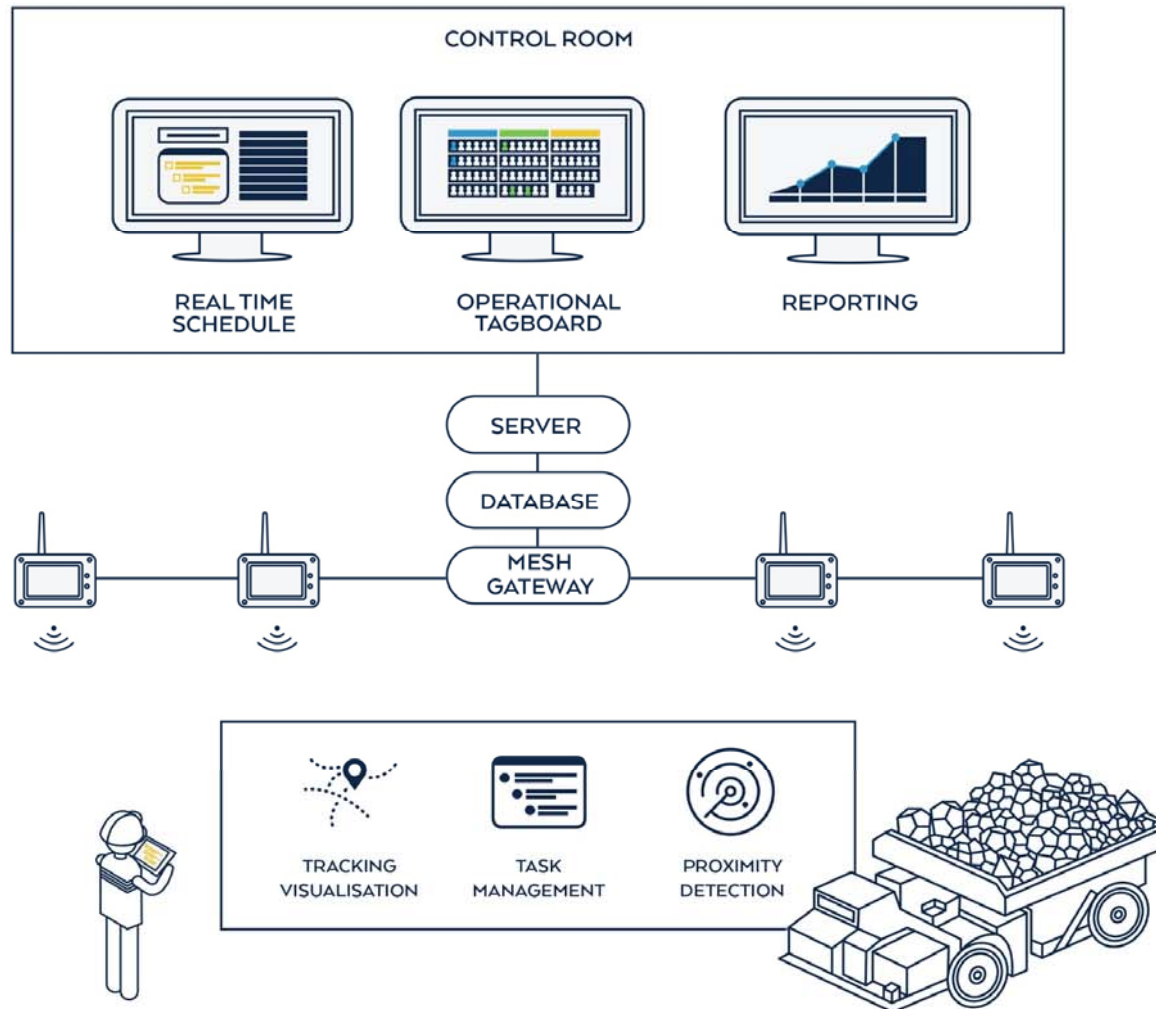

TRACKING VISUALISATION

TASK MANAGEMENT

PROXIMITY DETECTION

Lifting the lid on the Digital Mine

Digital Mine: unlocking today's operations

- Shift turn-around
- Asset availability & utilisation
- Traffic management
- Proximity awareness & detection
- Real time production management

Remote and Autonomous Operations

- Safe working practice
- Data communications
- Visibility
- Control

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Q&A

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