

30 October 2009

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Dear Sir/Madam

Chairman's Address

We attach a copy of the Chairman's Address to be delivered today to the Codan 2009 Annual General Meeting.

Yours sincerely
CODAN LIMITED



Michael Barton
Company Secretary



CHAIRMAN'S ADDRESS
AGM
30th October 2009

When I addressed you at the 2008 Annual General Meeting, it was a time of unprecedented uncertainty in the global financial environment with what is now termed the Global Financial Crisis in full sway and trading conditions difficult to predict. At the time we felt that Codan was well placed to weather the storm and as it turned out we were right, though we did not escape entirely unscathed.

Overall our earnings per share grew by 21.5% and our operating cash flow was strong. A solid result, though performance was uneven across our product groups and also in terms of timing. Business performance was strong during the first and last quarters of the year but subdued during the second and third quarters.

The three new initiatives we put in place in the course of financial year 2008, stood us in good stead in 2009 with HF radio sales in the military and security markets performing strongly, the outsourcing of some manufacturing to Malaysia being an unqualified success and the Minelab acquisition exceeding our expectations.

Satellite communications, however, experienced difficult business conditions and sales were lower than planned. This was largely because of the impact of the Global Financial Crisis. Projects around the world for the roll-out of new satellite communications infrastructure, and most particularly in commercial as distinct from government applications, have been deferred. We do not believe we have lost market share to competitors in commercial applications but, in general, the whole market has experienced a downturn.

One important development in the satellite communications area of our business was the acquisition of Locus Microwave. Locus is a specialist microwave technology company supplying products at X-band frequency. The X-band market, being developed specifically for military and government purposes, will complement Codan's existing satellite communications business at Ku and C Band particularly well. A new series of satellites is being launched to service X-band and shareholders will note that the Australian government has agreed to partner the US government in these satellites by funding the sixth one to be launched. While X-band is in the early stages of its development cycle, we feel Codan is well placed to benefit from what we expect to be strong growth in this frequency band.

The integration of the Minelab business with Codan has proceeded smoothly with attendant benefits of direct and overhead cost reduction leading to a significant improvement in margins.

The 2010 financial year has begun very strongly. HF radio sales into the military, security and border protection markets have continued to grow. We are very pleased with the response of key customers including the US Government to the features and benefits of our new range of HF products.

Minelab sales have been exceptional. The rise in the price of gold has led to increased prospecting activity around the globe with exceptional demand for Minelab's GPX4500 gold prospecting machine. One significant manifestation of this has been a gold rush in some developing world countries, particularly in Africa, and our Adelaide facility is working around the clock to keep up with demand. Countermine sales have also been excellent. A recent sale to the Indian army for 3,000 machines was the largest sale ever for our F3 mine detectors.

I am very pleased to be able to say that Codan's first-half profit for this financial year is expected to be about twice that of the first half of last year and a first-half record for Codan. In fact, the first-half profit will exceed the full-year profit for 2009.

The problem with booms, of course, is that they are often followed by busts, particularly in the world of artisanal miners. Therefore, while I expect that our full-year result will significantly exceed the 2009 result, it would be overly optimistic, at this stage, to expect that the second half will be as strong as the first.

On a more sober note, the demand for our satellite communications products remains subdued and we do not expect marked improvement until the global recovery gains further strength. In general terms, the world economy significantly lags the Australian economy in terms of recovery from the Global Finance Crisis.

Looking to the future, Codan remains ambitious for future growth and development. We will continue to develop new market-leading products in-house through our considerable engineering expertise and efforts, and we will also continue to look for acquisition opportunities to add to our product range and sectors.

At last year's meeting we demonstrated a Minelab coin and treasure detector. We have a display of Minelab equipment here again this year and Brenton O'Brien, Minelab's marketing engineer will be pleased to demonstrate the equipment to you following the meeting.

Ladies and Gentlemen, I consider that Codan is well placed for continued improvement and growth and I thank you for your support.

David Klingner
Chairman
CODAN LIMITED