# PENRICE SODA HOLDINGS LIMITED

*ABN 83 109 193 419*

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## Preliminary Final Report (Appendix 4D)

## for the half-year ended 31 December 2010

## ASX Code PSH

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# PENRICE SODA HOLDINGS LIMITED

## Appendix 4D

## Half-Year Report under Listing Rule 4.2A
## For the period ended 31 December 2010

| ABN | Previous corresponding period |
|---|---|
| 83 109 193 419 | 31 December 2010 |

### Results for announcement to the market

| Operating Result | % change | $000 |
|---|---|---|
| Sales revenue from operating activities | **down 12% to** | **68,822** |
| Net profit for the period attributable to members | **down 139% to** | **(1,214)** |

| Interim Dividend | Amount per Security | Franked amount per security at 30% tax |
|---|---|---|
| Ordinary securities | Nil | Nil |
| Payment date of dividends | Not Applicable | |

| Final Dividend | Amount per Security | Franked amount per security at 30% tax |
|---|---|---|
| Ordinary securities | Nil | Nil |
| Record date of dividends | Not Applicable | |
| Payment date of dividends | Not Applicable | |

| | **2010** | 2009 |
|---|---|---|
| Earnings per share (basic) (cents) | **(1.3)** | 4.5 |
| Earnings per share (diluted) (cents) | **(1.3)** | 4.5 |
| Net tangible assets per share (cents) | $ 0.79 | $ 0.80 |

**Results for announcement to the market and explanation of result**

For the profit commentary and any other significant information needed by an investor to make an informed assessment of Penrice's results please refer to the accompanying Penrice Soda Holdings Limited Directors' Report – review and results of operations section. This half year report is to be read in conjunction with the June 2010 Annual Report.

# PENRICE SODA HOLDINGS LIMITED

# ABN 83 109 193 419

# HALF-YEAR CONDENSED FINANCIAL REPORT

# 31 DECEMBER 2010

## Corporate Information

Penrice Soda Holdings Limited
ABN 83 109 193 419

**Directors**
D.B. Trebeck (Chairman)
G.R. Roberts (Managing Director and Chief Executive Officer)
A.V. Fletcher
B.J. Gibson
J.W.A Hirst
D.F. Groves

**Company Secretary**
F. Lupoi

**Principal Registered Office**
Solvay Road
Osborne, South Australia 5017
Telephone: (08) 8402 7000
Facsimile: (08) 8402 7250

**Bankers**
National Australia Bank
Westpac Banking Corporation

**Share Registry**
Link Market Services Limited
Level 1, 333 Collins Street
Melbourne, Victoria 3000

**External Auditors**
Ernst & Young

**Internal Auditors**
KPMG

**Solicitors**
Kelly & Co.

**Internet Address**
www.penrice.com.au

**Stock Exchange**
The group is listed on the Australian Stock Exchange
The home exchange is Adelaide

**Other Information**
Penrice Soda Holdings Limited, incorporated and domiciled in Australia, is a publically listed company limited by shares.

## DIRECTORS' REPORT

The Directors present their report on the consolidated entity ("the Group") consisting of Penrice Soda Holdings Limited ("the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

### Directors

The Directors of the Company at any time during or since the end of the half-year and up to the date of this report are:

David B. Trebeck (Chairman and Non-Executive Director)
Guy R. Roberts (Managing Director and Chief Executive Officer)
Andrew V. Fletcher (Deputy Chairman and Non-Executive Director)
Barbara J. Gibson (Non-Executive Director)
John W.A. Hirst (Non-Executive Director)
David F. Groves (Non-Executive Director) (appointed Director 22 December 2010)

### Review and results of operations

Penrice Soda Holdings Limited reported an after-tax loss of $1.2 million for the six months to 31 December 2010 (H1 2010: reported NPAT $3.1 million; underlying NPAT excluding unrealised hedge gains $2.4 million), as announced on 11 February 2011[1].

The H1 2011 result includes losses totalling approximately $5 million pre-tax that resulted from forced plant shutdowns in the first half. It also includes a $0.5 million accrual on insurance claims made as a consequence of these events, which has now been received as a progress payment.

Net operating cash flow increased to $4.5 million from $2.9 million, reflecting reduced working capital and a turnaround in the Quarry & Mineral business to positive cash flow.

Second half cash flow will be affected by the impact of the forced shutdowns and also by lower chemical sales as a result of the recent floods in eastern Australia, as announced on 11 February.

Penrice's banks have confirmed their ongoing support for the company and are to provide additional liquidity to cover this temporary cash flow shortfall.

In view of current trading conditions and outlook, Directors have not declared an interim dividend.

***Commentary on group results***

The improvement in operating cash flow in the first half demonstrates the progress that has been made over the past three years, whereas the two events leading to the recent cash flow shortfall – the failure of the company's steam supplier's cogeneration plant and the floods in eastern Australia – were outside management control.

The market for soda ash is improving and there is strong export demand for sodium bicarbonate. The company is focused on continuing to improve plant reliability and output, while reducing operating costs.

For the sodium bicarbonate plant, the company is concentrating on higher quality, premium products which deliver stronger margins. The business should benefit in domestic markets from the recent imposition of anti-dumping duties on sodium bicarbonate imported from China.

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[1] The company's unaudited results were announced to the ASX on 11 February, as part of a market update that also reported interruption to sales from the recent floods in eastern Australia.

Technology developed by Penrice to recover organic salts from waste water resulting from coal seam gas extraction has the potential to diversify future earnings. A memorandum of understanding has been signed with a global water business to form a consortium to trial the new technology. Quotes for pilot plants have been submitted and construction of at least one of these is expected in the current calendar year. The technology is expected to make a positive contribution, mainly through fee-based income, to Penrice's future earnings, while the company's capital investment in the project is planned to be minimal.

The Quarry & Mineral business' cash flow, which was positive for the first time since the company's IPO in 2005, is further evidence of the progress being made in strengthening Penrice's businesses for the future.

The company remains committed to growing its soda ash business to meet expected increases in demand from the Australian glass and mineral processing industries, and expanding its production of premium sodium bicarbonate to meet strong demand from pharmaceutical, medical, food and industrial customers in Asia. The Quarry & Mineral business will take advantage of increased demand for aggregate and landfill as construction of new roads, buildings and infrastructure increases in northern Adelaide.

At the same time, the company will continue to control costs and improve operating cash flow.

| **Reported results for six months ended ($million)** | **31 Dec 2010** | **31 Dec 2009** |
|---|---|---|
| Sales revenue | **68.8** | 77.9 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | **6.1** | 12.0 |
| Earnings before interest and tax (EBIT) | **1.5** | 7.9 |
| Net profit after tax (NPAT) | **(1.2)** | 3.1 |
| Earnings per share (cents) | **(1.3)** | 4.5 |

| **Underlying results excluding unrealised hedge gains ($million)** | **31 Dec 2010** | **31 Dec 2009** |
|---|---|---|
| EBITDA | **6.1** | 10.8 |
| EBIT | **1.5** | 6.8 |
| NPAT | **(1.2)** | 2.4 |
| Earnings per share (cents) | **(1.3)** | 3.4 |

**Chemicals**

| **Underlying results for six months ended ($million)** | **31 Dec 2010** | **31 Dec 2009** |
|---|---|---|
| Sales revenue | **56.9** | 65.0 |
| EBITDA | **3.7** | 7.6 |
| EBIT | **(0.2)** | 4.1 |
| EBITDA margin (%) | **6.5%** | 11.7% |
| EBIT margin (%) | **-** | 6.3% |

As previously announced, the sudden failure of Penrice's steam supplier's cogeneration plant forced a shutdown of the company's chemical plant for a week in late October, leading to extensive repair work, production and sales shortfalls and considerable efficiency problems when production restarted.

The losses resulting from this and an earlier, shorter unplanned shutdown totalled approximately $5 million. The company's insurers have made an initial $0.5 million progress payment under the company's insurance and further recoveries are expected once the quantum has been agreed.
The shutdowns led to increased costs and lower soda ash and sodium bicarbonate sales, reducing the Chemicals business's EBITDA. Concurrently, the stronger Australian dollar and higher coke prices reduced EBITDA by a further $1.5 million. These reductions were partly offset by higher prices for soda ash.

While the newer sodium bicarbonate plant operates at close to capacity and is recovering from the forced plant shutdown, the older soda ash plant has not yet recovered to full rates due to damage caused to its lime kilns by the shutdown. A major overhaul (or "re-line") of one of the four older kilns is now scheduled for May 2011 and soda ash plant rates are expected to improve as a result.

The company is committed to investing the capital required to enhance the soda ash plant's integrity so it operates reliably. A five year Plant Improvement Plan, at a minimum annual spend rate equivalent to depreciation has been approved in principle to upgrade the soda ash plant to improve safety, reduce risk of failure and increase productivity.

Alongside this Plan, the company is undertaking numerous research and development projects to improve overall plant condition and performance, including the development of its by-product calsilt as landfill. A new site at Gilman, close to the Osborne operations, has been sourced to trial a calsilt-based landfill product and obtain necessary regulatory approvals to enable commercial scale sales to be made. Considerable progress has already occurred and the company expects to bring the new landfill product to market later in 2012.

Trials of lower cost fuel for the lime kilns are continuing and the company is targeting a reduction in overall fuel costs in FY 2012 by approximately $2 million compared with their forecast level.

***Soda ash***

Domestic demand for soda ash is recovering to pre-GFC levels but with the impact of the plant shutdowns, sales volumes were down 12% in the half and an increased reliance on imported soda ash during this period raised the cost base. Revenue per tonne was slightly higher.

As advised on 11 February, early second half soda ash sales to the Australian market were affected by unusually wet weather and some customers were directly affected by Queensland floods. Fortunately, these customers are now recovering.

Second half sales should exceed the first half, reflecting normal seasonality and expected increased demand in Australia (including by glass manufacturers). Supplies to two new mining customers and two new industrial customers will start in the second half.

***Sodium bicarbonate***

While sodium bicarbonate demand and selling prices increased in Asia, overall sales volumes were down 6% due to the plant shutdowns.

As advised on 11 February, sales to the Australian animal feed market were affected by the unusually wet weather, and this softness has continued in the second half as a result of the floods. Average prices in Australia were down 3.4%, largely due to dumped imports which are expected to reduce following the imposition of anti-dumping duties.

Growing exports of sodium bicarbonate are now a significant proportion of the Chemicals business, although, as previously noted, the high Australian dollar has reduced earnings from US dollar denominated sales.

While prices increased in US dollar terms, the gains were outweighed by the strengthening of the Australian dollar to an average of US$0.96 (H1 2010: US$0.86).

A price increase in the domestic market in January is expected to partly offset the near-term impact on demand of continuing unfavourable weather conditions.

Expansion of sodium bicarbonate capacity will now be implemented in stages. The first, involving new equipment to provide higher capacity and more efficient packing, is planned to begin during the current half and will lay the groundwork for future capacity growth, while delivering immediate cost savings and a prompt payback. The second, in FY2012, will comprise the construction of a new sodium bicarbonate mill, increasing output of more profitable, higher grade product for which demand is growing rapidly in Asian markets. This will enable the business to shift its sales mix into more profitable segments. A third stage, for expansion of plant capacity, will be assessed against market conditions at the appropriate time.

***Quarry & Mineral***

| **Underlying results for six months ended ($million)** | **31 Dec 2010** | **31 Dec 2009** |
|---|---|---|
| Sales to external customers | **11.9** | 12.9 |
| Inter-company sales | **3.0** | 3.1 |
| Total sales revenue | **14.9** | 16.0 |
| Distribution cost | **(2.8)** | (3.7) |
| Total net sales revenue | **12.1** | 12.3 |
| Operating costs | **(8.5)** | (7.0) |
| EBITDA | **3.6** | 5.3 |
| EBIT | **2.8** | 4.8 |
| EBITDA margin on net sales (%) | **29.8%** | 43.1% |
| EBIT margin on net sales (%) | **23.1%** | 39.0% |
| | | |
| Inventory build | **(0.7)** | (4.2) |
| PP&E, other assets and liabilities | **(2.8)** | (2.8) |
| Net free cash flow | **0.1** | (1.7) |

An improvement in Quarry & Mineral's sales mix resulted in a higher dollar per tonne margin and a reduction of 2% in net sales revenue, despite a 24% drop in sales volumes from H1 2010 (when there were substantial sales for a major road project).

As anticipated in the August 2010 results announcement, EBITDA was affected by lower inventory capitalisation, reflecting reduced overburden extraction, a central component of the business's new five year mine plan.

Mine inventory grew by $0.7 million (H1 2010: $4.2 million) and comprised predominantly aggregates. There was minimal ($17K) build in landfill inventory, reflecting reduced extraction and sales of 60K tonnes. These lower rates of extraction and inventory build have led to overall lower cash costs and an improvement in cash flows of $1.8 million compared to H1 2010 resulting in a net free positive cash flow for the first time since the company's IPO in 2005.

A number of new civil and industrial customers were secured during the half and there were increased deliveries of lime sand to a major industrial customer and of aggregate to a number of concrete manufacturers.

There is recent evidence of a pick-up in demand for aggregate and landfill for civil projects in the Adelaide region, and orders for 150K tonnes for new projects have been received in the past four weeks. Tenders have been submitted for several other projects and the company is confident of selling its mine inventories over time, thereby generating cash and improving its balance sheet.

Even in the absence of major projects, underlying sales of aggregate are expected to be around one million tonnes per annum, compared with an average future extraction of 0.8 million tonnes per annum over the next five years.

Landfill sales, which totalled 60K tonnes in the first half, are expected to rise to in excess of 0.2 million tonnes for the full year as new techniques to blend landfill with a variety of civil products are proven and accepted. This compares with an average future extraction rate of 0.2 million tonnes per annum over the next five years. This sales rate, which represents less than 10% of annual landfill demand in northern Adelaide, is expected to grow over time.

In addition to this underlying business, the company has tendered for several private and government sector landfill projects which in total would require more than the company's current landfill inventory (11 million tonnes). The timing and duration of these projects will depend on economic conditions and project funding, but, together with underlying demand, they are sufficiently prospective to warrant the company's view that significant sales of landfill inventory will be made over the next five years.

***Balance sheet***

Despite the company's first half loss, net assets increased slightly to $93.1 million (30 June 2010: $93.0 million), due to a $1.6 million positive mark-to-market adjustment of interest and foreign exchange hedging contracts.

Working capital at 31 December was significantly lower at $53.0 million (30 June 2010: $56.5 million) due to increased focus on cash and debtor management. This was in spite of a $4.0 million increase in inventories over 30 June 2010, due largely to additional stock of coke in anticipation of price rises and to a bulk import shipment of soda ash.

Capital investment increased to $7.3 million from $5.3 million in the December 09 half, mainly caused by the acquisition of buffer land around the Angaston mine, capital works on the new Gilman site (for calsilt/landfill development) and to the boiler decarbonator project which will increase soda ash production by 2,000 tonnes per annum from March 2011. With these items, together with a major kiln overhaul now planned for May 2011, it is expected that capital expenditure for FY11 will be approximately $13 million.

The company's net debt at 31 December 2010 was $70.0 million, compared with $67.1 million at 30 June 2010, a direct consequence of the cash outflow following the steam supplier failure. Gearing (net debt: net debt + equity) was 43%, compared with 42% at the end of June.

A significant portion of the company's current assets comprises Quarry & Mineral inventory: $19 million aggregate, and $20 million landfill. These products are classified as current assets because they are ready for sale with no further processing and because markets exist for them. While at current contracted sales volumes they will not be realised within 12 months, this is considered to be within the normal cycle, to which AASB 101 (Presentation of Financial Statements) applies. As noted earlier, markets are being actively targeted, especially in the case of landfill.

### *Banking arrangements*

The cash flow implications of the steam supply failure and the floods have created a temporary liquidity requirement and a review of the company's banking covenants and conditions. The company's banks have agreed to supply a short term liquidity facility and have reset the covenants and conditions, subject to the normal banking approval process.

### *Other*

As reported in December 2010, a shareholder, London City Equities, has applied to the Federal Court to inspect certain of the company's books. In response to the application, the company has offered to provide a list of documents which it is prepared to make available for inspection. The company is satisfied that at all times Penrice and its directors have acted in accordance with their duties and, in particular, that it has made full disclosure at all times to keep its shareholders properly informed.

### *Outlook*

Demand and prices for soda ash in Asia increased in 2010 and further increases are forecast in 2011 as Asian economies grow rapidly. Chinese exporters have withdrawn substantially (with exports down to 2004 levels) to supply their own fast growing economy. This has caused considerable supply shortages, which American exporters are moving to fill at higher prices.

The Australian market should see increased demand and prices in 2011 on the back of increased industrial output, building and construction and mining activity. Penrice will seek to supply this Australian market growth and focus on operational improvements to lift the profitability of its chemical business.

The high Australian dollar is a continuing negative influence in two ways - it is constraining earnings from chemical exports and reducing competitive import prices into Australia. The company seeks to offset the impact as best it can, by currency hedging policies and purchasing inputs in US dollars.

Asian demand and prices for sodium bicarbonate increased in 2010 and this trend should continue, especially in the food, medical, pharmaceutical, and personal care markets targeted by Penrice. The Australian market is a stable low growth market, given usual weather patterns and Penrice will focus its sales efforts more on the premium Asian markets.

In Quarry & Mineral, Adelaide civil and construction activity should increase in 2011 on the back of a number of government-led major projects. Penrice will target these for aggregate and landfill sales.

### *Full Year Guidance*

As previously advised, while underlying demand and prices for soda ash and sodium bicarbonate are improving, the recent floods and other extreme weather in eastern Australia have considerably reduced demand for stockfeed, and sodium bicarbonate sales to date in the second half are behind plan.

Similarly, soda ash sales have been affected, with floods interrupting customer demand, although this now looks to be recovering. The impact on full year earnings will depend on the timing and pace of the recovery.

Negotiations with the company's insurers are continuing on the recovery of losses incurred as a result of the two unplanned plant shutdowns. The quantum and timing of these recoveries are uncertain due to the scale and complexity of the losses and may not be agreed in time for them to be included in the company's FY2011 accounts.

In view of these uncertainties, the company will not achieve its previous guidance of 'an underlying net profit after tax of greater than $5.3 million' (the FY2010 result). It is not possible at present to provide more precise guidance, but the market will be updated as and when conditions allow.

The above guidance and all other forward-looking statements regarding future events and the future financial performance of Penrice Soda Holdings Limited in this report are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Penrice Soda Holdings Limited, and which may cause actual results to differ materially from those expressed in the statements. These statements are provided for the information of recipients and do not constitute an invitation or inducement to such persons to enter any investment activity relating to Penrice Soda Holdings Limited securities. No representation, warranty or undertaking, express or implied, is made or given by Penrice Soda Holdings Limited or any of its officers or employees as to the fairness, accuracy, completeness or reliability of any forward-looking statements.

**Rounding of amounts**

The company is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/0100. In accordance with that class order, amounts in the consolidated financial statements and the Directors' Report have been rounded to the nearest thousand dollars, unless specifically stated otherwise.

**Auditor Independence**

The auditor's review of the financial report is in accordance with the attached declaration – Auditor's Independence Declaration to the Directors of Penrice Soda Holdings Limited.

Dated at Adelaide this 24 February 2011.

Signed in accordance with a resolution of the Directors:

| | |
|---|---|
| David B. Trebeck | Guy R. Roberts |
| Chairman | Managing Director & Chief Executive Officer |

# DIRECTORS' DECLARATION

## For the half-year ended 31 December 2010

In the opinion of the Directors of Penrice Soda Holdings Limited:

1. the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 24 February 2011.

Signed in accordance with a resolution of the Directors:

| | |
|---|---|
| David B. Trebeck<br>Chairman | Guy R. Roberts<br>Managing Director & Chief Executive Officer |

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Adelaide SA 5000 Australia
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# Auditor's Independence Declaration to the Directors of Penrice Soda Holdings Limited

In relation to our review of the financial report of Penrice Soda Holdings Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Mark Phelps
Partner

Adelaide
24 February 2011

## Income Statement
## For the half year ended 31 December 2010

| | Note | Consolidated | |
|---|---|---|---|
| | | **31 December 2010 $000** | 31 December 2009 $000 |
| **Continuing Operations** | | | |
| Sales of goods | | **68,822** | 77,888 |
| Interest revenue | | **38** | 60 |
| Other revenue | | **678** | 61 |
| **Revenue** | | **69,538** | 78,009 |
| Cost of sales | | **(51,346)** | (50,074) |
| **Gross Profit** | | **18,192** | 27,935 |
| Distribution expenses | | **(11,136)** | (14,551) |
| Other operating expenses | | **(4,112)** | (3,769) |
| Administration expenses | | **(1,902)** | (2,157) |
| Exchange gains/(losses) | | **460** | (646) |
| Unrealised exchange gains/(losses) on foreign currency options and forwards | | **85** | 686 |
| Unrealised gains/(losses) on fair value of interest rate swaps | | **(60)** | 438 |
| Borrowing costs | 4 | **(3,983)** | (4,121) |
| **(Loss)/profit from continuing operations before income tax** | | **(2,456)** | 3,815 |
| Income tax benefit/(expense) | 5 | **1,242** | (676) |
| **Net (loss)/profit after income tax for the period attributable to the owners of the parent entity** | | **(1,214)** | 3,139 |
| | | Cents | Cents |
| Basic earnings per share | 7 | (1.3) | 4.5 |
| Diluted earnings per share | | (1.3) | 4.5 |

# Penrice Soda Holdings Limited
# 2010 Half-Year Condensed Financial Report

## Statement of Comprehensive Income
## For the half year ended 31 December 2010

| | Consolidated | |
|---|---|---|
| | **31 December 2010 $000** | 31 December 2009 $000 |
| **Net (loss)/profit for the period** | **(1,214)** | 3,139 |
| **Other comprehensive income, net of tax:** | | |
| Cash flow hedges gains/(losses) taken to equity | **2,254** | (463) |
| Deferred tax on cash flow hedges | **(676)** | 139 |
| Net cash flow hedge gains/(losses) taken to equity | **1,578** | (324) |
| Actuarial (losses)/gains recognised directly through retained earnings | **(460)** | 120 |
| Deferred tax on actuarial gains/(losses) | **138** | (36) |
| Net actuarial (losses)/gains recognised directly through retained earnings | **(322)** | 84 |
| **Total other comprehensive gains/(losses) for the period, net of tax** | **1,256** | (240) |
| **Total comprehensive income** | **42** | 2,899 |

# Penrice Soda Holdings Limited
# 2010 Half-Year Condensed Financial Report

## Statement of Financial Position
## For the half year ended 31 December 2010

| | Note | Consolidated 31 December 2010 $000 | 30 June 2010 $000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 8 | **2,959** | 5,444 |
| Trade and other receivables | | **15,305** | 21,931 |
| Inventories | 9 | **67,050** | 63,069 |
| Income tax receivable | | **460** | - |
| Derivative financial instruments | | **658** | - |
| Other current assets | | **3,125** | 649 |
| **Total Current Assets** | | **89,557** | 91,093 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 10 | **97,732** | 94,587 |
| Intangibles | 11 | **20,638** | 20,922 |
| Deferred tax assets | | **4,675** | 3,824 |
| Other non current assets | | **600** | - |
| **Total Non-Current Assets** | | **123,645** | 119,333 |
| **Total Assets** | | **213,202** | 210,426 |
| **Current Liabilities** | | | |
| Trade and other payables | | **32,514** | 29,190 |
| Interest bearing liabilities | 12 | **3,013** | 2,639 |
| Income tax payable | | **-** | 2 |
| Derivative financial instruments | | **-** | 1,137 |
| Provisions | | **5,246** | 5,693 |
| **Total Current Liabilities** | | **40,773** | 38,661 |
| **Non-Current Liabilities** | | | |
| Interest bearing liabilities | 13 | **69,965** | 69,872 |
| Deferred tax liabilities | | **6,979** | 6,853 |
| Provisions | | **1,401** | 1,404 |
| Derivative financial instruments | | **-** | 595 |
| Other Non-Current liabilities | | **978** | 25 |
| **Total Non-Current Liabilities** | | **79,323** | 78,749 |
| **Total Liabilities** | | **120,096** | 117,410 |
| **Net Assets** | | **93,106** | 93,016 |
| **Equity** | | | |
| Contributed equity | 14 | **80,074** | 80,074 |
| Cash flow hedge reserve | | **492** | (1,086) |
| Share based payments reserve | | **82** | 34 |
| Retained earnings | | **12,458** | 13,994 |
| **Total Equity** | | **93,106** | 93,016 |

## Statement of changes in equity
## For the half year ended 31 December 2010

| For the half year ended 31 December 2010 | Contributed equity $000 | Cash flow hedge reserve $000 | Share based payments reserve $000 | Retained earnings $000 | Total $000 |
|---|---|---|---|---|---|
| **At 1 July 2010** | 80,074 | (1,086) | 34 | 13,994 | 93,016 |
| Loss for period | - | - | - | (1,214) | (1,214) |
| Other comprehensive income for the period | - | 1,578 | - | (322) | 1,256 |
| **Total comprehensive income for the period** | **-** | **1,578** | **-** | **(1,536)** | **42** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Share based payments | - | - | 48 | - | 48 |
| Capital raising | - | - | - | - | - |
| **Balance at 31 December 2010** | 80,074 | 492 | 82 | 12,458 | 93,106 |
| | | | | | |
| **At 1 July 2009** | 53,615 | - | 43 | 7,889 | 61,547 |
| Profit for period | - | - | - | 3,139 | 3,139 |
| Other comprehensive income for the period | - | (324) | - | 84 | (240) |
| **Total comprehensive income for the period** | **-** | **(324)** | **-** | **3,223** | **2,899** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Share based payments | - | - | 11 | - | 11 |
| Capital raising | 26,664 | - | - | - | 26,664 |
| Dividends | - | - | - | - | - |
| **Balance at 31 December 2009** | 80,279 | (324) | 54 | 11,112 | 91,121 |

## Cash Flow Statement
## For the half year ended 31 December 2010

| | Note | Consolidated | |
|---|---|---|---|
| | | **31 December 2010 $000 Inflow/ (Outflow)** | 31 December 2009 $000 Inflow/ (Outflow) |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **83,583** | 95,614 |
| Payments to suppliers and employees | | **(75,036)** | (88,207) |
| Interest received | | **38** | 60 |
| Interest and other costs of finance paid | | **(3,590)** | (3,798) |
| Income taxes paid | | **(482)** | (753) |
| Net cash flows provided by operating activities | | **4,513** | 2,916 |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment | | **(7,269)** | (5,335) |
| Proceeds from sale of plant and equipment | | **-** | 18 |
| Net cash flows (used in) investing activities | | **(7,269)** | (5,317) |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | | **-** | 26,081 |
| Proceeds from loans | | **566** | - |
| Payment for loans | | **-** | (12,947) |
| Payment for finance leases | | **(295)** | (124) |
| Net cash flows provided by financing activities | | **271** | 13,010 |
| **Net (decrease)/increase in cash held** | | **(2,485)** | 10,609 |
| Cash at beginning of the financial period | | **5,444** | (1,366) |
| **Cash at the end of the financial period** | 8 | **2,959** | 9,243 |

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 1: Corporate information

The consolidated financial report of Penrice Soda Holdings Limited ('the Company") and its controlled entities (together, "the Group") for the half year ended 31 December 2010 was authorised for issue in accordance with a resolution of the Directors on 24 February 2011.

Penrice Soda Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

### Note 2: Statement of significant accounting policies

#### Basis of preparation

The half-year condensed financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards, including AASB 134 "Interim Financial Reporting" and other mandatory requirements. The half-year financial report has also been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The half year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this condensed half year financial report is read in conjunction with the annual report of Penrice Soda Holdings Limited as at 30 June 2010, together with any public announcements made by Penrice Soda Holdings Limited since 30 June 2010 in accordance with the continual disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year Financial Statements.

Consistent with the company's accounting policy, during the financial year 2011 the remaining useful lives of the assets of the Group were reassessed. Reassessment of the useful life of specific assets has resulted in a decrease in the depreciation change for the half year of $237k.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

The Group has satisfied hedge accounting requirements as described in AASB 139 for new derivative financial instruments entered into during the financial year and consequently the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the cash flow hedge reserve.

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 3: Operating Segments

**Identification of operating and reportable segments**
The group has identified its three operating segments based on the internal reports that are reviewed and used by the Managing Director and The Board (the chief operating decision makers “CODM”) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on their location and type of operation, the manner in which the product is sold and the nature of the product. The operating segments are Soda Ash, Sodium Bicarbonate and Quarry & Mineral. Discrete financial information about each of these operating businesses is reported to the CODM and executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold, as these are the sources of the Group’s major risks and have the most effect on the rates of return.

**Chemicals business**
The reporting segment Chemicals business is the aggregation of two operating segments, being soda ash and sodium bicarbonate.

Soda Ash produced is predominantly sold in the Australian market as a vital ingredient in products ranging from glass containers (especially wine and beer bottles), flat glass for building and construction and washing powder. It is also used in the mining and water treatment industries.

Sodium bicarbonate is a product which is also used in a diverse range of applications such as pharmaceutical, food, stock feed, personal care products and industrial applications such as detergents, cleaning products and flue gas treatment.

The nature of the products and the production process is similar as are the methods used to distribute the products to the customers. Management believe the soda ash and sodium bicarbonate operating segments have similar economic characteristics. Both the soda ash and sodium bicarbonate operating segments have a reasonably wide variation in margin for their different products and customers, with the sodium bicarbonate segment more heavily exposed to variation in margin due to the impact of foreign exchange. The end result is that due to product and customer mix and foreign exchange impact, overall margins will depend on what part of the business cycle the Company is in. Over the medium term the overall margins that can be achieved in these two operating segments will be similar. Therefore these two operating segments have been aggregated into one reporting segment.

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 3: Operating Segments cont.

**Quarry & Mineral**
The Group's Quarry & Mineral business is located at the Penrice mine at Angaston in South Australia. While the mine supplies limestone into the chemical process at Penrice's Osborne plant, it is also a significant supplier of aggregates and other materials to a variety of end-uses, such as civil and construction, roads, landfill, glass and mineral processing.

**Customer Concentration**
Glass manufacturing is a major customer group for the chemicals segment, which accounts for more than 41% of the total group revenue, equating to $28.5m for this reporting period. Of this, sales to one customer accounted for $17m of revenue earned.

**Accounting policies and inter-segment transactions**
The accounting policies used by the Group for operating segments are the same as those contained in note 2 to the accounts.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest income
- Other income
- Borrowing costs
- Fair value gains/losses on derivatives
- Corporate costs which are unable to be allocated on a reasonable basis
- Income tax expense and deferred tax assets and liabilities

The entity accounts for intersegment sales and transfers as if the sales or transfers were to third parties at an arms length price.

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 3: Operating Segments cont.

| Half Year ended 31 December 2010 | Chemicals $000 | Quarry & Mineral $000 | Eliminations/ unallocated $000 | Consolidated $000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales to external customers | 56,902 | 11,920 | | 68,822 |
| Inter-segment revenues | - | 3,005 | (3,005) | |
| Total segment revenue | 56,902 | 14,925 | (3,005) | 68,822 |
| **Non-segment revenues** | | | | |
| Interest from unrelated entities | - | - | 38 | 38 |
| Other income | - | - | 678 | 678 |
| Total consolidated revenue | | | | 69,538 |
| **Result** | | | | |
| Underlying EBITDA before unallocated expenses as reported to CODM | 3,659 | 3,585 | 718 | 7,962 |
| Unallocated expenses | - | - | (1,854) | (1,854) |
| Underlying EBITDA as reported to CODM | 3,659 | 3,585 | (1,136) | 6,108 |
| Depreciation & amortisation | (3,836) | (769) | - | (4,605) |
| Underlying EBIT as reported to CODM | (177) | 2,816 | (1,136) | 1,503 |
| Borrowing costs | | | | (3,983) |
| Underlying profit before tax as reported to CODM | | | | (2,480) |
| Income tax expense | | | | 1,250 |
| Underlying net profit after tax as reported to CODM | | | | (1,230) |
| Tax effected unrealised exchange gains/(losses) on foreign currency options and forwards | | | | 58 |
| Tax effected unrealised exchange gains/(losses) on fair value of interest rate swaps | | | | (42) |
| **Profit from continuing operations after income tax** | | | | (1,214) |
| Segment assets as at 31 December 2010 are as follows: | | | | |
| Property, Plant & Equipment | 77,038 | 20,694 | | 97,732 |
| Working Capital | 5,636 | 44,199 | | 49,835 |
| Intangibles | 12,029 | 8,609 | | 20,638 |
| | | | | 168,205 |

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 3: Operating Segments cont.

| Half Year ended 31 December 2009 | Chemicals $000 | Quarry & Mineral $000 | Eliminations/ unallocated $000 | Consolidated $000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales to external customers | 64,970 | 12,918 | - | 77,888 |
| Inter-segment revenues | - | 3,119 | (3,119) | - |
| Total segment revenue | 64,970 | 16,037 | (3,119) | 77,888 |
| **Non-segment revenues** | | | | |
| Interest from unrelated entities | - | - | 60 | 60 |
| Other income | - | - | 61 | 61 |
| Total consolidated revenue | | | | 78,009 |
| **Result** | | | | |
| Underlying EBITDA before unallocated expenses as reported to CODM | 7,614 | 5,336 | 121 | 13,071 |
| Unallocated expenses | - | - | (2,157) | (2,157) |
| Underlying EBITDA as reported to CODM | 7,614 | 5,336 | (2,036) | 10,914 |
| Depreciation & amortisation | (3,539) | (563) | - | (4,102) |
| Underlying EBIT as reported to CODM | 4,075 | 4,773 | (2,036) | 6,812 |
| Borrowing costs | | | | (4,121) |
| Underlying profit before tax as reported to CODM | | | | 2,691 |
| Income tax expense | | | | (339) |
| Underlying net profit after tax as reported to CODM | | | | 2,352 |
| Tax effected unrealised exchange gains/(losses) on foreign currency options and forwards | | | | 480 |
| Tax effected unrealised exchange gains/(losses) on fair value of interest rate swaps | | | | 307 |
| **Profit from continuing operations after income tax** | | | | 3,139 |
| Segment assets as at 31 December 2009 are as follows: | | | | |
| Property, Plant & Equipment | 75,845 | 18,105 | - | 93,950 |
| Working Capital | 11,877 | 40,333 | - | 52,210 |
| Intangibles | 11,954 | 6,292 | - | 18,246 |
| | | | | 164,406 |

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 4: Borrowing costs

| | **31 December 2010 $000** | 31 December 2009 $000 |
|---|---|---|
| **Borrowing costs** | | |
| Interest paid or payable | 3,107 | 3,199 |
| Amortisation of loan facility fees | 332 | 248 |
| Finance charges related to leases | 47 | 100 |
| Other borrowing costs | 497 | 574 |
| **Total borrowing costs** | **3,983** | 4,121 |

Other borrowing costs include the non cash interest charge for the defined benefit pension scheme of $411k (Dec 09 $408k) as prescribed by AASB119.

### Note 5: Income tax

| | **Consolidated** | |
|---|---|---|
| | **31 December 2010 $000** | 31 December 2009 $000 |
| **Tax expense reconciliation** | | |
| (Loss)/profit from continuing operations | (2,456) | 3,815 |
| Prima facie tax benefit/(expense) thereon at 30% | 737 | (1,145) |
| Over provided in prior years | 305 | 165 |
| R&D expenditure and investment allowance | 200 | 304 |
| Income tax benefit/(expense) | **1,242** | (676) |

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 6: Dividends

There have been no dividends paid or declared since the end of the preceding financial year.

**Dividend Reinvestment Plan (DRP)**

The Penrice Soda Holdings Dividend Reinvestment Plan commenced on 16 April 2008 and remains in operation. No interim dividend for the 2011 financial year has been declared and thus the DRP will not be utilised at this time.

### Note 7: Earnings per Share

| | **Dec-10** | Dec-09 |
|---|---|---|
| | | |
| Basic earnings per share based on operating profit after income tax (cents) | **(1.3)** | 4.5 |
| Diluted earnings per share based on operating profit after income tax (cents) | **(1.3)** | 4.5 |
| | | |
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share | **91,361,523** | 59,698,740 |
| | | |
| Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share | **92,411,446** | 59,870,594 |
| Earnings used in calculating basic and diluted earnings per share ($000) | **(1,214)** | 3,139 |

The weighted average numbers of shares used for the purpose of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

| | **December 2010** | December 2009 |
|---|---|---|
| Basic earnings per share | **91,361,523** | 59,698,740 |
| Executive share performance rights | **1,049,923** | 171,854 |
| Diluted earnings per share | **92,411,446** | 59,870,594 |

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 8: Cash reconciliation

| | Consolidated | |
|---|---|---|
| | **31 December 2010 $000** | 30 June 2010 $000 |
| Cash and cash equivalents | 2,959 | 5,444 |
| | 2,959 | 5,444 |

### Note 9: Inventories

| | Consolidated | |
|---|---|---|
| | **31 December 2010 $000** | 30 June 2010 $000 |
| Raw Materials, at cost | 5,973 | 4,597 |
| **Finished Goods, at Cost or net realisable value** | | |
| Chemical at cost | 10,266 | 8,900 |
| Mine – Limestone at cost | 4,070 | 3,708 |
| Mine – Aggregates at cost | 19,316 | 18,645 |
| Mine – Landfill at net realisable value | 19,794 | 19,777 |
| **Production spares & consumable goods** | | |
| Mine at cost | 1,028 | 854 |
| Chemical at net realisable value | 6,603 | 6,588 |
| **Total current inventories** | **67,050** | 63,069 |

As discussed in Note 2(k) of the 2010 Annual Report, aggregates and landfill are classified as inventories of finished goods on the basis that these volumes are ready for sale with no further processing required, and that there is a market for the sale of these products. Based upon current contracted sales volumes, the inventories of these products will be realised over a period greater than 12 months. However, this is considered to be within the normal operating cycle, and therefore the products are classified as current assets under AASB 101: Presentation of Financial Statements.

Based on FY11 sales forecasts of aggregates, it is estimated that inventory levels represent approximately 3 years' sales. With regard to landfill, sales are in small volumes primarily to the civil market as a blended product for road base but forecast sales for FY11 are greater than FY10. The major market being targeted is the landfill market in the greater northern Adelaide region, in which large quantities of landfill in the order of millions of tonnes are required for land developments in a large number of low lying areas. There are currently several such developments in the early stages of planning, all of which could potentially be supplied by Penrice. The Company is actively pursuing these opportunities. It is therefore difficult to give an estimate for the time required to sell out the existing inventory.

Additions of landfill and aggregate volumes in future years will also decline as extraction rates reduce in the next phase of the mine plan.

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 10: Property, plant & equipment (non-current)

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | Consolidated | | | |
| | Land and Improvements at Cost $000 | Buildings at Cost $000 | Plant & Equipment at Cost $000 | Total $000 |
| **Gross Carrying amount** | | | | |
| Balance as at 1 July 2010 | 6,422 | 15,630 | 163,893 | 185,945 |
| Additions | 481 | 23 | 7,011 | 7,515 |
| Disposals | - | - | - | - |
| Balance as at 31 December 2010 | **6,903** | **15,653** | **170,904** | **193,460** |
| **Accumulated Depreciation** | | | | |
| Balance as at 1 July 2010 | (44) | (2,418) | (88,896) | (91,358) |
| Disposals | - | - | - | - |
| Depreciation Expense | (4) | (236) | (4,130) | (4,370) |
| Balance as at 31 December 2010 | **(48)** | **(2,654)** | **(93,026)** | **(95,728)** |
| **Net Book Value** | | | | |
| As at 1 July 2010 | 6,378 | 13,212 | 74,997 | 94,587 |
| As at 31 December 2010 | 6,855 | 12,999 | 77,878 | 97,732 |

Plant and equipment with a carrying value of $1,224k are pledged as securities for the finance lease liability.

First mortgages of land and buildings have been granted as security on bank loans. Included in plant and equipment at 31 December 2010 is an amount of $10,346k related to expenditure for plant in the course of construction.

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 10: Property, plant & equipment (non-current) cont.

| | 30 June 2010 Consolidated | | | |
|---|---|---|---|---|
| | Land and Improvements at Cost $000 | Buildings at Cost $000 | Plant & Equipment at Cost $000 | Total $000 |
| **Gross Carrying amount** | | | | |
| Balance as at 1 July 2009 | 6,152 | 14,828 | 154,784 | 175,764 |
| Additions | 112 | 802 | 9,325 | 10,239 |
| Transfer from intangibles | 158 | - | - | 158 |
| Disposals | - | - | (216) | (216) |
| Balance as at 30 June 2010 | **6,422** | **15,630** | **163,893** | **185,945** |
| **Accumulated Depreciation** | | | | |
| Balance as at 1 July 2009 | (35) | (1,930) | (80,983) | (82,948) |
| Disposals | - | - | 165 | 165 |
| Depreciation Expense | (9) | (488) | (8,078) | (8,575) |
| Balance as at 30 June 2010 | **(44)** | **(2,418)** | **(88,896)** | **(91,358)** |
| **Net Book Value** | | | | |
| As at 1 July 2009 | 6,117 | 12,898 | 73,801 | 92,816 |
| As at 30 June 2010 | 6,378 | 13,212 | 74,997 | 94,587 |

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 11: Intangibles (non-current)

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Goodwill | Exploration and evaluation costs | Mine Development Costs | Software | Total |
| **Half year ended 31 December 2010** | **$000** | **$000** | **$000** | **$000** | **$000** |
| **Gross Carrying amount** | | | | | |
| Balance as at 1 July 2010 | 18,008 | 315 | 2,586 | 523 | 21,432 |
| Additions | - | - | - | - | - |
| Transfer to Plant, Property & Equipment | - | (45) | - | - | (45) |
| Write offs | - | (4) | - | - | (4) |
| **Balance at 31 December 2010** | 18,008 | 266 | 2,586 | 523 | 21,383 |
| **Accumulated Amortisation** | | | | | |
| Balance as at 1 July 2010 | - | (266) | (150) | (94) | (510) |
| Amortisation | - | - | (129) | (106) | (235) |
| **Balance at 31 December 2010** | - | (266) | (279) | (200) | (745) |
| **Net Book Value** | | | | | |
| As at 1 July 2010 | 18,008 | 49 | 2,436 | 429 | 20,922 |
| As at 31 December 2010 | 18,008 | - | 2,307 | 323 | 20,638 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Goodwill | Exploration and evaluation costs | Mine Development Costs | Software | Total |
| **Year ended 30 June 2010** | **$000** | **$000** | **$000** | **$000** | **$000** |
| **Gross Carrying amount** | | | | | |
| Balance as at 1 July 2009 | 18,008 | 441 | - | - | 18,449 |
| Additions | - | 45 | 2,586 | 523 | 3,154 |
| Transfer to Plant, Property & Equipment | - | (158) | - | - | (158) |
| Write offs | - | (13) | - | - | (13) |
| **Balance at 30 June 2010** | 18,008 | 315 | 2,586 | 523 | 21,432 |
| **Accumulated Amortisation** | | | | | |
| Balance as at 1 July 2009 | - | (266) | - | - | (266) |
| Amortisation | - | - | (150) | (94) | (244) |
| **Balance at 30 June 2010** | - | (266) | (150) | (94) | (510) |
| **Net Book Value** | | | | | |
| As at 1 July2009 | 18,008 | 175 | - | - | 18,183 |
| As at 30 June 2010 | 18,008 | 49 | 2,436 | 429 | 20,922 |

## Notes to the Condensed Financial Report
## For the half year ended 31 December 2010

### Note 12: Interest bearing liabilities (current)

| | Consolidated | |
|---|---|---|
| | **31 December 2010 $000** | 30 June 2010 $000 |
| Secured: | | |
| Finance lease liabilities | 705 | 839 |
| Short term facility | 508 | - |
| Bank loan | 1,800 | 1,800 |
| Total current interest bearing liabilities | **3,013** | 2,639 |

### Note 13: Interest bearing liabilities (non-current)

| | Consolidated | |
|---|---|---|
| | **31 December 2010 $000** | 30 June 2010 $000 |
| Finance lease liabilities | 408 | 372 |
| Bank loan | 69,557 | 69,500 |
| Total non-current interest bearing liabilities | **69,965** | 69,872 |

Penrice utilises floating rate bills for its debt funding and has hedges in place to hedge the interest rate risk on a portion of the floating rate bills.

**Notes to the Condensed Financial Report**
**For the half year ended 31 December 2010**

## Note 14: Contributed Equity

| | Half year ended 31 December 2010 | | Year ended 30 June 2010 | |
|---|---|---|---|---|
| | **Shares** | **$000** | Shares | $000 |
| Balance at the start of the period | **91,361,523** | **80,074** | **52,963,202** | **53,615** |
| Issued during year | | | | |
| - Share Placement | - | - | 7,944,480 | 6,753 |
| - Rights Issue | - | - | 30,453,841 | 21,318 |
| Costs of equity raising net of deferred tax | - | - | - | (1,612) |
| Balance at the end of the period | **91,361,523** | **80,074** | **91,361,523** | **80,074** |

In October 2009, equity was raised via a placement to institutional and sophisticated investors through 7.9M shares being issued, which was within the 15% limit available to Penrice under current listing rules. Further, Penrice also offered an underwritten entitlement offer of 1 new share for every 2 shares held at record date. This was a non renounceable Entitlement offer.

## Note 15: Commitments

There are no material changes in commitments since that disclosed in the 2010 annual financial report.

## Note 16: Events occurring after the balance date

Since the balance date, there has been flooding and other extreme weather conditions in eastern Australia that have adversely impacted the company. As mentioned in the Directors' Report and the ASX announcement dated 11 February 2011, these extreme events are impacting the Chemicals business in three ways – reduced bicarbonate sales to stockfeed, reduced ash sales to glass and a forecast spike in coke raw material prices.

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## To the members of Penrice Soda Holdings Limited
## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Penrice Soda Holdings Limited, which comprises the statement of financial position as at 31 December 2010, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and complies with the ASX Listing Rules as they relate to Appendix 4D. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Penrice Soda Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Penrice Soda Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst + Young

Ernst & Young

Mark Phelps

Mark Phelps
Partner
Adelaide
24 February 2011