



CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Delivered at the Annual General Meeting on
Friday 24th October 2014
7th Floor,
151 Pirie Street Adelaide SA 5000

Key Highlights from the address

Board composition

- Following the recent retirement of Peter Stancliffe the Board is in the process of searching for another independent non-executive director and expects that a suitable candidate will be appointed in the near future.

Outlook

- With the day-to-day conditions remaining subdued and the project work becoming more sporadic it is expected that the first half result will be approximately 25-30% behind the previous corresponding period.

Ladies and Gentlemen,

Welcome to the 44th Annual General Meeting of Korvest Ltd. Today I will be highlighting some of the significant items from the 2014 financial year as well as providing some guidance on how we see the trading conditions in the new financial year. As I said earlier, Alexander will talk in some detail about the operations of the Company. We have received some questions and comments from shareholders prior to the meeting and those will be covered in Alexander's address.

FINANCIAL RESULTS

The revenue from trading activities for the 2014 financial year was a record \$73.76m, up 19.5% on the previous year. Profit after tax was \$5.6m, up by 46.5%. The overall results for the year were pleasing with steady growth achieved in the first half followed by a much-improved second half as a number of larger oil and gas projects reached the supply stage.

The first half result was headlined by the performance of the Galvanising business whilst major project work for EzyStrut underpinned the excellent second half results.

In April the Board announced that the underperforming Indax business would be divested. This resulted in an impairment charge in the 2014 year of \$678,000 relating to the business assets. In his address, Alexander will provide an update on the progress of the sale.

THE BOARD

The renewal of the Board since the Hills exit has continued since our last AGM. Gary Francis was appointed to the Board in February of this year. Gary is a qualified civil engineer with an extensive background in the construction industry in both Australia and Asia. He has held senior positions with major Tier 1 contractors Transfield and Leightons. Gary has made an important and positive contribution to the Board since his appointment.

In September, Peter Stancliffe retired from the Board. Peter has been a Director and Chairman of Korvest since January 2009. Peter steered the company through the Hills divestment and the post Hills era. His experience and input over that critical time and throughout his entire Chairmanship was invaluable and I would like to acknowledge that today.

As a result of Peter's retirement the Board is in the process of searching for another independent non-executive director. It is expected that a suitable candidate will be appointed in the near future.

DIVIDEND

The directors announced a fully franked final dividend of 31.0 cents per share following the interim dividend of 26.0 cents bringing the full year dividend in

relation to the 2014 results to 57.0 cents. In addition, as a capital management initiative, a fully franked special dividend of 100.0 cents per share was paid in June 2014 to distribute some of Korvest's accumulated franking credits. Many existing shareholders took up the opportunity to reinvest their dividend under the dividend reinvestment plan and the remaining portion of the dividend was underwritten. As a result 1.6 million shares were issued which has had the desired outcome of broadening the shareholder base and increasing the trading liquidity. The market responded favourably to the initiative and the Board was pleased with the result.

CURRENT YEAR TO DATE AND OUTLOOK

The 2014 financial year finished with a very strong final quarter driven by a number of projects. In the first quarter of 2015 the project work was patchy. Of the projects that drove the good end to last financial year, one has now been completed and the other has paused a little following a period of high demand for product.

As they have been for the last 12-18 months, day-to-day trading conditions remain difficult. There is not currently an abundance of smaller recurring projects as is normally the case. Those projects that have reached supply stage have been very keenly contested.

The Board has invested in a deliberate two part growth strategy. The first part is to pursue an export market expansion program whereby sole reliance on the Australian market is reduced. The second part is to invest in an acquisition strategy across a range of sectors. As a result, the Board believes the Company will be well positioned going forward to earn sustainable profits.

In summary with the day-to-day conditions remaining subdued and the project work becoming more sporadic it is expected that the first half result will be approximately 25-30% behind the previous corresponding period. Further guidance will be provided in January 2015 in relation to the full year result.

GRAEME BILLINGS

Chairman

24 October 2014