

ARIADNE AUSTRALIA LIMITED

CHIEF EXECUTIVE'S ADDRESS

2014 Annual General Meeting

10 November 2014

Ariadne Australia Limited ("Ariadne") has reported a Net Profit after tax attributable to members of \$6.26M. This compares to the previous year of \$2.85M. A more appropriate measure of Ariadne's performance is that of total comprehensive income, which also accounts for the Group's longer term investments. A contribution of \$4.41M was reported through the Comprehensive Income account, predominantly arising as a result of gains on the investment portfolio. Combining these two elements, Ariadne recorded a total comprehensive income attributable to members of \$10.48M for the year. This compares to the previous year of \$5.36M. Total comprehensive income per share was 5.13 cents, a significant increase on that from the previous year of 2.63 cents.

Ariadne continues to maintain a high level of cash reserves which at year end was \$16.3M – approximately 8.00 cents per share. At year end net tangible assets per share were 39.50 cents, an increase of 19% over the previous year. I might add, there has been a further modest increase in the first quarter of the new financial year.

The car park division, comprising Ariadne's 50% shareholding in Secure Parking Pty Ltd ("Secure Parking") and two Brisbane-based car parking leases, reported a full year profit for the year of \$4.51M. This is 9% below the prior year profit of \$4.98M. Market conditions were challenging in the eastern seaboard capitals of Australia, the core business base for the Australian operations. The main cities experienced higher than normal vacancy rates in

the CBD areas. Brisbane has recorded four consecutive quarters of negative net absorption and CBD commercial vacancy rates are at a historic high. Office precinct movements and a benign retail environment also had an impact. We believe the car park division has a very sound business model, and the result is satisfactory given the difficult market drivers. Secure Parking is successfully adapting to changing market conditions through technology investment, new products and development of new market segments. Technology initiatives include an upgrading of mobile apps and pre-booking systems, and expanded web-based marketing activity. Further significant growth was achieved in the Club Secure online loyalty program and the expansion of key partnership programs.

Secure Parking has also extended its retail shopping centre management model, using low cost Pay & Display and enforcement technology. There are now over 100 sites managed on this basis. Public sector on and off-street parking for councils and hospitals is a growing market, including both the management of concessions and BOOT Scheme opportunities, under consideration with institutional investors. Six airport car parks are managed in Australia and New Zealand including the key growth airports of Brisbane and Auckland.

I am pleased to report the first quarter of the new financial year has seen a modest improvement in results and the strategic development of an expanded business model is providing risk mitigation to the volatility being experienced in the traditional CBD commercial parking model centred around major cities. While the trend is positive, we remain cautious, given the stalling domestic economy in Australia exemplified by the sluggish retail environment and static employment rates.

Excellent progress has been made in the United Kingdom, where a viable operating footprint has been established and new opportunities identified and secured. Both New Zealand and Western Australia are now well established markets and making positive contributions.

During the year Ariadne generated satisfactory returns from its investment division. Income is derived from interest on cash reserves, share of profit from Ariadne's investment joint ventures, trading income from the trading portfolio and dividend income from both the investment portfolio and the trading portfolio.

Ariadne's strategic investment in ClearView Wealth Ltd ("ClearView"), the specialist life, wealth and financial advice business, continues to perform very strongly as a result of ClearView's impressive growth momentum. The business is achieving its growth targets and taking advantage of opportunities to selectively add to its dealer group.

During 2014 embedded value increased by 8% and the value of new business increased by 56% which is a lead indicator of future value creation in the Group. Most recently ClearView has merged with Matrix, a leading network of independent advisers, which will lift total funds under management and advice to \$6.9B (68% increase), provide a combined \$148M premiums under advice (57% increase) and include over 200 financial planners (70% increase). The increase in scale should lead to greater profitability given the operating leverage within the group following a period of investment into the cost structure.

The current year is shaping up to be another year of transformation for ClearView. In addition to the integration of Matrix, the Company has

continued to refine its life insurance products, introduced a further wealth management platform and expanded its distribution footprint via the dealer group and distribution agreements with third parties. With a suite of innovative life insurance and wealth management products addressing the profitable segments of the market and unencumbered by acquisition legacy issues tying down competitors, ClearView is fast making a name for itself as a "challenger" in the industry.

Led by Dr Gary Weiss as Chairman and with the support of the major shareholders assisting the high growth strategy being executed by the experienced management team and its high quality dealer group, Ariadne believes this Company will continue to be a strong performer for the portfolio.

2014 was a turnaround year for Hillgrove Resources Ltd ("Hillgrove Resources") as the operations at the Kanmantoo mine in South Australia delivered impressive gains in efficiency, and record production and sales of copper concentrate. Hillgrove Resources continues to focus on generating free cash flow and repaying debt. Since Ariadne's initial investment net debt has fallen from \$31.2M to \$11.6M and as facilities continue to be repaid this positions the Company closer to being able to pay regular dividends.

Other pleasing events during the year included the announcement of a dividend policy as part of capital management initiatives and an extension of the mine lease which should add further to the life of the mine. Hillgrove Resources' strategy is to continue to optimise and improve mining operations, and maximise mine life in the Kanmantoo region via further exploration. With a prudent level of hedges in place to protect against a decline in the copper price, and a lower A\$, the investment in Hillgrove Resources is well positioned to deliver shareholder value.

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Ariadne's 54% interest in Freshxtend International Pty Ltd, which holds a 17% investment in NatureSeal Inc. ("NatureSeal"), continues to contribute positively to the investment division result. NatureSeal has consolidated its position as a global leader in the provision of antioxidants for food applications and while growth rates have slowed in North America and Europe, new product development and an expanded geographic presence in the Asia Pacific region offers medium-term growth opportunities.

Subsequent to balance date, Ariadne has acquired a 13% interest in Foundation Life (NZ) Holdings Ltd, a company which has acquired a residual life assurance business. Ariadne believes that this investment will generate good returns over the medium term.

Ariadne's trading activities typically relate to shorter term opportunities which arise due to stock market volatility unassociated with company fundamentals. Whilst the Group's preference is to allocate capital to longer term strategic investments, the trading operations have the prospect of delivering additional returns on shareholders' funds until such longer term opportunities present themselves. The lower profit contribution this year reflects a higher cash balance held and a reduced opportunity set of undervalued companies.

The Ariadne property division reported an improved result, contributing a profit of \$1.78M for the period against a prior year loss of \$0.8M.

Orams Marine Village ("Orams"), which is 50% owned by Ariadne, reported a result in line with the previous year. The Orams result was impacted by closure of the marina for part of the period under review. The recently completed reconfiguration of the marina has added significant value and improved capability to accommodate larger superyachts and enables the provision of a wider variety of services. The result was also impacted by

higher tenancy vacancies in the first half of the year. By year end, Orams was 100% occupied and achieving good rental growth. Demand for berths in the dry boat stack is strong and it now has a 100% occupancy rate. The Board remains confident that this strategic investment is well-placed to capitalise on the future development of the Western Viaduct Area and the growth impetus of the New Zealand marine industry, which enjoys an international and growing reputation for product quality, skill base and competitiveness.

The Batemans Bay and Port Macquarie marinas delivered improved trading results. On 1 July 2013 the Batemans Bay Marina ownership structure changed with a 50% interest being acquired by a property development group. This group now has management responsibility for Ariadne's Australian marina activities, enabling a reduction in administration costs to be achieved. The redevelopment is progressing well at Batemans Bay and negotiations are at an advanced stage for a restructuring of the Port Macquarie lease. Port Macquarie and Batemans Bay are non-core assets, and will be disposed of at the appropriate time.

Two properties in the accommodation services business, StayMint Pty Ltd ("StayMint") were sold, and the sale of the remaining property, Points North, was completed in October. All properties were sold at around or above book values. This brings a closure to our investment in accommodation services, which has historically been a drag on earnings. The capital realised from the sale proceeds was used to repay debt and the balance released for allocation to Ariadne's investment activities. These disposals gave rise to a small increase in Net Tangible Assets as a consequence of the removal of Management Letting Rights obligations from the balance sheet.

The Directors declared a partially franked (40%) final Ordinary dividend of 0.5 cents per share in relation to the 2014 financial year, with payment made on Friday, 3 October 2014, of which 60% is source from the conduit foreign income account. In February 2014 Ariadne declared an interim dividend of 0.5 cents per share.

Ariadne continues to maintain an active capital management program and in August announced an on-market share buy-back as part of ongoing capital management initiatives. The buy-back is for the purpose of acquiring shares where they are trading at values below the Board's opinion of the intrinsic value of the shares, such acquisitions benefitting all shareholders. The policy of maintaining reasonable levels of cash reserves at both Ariadne and Secure Parking is prudent given market volatility and a degree of uncertainty in our operating businesses. Having said that, Ariadne maintains a flexible and pragmatic approach to pursuing investment opportunities and the FY14 result demonstrates the Company's capability to selectively identify market situations that can generate acceptable returns.

Ariadne has made considerable progress during the reporting period in transitioning to a merchant banking style investment group from its former dominant property base. Ariadne has completed a satisfactory year, reporting improved profit and a significant uplift in total comprehensive income to members. The ongoing development and expansion of Ariadne's investment activities is reflected in the increased contribution through the Statement of Comprehensive Income. During the period there was a further reduction in debt and increase in cash held, underpinning the strong balance sheet. This is reflected in the Shareholders Funds to Total Assets ratio, which is 94%. The orderly exit from the accommodation services business has resulted in sales realisations being achieved in line with book value or better and facilitated the

release of funds that can be redirected to the investment and merchant banking activities.

Ariadne's key strategic operating business, Secure Parking, maintains a strong market position and this, together with an expanding product base, has Secure Parking well placed to leverage off a market recovery and new opportunities across its geographical market and growing market segments such as in the public sector.

I would like to take the opportunity to thank the Board and management for their support over the year. Management has a strong working relationship with an active Board. The trading and investment portfolios have performed well and the experienced investment team is evaluating a range of new opportunities. Ariadne is well placed to capitalise on new investment opportunities with the primary objective being to improve returns on capital employed and maximise cash flows.

MURRAY R BOYTE

Chief Executive Officer

Ariadne Australia Limited