Registered Office:
141-147 Jubilee Highway West, Mount Gambier, South Australia 5290
PO Box 567, Mount Gambier, South Australia 5290
Tel: (08) 8721 1700 Fax: (08) 8721 1799

Chairman's Address – Annual General Meeting November 2011

Good afternoon ladies and gentlemen. It is a great pleasure to welcome you here today.

As Chairman and on behalf of the Board of K&S Corporation Limited, I am pleased to once again report on the Company's performance.

The 2010/11 financial year was very a difficult year with weaker trading conditions on the east coast of Australia compounded by the impact of floods, Cyclone Yasi, the closure of the Wesley Vale and Burnie paper mills in Tasmania and the lane mix changes of OneSteel's distribution.

The continuing high value of the A$ has had a serious impact for the demand of locally manufactured goods, both for domestic purposes and export.

As a result of the higher A$ we continue to see increased levels of imported products that compete with locally manufactured goods.

The continued contraction of manufacturing and the softening of the Australian economy throughout the financial year has seen greatly reduced volumes and demand for transport services which has impacted on net profit after tax.

A number of years ago our strategic plan identified the decline of Australia's manufacturing base and the likely impact that would have on our business in the longer term. One of the strategies that we adopted was to diversify the business and target the Oil, Gas and Resources sectors in Western Australia.

Initially we attempted to win competitive tenders in the sector but without the local infrastructure in the regions we were unsuccessful.

We also looked at a number of potential acquisition opportunities but unfortunately they did not meet our requirements.

With the purchase of both Pacific and Regal we have taken the first steps to diversify our business. This investment has delivered a new revenue stream in 2010/11 of $73.4 million and an earnings before interest, tax, depreciation and amortization of $9.4 million.

Our view is that this new business can further improve its performance and provide growth opportunities.

We plan to continue to implement our long term strategy with further investments where the potential target meets our strict criteria.

Net profit after tax for 2010/11 was $14.8 million compared with $18.7 million for the 2009/10 financial year.

The closure of the Tasmanian Paper mills at Wesley Vale and Burnie had a major impact on the utilisation of our infrastructure across the mainland states with the reduction of over 320,000 tonnes of paper distribution volume.

Changes in the distribution mix of OneSteel's production from an interstate linehaul activity to a lower yielding local movement supporting the ongoing shift of volume to Pacific National operated steel trains also impacted our result negatively.

Earnings were impacted by the Brisbane floods in January and Cyclone Yasi in early February. These two weather related events stopped all freight movements from the nation's manufacturing hub in Melbourne to Queensland for a period of three weeks. Flooding on the Nullarbor in February also stopped rail movements to Perth for a further two weeks.

The unusual climatic conditions in January and February further exacerbated the normal low seasonal volumes to unprecedented levels resulting in losses in both rail and road operations for this period.

Operating revenue for the year was $523.4 million, an increase of 15.2% on the previous corresponding period.

The increase in revenue was a direct result of our recent Western Australian acquisitions of Regal and Pacific transport whilst the traditional east coast business revenues declined due to the mill closures in Tasmania, shift of product to the steel trains and weather events.

Our gearing as at 30 June 2011 was 26.4%, which is within our target range.

Earnings per share were 18.3 cents.

Management is extremely focused on winning new business and reducing operating costs.

In December 2010 we merged the operations of both Regal and Pacific into a single large North West focused business unit. During the merger of these two businesses we experienced some cultural and people related issues. The majority of these issues have been resolved and the merged business has performed better in recent months.

We have commenced a fleet reduction programme which will match the local fleet size with current customer demand. This fleet rationalisation will improve productivity and utilisation of our equipment.

All non critical capital expenditure has been deferred until the economy shows signs of a positive recovery. These measures will result in a reduction in our overall fixed costs.

Variable costs which include overtime, subcontractors and agency labour are being closely monitored to ensure that costs are minimised.

Safety continues to be a major area of focus and attention within K&S. We have taken a leading role in the development of the Loading Unloading Exclusion Zones (LUEZ) guidelines for industries within the supply chain.

Incidents arising from interaction between equipment and people during loading and unloading are some of the most significant areas of injury for truck drivers and mobile plant operators.

On December 29, 2010, K&S successfully completed a fully underwritten one for six Non-Renounceable Entitlement Offer. The entitlement offer raised net proceeds of $25.9 million which were used to retire debt.

We expect interest costs to reduce in the current financial year as a result of the equity raising and the reduced capital spending.

We paid a fully franked final dividend of 5.0 cents per share (last year 7.0 cents per share) on 31 October 2011. This followed the interim dividend of 5.0 cents per share paid in March 2011, making a total dividend of 10.0 cents per share.

The Dividend Reinvestment Plan (DRP) was once again part of the October 2011 dividend. The terms of the DRP remain unchanged with issue price under the DRP based on the weighted average trading price for K&S shares in the five business days ending on 17 October 2011 (the record date of the final dividend) less a discount of 2.5%.

We were encouraged by the high level of support for the DRP with 22% of shareholders electing to participate. This resulted in a further 1,350,174 being issued at $1.1448.

Shareholders' clearly demonstrating the view that the current share price is extremely low given the Net Tangible Asset per Share of the group was $1.65 at 30 June 2011 and our historical performance.

Providing earnings guidance going forward still remains difficult.

Customer volumes are volatile with a number of sectors performing below expectation. We believe that the industrial sector will remain challenging for some time.

The strong A$ continues to impact on Australian manufacturers.

The outlook for paper appears to be subdued, while the impact of a potential carbon tax remains another issue that will need to be factored in during the 2012/13 financial year.

With the introduction of the carbon tax we do not expect a material financial impact as any increased costs will be passed on to our customers.

The lead up to Christmas will be an important period in determining our half year results. The economy is extremely patchy with many sectors performing below expectation and little or no signs of a recovery.

Our trading for the 4 months to the end October is in line with last year's performance.

The acquisition of Perth based Regal in July 2010 following the earlier purchase of Pacific in January 2010 has provided us with the capacity and resourcing, necessary to successfully target opportunities arising from the large gas, oil and resources developments in Western Australia.

We see this as being a significant area of long term growth for the Company in the future.

Despite the difficulties of the past 12 months, K&S has an extremely strong Balance Sheet and low gearing.

On behalf of the Board, I thank all our customers, suppliers and employees, who have contributed to our continuing success. In particular, I thank and acknowledge our senior management team, led by Legh Winser, for their ongoing commitment and dedication in what has been a testing period.

Tony Johnson
Chairman

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Managing Director's Address – Annual General Meeting November 2011

Trading conditions in 2010-11 were extremely difficult for K&S. The combination of a softening economy, high exchange rates, strong interest rates and natural disasters slowed our east coast operations significantly.

Lower steel volumes on the back of reduced production, de-stocking and a change in product and distribution mix impacted on operations through the first three quarters of the year. However, by the fourth quarter domestic steel volumes had shown some recovery on the back of several major infrastructure projects, while our strategy of targeting work in the oil, gas and resources sectors in Western Australia progressed well.

The closure of the Wesley Vale and Burnie paper mills in Tasmania impacted on our paper operations, while economic and climatic conditions also affected operations in New Zealand.

Operations

The soft economic conditions, high A$ and extreme weather events early in 2011 adversely affected K&S' core business operations.

Our steel operations in particular were adversely affected with volumes carried for BlueScope and OneSteel falling significantly, although OneSteel reported an encouraging upswing in activity after April.

Our relationship with these companies remains strong and places us in a sound position to improve our revenue base when the economy recovers and volumes increase.

Despite the tough conditions, K&S was able to retain all its major customers and successfully extended a number of major contracts including:

- Laminex – a new five year contract for the national transportation of product.
- Pacific Steel – a 12 month extension to its Australian transport business.
- Chep – K&S Freighters rolled over parcels of linehaul business. This is additional to the business held by DTM in Western Australia and New South Wales.

Bulk operations recorded an increase in overall volumes, but were affected by a number of external factors.

Queensland Magnesia, based at Rockhampton, was impacted by flooding in early 2011, while sugar volumes were also down as a result of Cyclone Yasi, which devastated Queensland sugar plantations and cut the season short.

Cement Australia operations from Gladstone performed well, as expected.

Holden's introduction of its new Cruze model this year has proven beneficial for our contract with GM Holden. This work involves the storage and transport of steel coil into Elizabeth and the provision of local transport support to Business Park operations and was recently extended for three years.

The closure of the Wesley Vale and Burnie paper mills in Tasmania and the earthquake and subsequent tsunami which hit Japan in March affected our paper transport business.

PaperlinX volumes were affected by the high A$ and increased levels of imports, but increases in K&S' warehousing operations have gone some way to countering reductions in road transport operations. The Norske Skog contract remains solid.

The construction of K&S' new state-of-the-art rail terminal in Perth on Pacific National land in Kewdale was completed in January 2011.

The consolidation of our three Sydney operations onto adjoining properties at Enfield was also completed during the year and is producing significant operational efficiencies and productivity improvements. This facility is being shared with DTM.
While east coast operations were depressed, the situation in Western Australia was more positive with the purchase of Regal Transport and the consolidation of Regal and Pacific
into one North West business unit.

Project Services/Oil & Gas Logistics
In December 2010, K&S commenced contracted linehaul services for French oil and gas company, Total E&P, to drill two wells off Darwin. Due to the success of this campaign, Total E&P has awarded K&S the contract to perform similar linehaul services to Broome in 2012 for a three well program.

K&S utilising Regal Transport, provided heavy haulage transport for Woodside Energy Limited from Dampier to Perth supporting the Pluto project.

K&S currently has long term storage of core samples for Japanese oil & gas company Inpex and FMG. K&S looks to build on this relationship to support the Ichthys project off Broome.

K&S is currently in discussion with several major oil and gas companies to provide supply base operations in Broome. K&S is also working with international freight forwarders who are bidding on major projects in the resource industry.

Regal/Pacific
The Regal Transport Group was purchased by K&S in July 2010 and in December amalgamated with Pacific Transport, which K&S had purchased earlier in the year, to form Regal Transport.

The combined businesses provide K&S with a range of transport services including general freight and heavy haulage in support of businesses based in the Pilbara and Kimberley regions of Western Australia. These operations are supported by depots in Perth, Port Hedland, Karratha, Newman, Broome and Derby.

Major customers include Mount Gibson Iron, Kimberley Diamond Company, HWE Mining, Pilbara Manganese, Thiess, Emeco, Westrac, Hitachi, BGC, OneSteel and MacMahon.

While initial activity following the consolidation was weaker than expected, this was largely the result of slower economic conditions in January and February. Since March, Regal Transport has shown strong growth with the major oil, gas and resources projects in Western Australia expected to underpin continued improvement in the year ahead.

The operations are also now benefitting from synergies achieved as a result of the merger, including the closure of the Pacific Transport depot in Perth and consolidation of its operations into the Regal depot.

The freight business currently services mining, construction, oil and gas and retail markets in the North West, including retail outlets, mining work camps, mine sites and the Curtin
Detention Centre. It also includes a refrigerated transport component. This work is also expected to grow as construction commences on planned infrastructure projects in Western Australia.

The heavy haulage business in particular offers good opportunities with the movement of heavy machinery to new mines and support to infrastructure projects in the State's North West. The forecast is for continued improvement in this market sector.

Regal Transport's compliance with national safety and quality standards is attracting greater attention and helping it to win additional work as the importance of compliance
becomes better understood.

DTM

Earlier this year, DTM won a tender to transport steel products within New South Wales for BlueScope Lysaght. This means DTM is now one of only two major transporters for BlueScope Lysaght distribution in New South Wales.

DTM was also able to convert a short term contract from OneSteel to carry steel, tube aluminium and stainless steel products from the Geelong, Dandenong, Scoresby and Newcastle sites into a long-term agreement.

The original contract was awarded at short notice in December 2009 after the collapse of the incumbent carrier. OneSteel provided DTM with a long-term extension, recognising its outstanding performance in providing cost and service improvements.

Work with pallet and container pooling group Chep in New South Wales and Western Australia has grown organically and we have been able to achieve significant operational improvements from the fleet servicing this contract. Scheduling services for both regions are now also provided by DTM.

A new fleet of vehicles has been introduced to handle the Air Liquide Australia work in South Australia, Victoria and New South Wales. This fleet upgrade involved some 20 vehicles.

DTM has also begun work with Caltex to distribute lubricating oil and lubricants from Melbourne to Adelaide, while work to distribute lubricants for BP continues.

A new freight management system will be introduced to the DTM business in the next 12 months, providing a range of improvements including further enhanced package track and trace capabilities.

New Zealand

Conditions in New Zealand throughout 2010-11 were challenging with the high NZ$ and abnormal weather conditions impacting on major export industries.

The forestry industry was affected by volatility in the exchange rate with export levels falling and major timber mills shedding volume. Efforts during the year to open new markets in Asia were unrewarded, while domestic sales were flat, reducing the amount of timber carried by K&S.
Increased volumes of paper were imported as a result of the high NZ$.

Norske Skog contracting K&S to carry all paper that was previously carried by rail to Auckland. This has been positive for K&S and provides a solid domestic base for our operations.

Drought conditions in New Zealand reduced the amount of dairy product produced by Fonterra for export in the first half of the financial year.

However, good weather conditions in February and March have boosted feed levels and provide a more optimistic outlook, although stock numbers are currently at relatively low levels.

Kiwi fruit volumes rose 10% during 2010-11.

Human Resources

Human resource management within K&S was again challenged by the slowing economy, which affected the general transport industry.

This resulted in significant attention being paid to retention and development of our people to ensure ongoing customer service focus and stability within the Group.

Safety and skill development remained a key commitment across the broader workforce and we made significant investment in management development programs to enhance the career progression of key personnel within the business.

Our commitment to equal opportunity across the Group was strongly promoted.

The Company has broadened its commitment to employment opportunities with the formalisation earlier this year of an Indigenous Employment Policy and the development of a relationship with the Department of Education, Employment Workplace Relations. This relationship is designed to help engage and develop indigenous employees in key skill shortage areas of our business nationally.

Industrially we have maintained stability during a period of increased union activity in pursuit of wage claims.

The Year Ahead
We will continue to implement a number of expansion initiatives aimed mainly at the oil, gas and resource sectors in Western Australia.

In conclusion, I extend my thanks to our customers for their business and support, the Board for their ongoing support and, management and employees for their commitment to the business.

Legh Winser
Managing Director