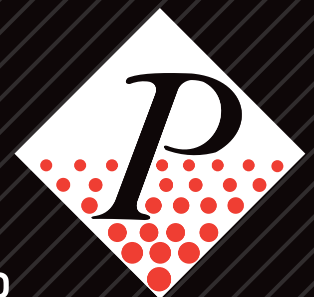
2012 ANNUAL REPORT



PENRICE SODA HOLDINGS LIMITED

ABOUT PENRICE

Company Profile
Penrice Soda Holdings Limited is an Australian public company. It holds leading positions in the supply of soda ash, sodium bicarbonate and limestone in its domestic market and exports to 21 other nations.

Headquartered in Adelaide, South Australia, Penrice employs 243 people. It has been listed on the Australian Securities Exchange since 2005, while the Company's origins date back to 1935.

Today, Penrice is the only manufacturer in Australia of soda ash and sodium bicarbonate and is a significant supplier of limestone and civil construction materials. Key end-users of Penrice products include world majors in glass manufacturing and mining, food and medical care organisations both in Australia and overseas, and large infrastructure projects.

Penrice's strategy is to build on its reputation as a reliable and quality supplier, using its expertise and technology to build share in higher value markets and to penetrate new high growth markets while improving operating efficiencies.

Operations
The operations of the Penrice Group are centred on two South Australian based divisions – its Chemicals business at Osborne in suburban Adelaide and the Quarry & Mineral facility at Angaston in the Barossa Valley. The Company is committed to working safely and applying industry best practice to the health, safety and well-being of employees, contractors, suppliers, customers and communities in which it operates.

Chemicals
Penrice's Chemicals business manufactures soda ash and sodium bicarbonate using the Solvay process. It operates the largest soda ash plant in South East Asia and one of the five largest sodium bicarbonate plants in the world. The major inputs – salt and limestone – are both naturally occurring and locally supplied. Soda ash is 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 powder detergents. It is also used in the mining and water treatment industries. Sodium bicarbonate is a specialty chemical used in a variety of products and applications as diverse as food, pharmaceuticals, medical, personal care and stock feed. Over the past 10 years, Penrice has expanded the capacity of its sodium bicarbonate plant from 24,000 tonnes per annum to 100,000 tonnes per annum.

Quarry & Mineral
Penrice owns and operates the largest crystalline limestone mine in South Australia. The mine supplies limestone into the chemical process at Penrice's Osborne Chemicals business. It is also a significant supplier of functional inputs to glass and cement manufacture, mineral processing and stock feed, and a supplier of aggregates and other materials to a variety of end-uses, such as civil and construction, roading, landfill and landscaping.

Commitment
Penrice is a united, achievement-focused Company committed to producing quality products, providing excellent customer service and secure supply. The Penrice culture encourages and challenges its people to build on this to maintain a competitive edge and through this achieve growth and future prosperity.

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YEAR IN REVIEW

- Normalised loss of $6.7 million reflects poor soda ash demand from Australian manufacturing.
- Statutory loss of $63.6 million includes impairment charges and derecognition of deferred tax assets reflecting outlook for continuing tough operating environment.
- Normalised EBIT of $0.8 million in H2FY2012 compared to breakeven in H1FY2012, assisted by price rises and cost reductions.
- Restructuring business around premium sodium bicarbonate exports and new selective salts recovery technology, with income now being generated.
- Five year funding agreement reached with banking syndicate.

RESULTS SUMMARY (A$M)	2012	2011	% change**
Sales revenue	149.4	152.9	(2)%
Normalised EBITDA*	11.0	15.7	(30)%
Depreciation, amortisation	(10.2)	(9.6)	(6)%
Normalised EBIT*	0.8	6.1	(87)%
Net interest expense	(10.3)	(8.7)	(18)%
Normalised NPBT*	(9.5)	(2.6)	(265)%
Tax expense*	2.8	1.2	133%
Normalised NPAT*	(6.7)	(1.4)	(379)%
After tax significant items	(56.9)	(24.8)	(129)%
Statutory NPAT	(63.6)	(26.2)	(143)%
After tax significant items			
Insurance events, net of recoveries	–	(3.1)	
Rail closure impact	(3.3)	–	
Chemical impairment	(32.3)	(14.7)	
Quarry & Mineral impairment	(13.0)	(7.0)	
Derecognition of deferred tax assets	(7.7)	–	
Restructure costs	(0.6)	–	
Total	(56.9)	(24.8)	
Normalised earnings per share* (cents)	(7.3)	(1.5)	
Statutory earnings per share (cents)	(69.6)	(28.7)	
Interim dividend per share (cents)	Nil	Nil	
Final dividend per share (cents)	Nil	Nil	
Gearing [net debt / (net debt+equity)] %	98%	53%	
Interest cover [EBITDA* / net interest] times	1.1	1.8	

* Excludes significant items. Underlying results (Underlying EBITDA, EBIT, NPBT, Tax, NPAT, Earnings per share) is a non-IFRS measure that is presented to provide an understanding of the underlying performance of the Group's operations. The measure excludes the impact of non-cash accounting adjustments for impairment and derecognition of deferred tax assets as well as items that are not part of normal business operations that are not expected to reoccur, being the rail closure and restructure costs. The non-IFRS financial information is unaudited.

** Percentage changes based on numbers to $000.

CHAIRMAN'S REPORT

In last year's chairman's report, I noted that it had been a difficult year for Penrice, with an operating loss, impairment charges and no dividend. I stated that we were adjusting the business where possible, with the aim of remaining sustainable in the face of external pressures, albeit that it would take time.

This year there has been more of the same – another operating loss, more impairment charges and no dividend. Indeed, this year's operating loss has been greater ($6.7 million versus $1.4 million after tax) and the impairment charges have also increased ($53.0 million versus $21.7 million) as we have adjusted asset values to reflect future expected earnings streams.

Our balance sheet shows that we now have a very small net equity in the business, given the write-offs taken and debt that continues to increase from an already excessive level. Our negative cash flows reflect the difficult conditions in the manufacturing and construction sectors.

It is easy in a situation like this to "shoot the messenger". Thus, shareholders may be tempted to express their frustration by voting against the adoption of the remuneration report – either because they disagree with the remuneration provided to executives, or as a general lightning rod for disaffection. If this occurs, under the so-called "two strike" rule, we would then be obliged to vote on the need for an extraordinary general meeting, at which the position of all non executive directors would be on the line.

If shareholders take this course of action, so be it. Given that I strongly believe such action would be counter-productive and contrary to the interests of the Company and its shareholders, all I can do is to explain as clearly as I can, the causes underlying our predicament and, more importantly, what the board and management are doing in endeavouring to turn the business around.

Suffice to say that, with a modicum of luck – something that has been in short supply at Penrice in recent years – with the continuing support of the Company's banks, and with the continuing diligent application of the management team and all employees, the Company will survive.

Not only that, the future of the business can genuinely be bright. However, it will be a substantially different business than it has been hitherto. It will be less of a traditional manufacturing business using mature assets to produce a product (soda ash) that is essentially a price-driven commodity, and which struggles to compete in a high exchange rate environment.

Rather, its focus will progressively shift to a manufacturer of a differentiated product (sodium bicarbonate) sold globally to a range of high end use markets, while still servicing the requirements of its soda ash customers. It will also be a company applying world-first technology, developed internally, to the energy (coal seam gas) sector, initially in Queensland, then New South Wales and potentially internationally, in a way that solves an otherwise intractable environmental and by-product problem.

UNDERLYING – AND POLICY INDUCED – CHALLENGES

As shareholders know, Penrice has long been a supplier of soda ash to Australia's glass industry, as well as to other manufacturers such as detergent companies and, more recently, mining companies. Over the past two years, much of the domestic detergent industry has relocated offshore – due mainly to exchange rate pressures. The glass packaging industry has similarly been challenged: beer demand has been flat, as it is in developed countries everywhere; the competitive position of Australian wine exports has reduced, and increasing quantities of wine are being exported in bulk for bottling overseas. At the same time, wine imports are increasing. The result: reduced glass demand, hence reduced demand for Penrice soda ash.

Our situation has been exacerbated by an inability to pass on massive price increases – now thankfully reversing – of a major input, coke, and by a series of plant reliability problems, some caused by events beyond our control.

In the construction industry, a deep cyclical slump has reduced demand for flat glass, while imported glass has become more competitive, again due to the exchange rate. The same slump in construction has affected demand for civils products produced at our Angaston quarry.

In this environment, possibly the most challenging in a generation for manufacturing businesses, one might have expected a helpful government policy environment. I can accept the regular lecturing from politicians and others about manufacturers needing to adapt their businesses to a high exchange rate environment and to become more productive.
We understand, and are doing just that: after all, we feel the competitive pressures day in, day out.

What I can't accept is the imposition of a carbon tax (notwithstanding the short term rebates in recognition to our status as an "energy intensive trade exposed" business) that makes the task of competing against imports that much harder, given the imports are not shackled in the same way.
If there was clear evidence of benefits from the policy, it wouldn't be so bad, but the evidence is lacking and the recent further change to link the scheme in future to the EU policy seems to confirm this.

I also can't accept the recent changes made to Australia's coastal shipping policy, which appear to owe more to favours to the maritime unions than policy in the national interest. The effect will inevitably be to reduce the distance from Adelaide that Penrice can competitively ship its product around the coast, again compared to imports. How this assists Australia's coastal shipping objectives escapes me.

And I certainly can't accept the actions of the South Australian Government closing the Gawler rail line for seven months for repairs, and denying us any effective offset – such as repairing the line one track at a time. This action appeared to pay little or no recognition of its impact on Penrice. Rail passengers were offered a bus alternative. Penrice was forced to transport limestone by truck. The trucking costs were higher, plus there were additional costs arising from the degradation of the product in transit, hence poorer kiln performance, costing the Company $4.7m (pre tax) overall. I consider the Government's action to be very disappointing.

THE RECOVERY

We have long given up waiting for the exchange rate to return to historical levels, even if this would greatly assist the Penrice business, and even if the fall in the nation's terms of trade in recent months would normally have led to a sizable exchange rate decline before now.

The soda ash business is the main challenge, due to weak demand, high fixed costs, and continuing plant reliability issues. Management is actively exploring any and every avenue for improving the performance of the business, but miracles are unlikely. The falling price of coke is providing some much needed cost relief.

The sodium bicarbonate business is trading profitably, generating cash on a fully absorbed cost basis. It is operating at capacity and we have several small capital investment proposals with short payback periods ready to be implemented as soon as capital is available.

The quarry business has benefitted greatly from the mine plan undertaken over the past year as part of the Company's strategic review. The new mine plan confirms an economic life for at least 25 years. Future extraction of overburden material will be at much reduced levels compared with recent years. With costs having been reduced, we are confident that the business is now well positioned to benefit from any upside in demand when the cycle turns. Moreover, the business is well located in terms of Adelaide's future development to the north of the city.

As part of the strategic review, Penrice has been contemplating the sale of the quarry business as a means of reducing debt.

That process has not yet run its course, and further announcements will be made at the appropriate time. Meanwhile, we are pursuing additional contracts for the supply of limestone and related products with major manufacturers.

The most positive development over the past year has involved progress towards the commercialisation of the Company's selective salt recovery (SSR) technology. In last year's annual report, I stated that Penrice's consortium was potentially a game changer for the Company – this continues to be the case. A pilot plant, constructed during the past year at Osborne has operated smoothly, confirming the efficacy of the technology, while generating a useful financial surplus. The Penrice consortium is currently on a short list to construct a commercial plant in Queensland. It will be some months before we know if we have been chosen as the successful tenderer, and several more before the outcome of final contract negotiations is known.

The commercial plant is due to commence construction early in 2013, for operation commencing late in 2015. If the consortium is successful, Penrice stands to generate significant earnings, both during the construction phase and once operation commences. These earnings will transform the performance of the soda ash business, and Penrice as a whole, including its balance sheet, although it is too early to indicate the likely figures involved.

It is this prospect, along with the viability of the sodium bicarbonate and quarry businesses, that has encouraged our banks to maintain their confidence in the future of the Company. As advised to the market on 2 July, a new banking agreement was concluded, involving the extension of facilities to July 2017, reflecting this support.

APPRECIATION TO MANAGEMENT AND STAFF

It is customary in reports of this nature for appreciation to be expressed to the management team, and employees generally, for their efforts, especially when conditions are challenging. Invariably these remarks are genuine, as mine have been in the past.

However, on this occasion, I want to emphasise how appreciative I have been of the efforts of our staff and management team, led by Managing Director and CEO, Guy Roberts, over the past twelve months. The disappointment is that there is so little to show for these efforts in terms of financial performance. Working closely with them as I do, I can say to shareholders how proud I have been of their efforts, which have routinely extended well beyond the call of duty. It is not too much to say that without these efforts the Company may well not now be in existence today.

It is common for shareholders to call for senior executives to have "more skin in the game", meaning larger shareholdings. In general, I agree with this logic and would observe that had the Company hit its targets in recent years, members of the executive team, especially the Managing Director, would have accrued additional shares via the Company's long term incentive scheme. As it is, they have received minimal increases over the past few years, whether to base salaries, or short or long term incentives, because the Company's performance has been dire. This is equivalent to having lost skin in the game in my view, quite apart from the fact that their jobs are on the line every day.

To repeat, the Company is fortunate to have an executive team with the dedication it has. Even more important, members of this team are integral to whether the Company emerges from its present plight and is able to generate the future which I remain convinced can still be achieved.

Finally, I would acknowledge my appreciation to my fellow Directors for their support and dedication over the past year. Needless to say, there have been additional meetings and more robust discussions than would normally have been expected. I also acknowledge the contribution of former Director, David Groves, who resigned during the year. In view of the Company's situation, we decided to continue for the time being with a smaller board.

I look forward to being able to convey some more positive news in next year's annual report.

David Trebeck
Chairman

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S REPORT

- Trading loss reflects poor soda ash demand from Australian manufacturing.
- Price rises and cost savings improve H2 underlying performance as planned.
- Restructuring business around premium sodium bicarbonate exports and new SSR technology with income now flowing.
- Five year funding agreement reached with banking syndicate.

Penrice reported a statutory loss after tax of $63.6 million for FY2012, including significant items of $56.9 million. Excluding significant items, the Company booked an underlying loss of $6.7 million, reflecting poor demand from key Australian soda ash markets, partly offset by continued growth in sodium bicarbonate exports and income from the Selective Salts Recovery (SSR) business.

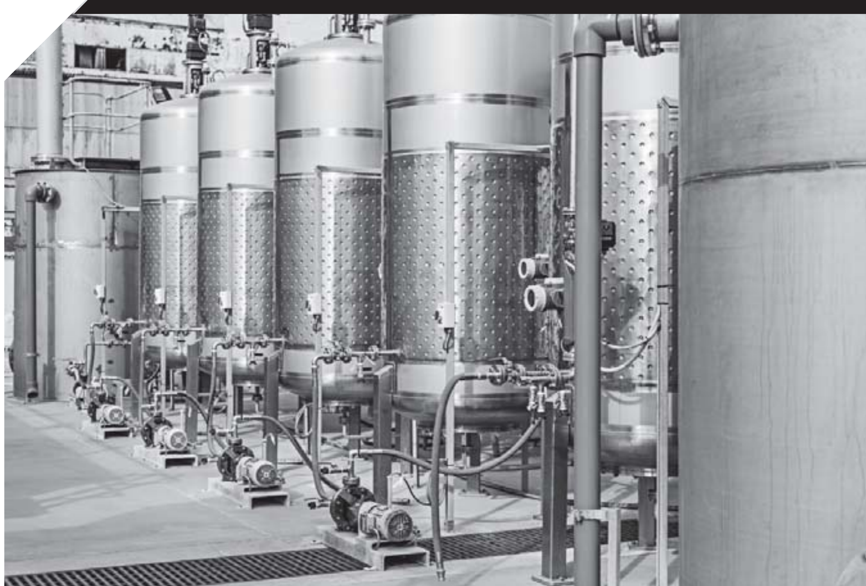
Second half statutory loss after tax was $35.5 million compared to the first half's loss of $28.0 million. Underlying performance improved in the second half, assisted by price rises and labour cost reductions initiated in the first half, with underlying EBIT of $0.8 million, up from breakeven in the first half.

The significant items of $56.9 million comprise an impairment of the assets of Chemicals and Quarry & Mineral businesses (in respect of which $22.7 million was recorded as at 31 December 2011), costs incurred from the South Australian Government's temporary closure of the Gawler rail line and restructuring costs.

Our business has endured very poor demand conditions from our Australian customer base. Our Australian manufacturing customers are being crushed by the weight of the high Australian dollar. Our South Australian quarry customers are experiencing the worst construction decline in a generation. The impairment charges are direct reflections of these deteriorating demand conditions in Australia, especially for soda ash from Australian glass, detergent and other manufacturers. In South Australia, it reflects demand from the construction sector down more than 30 per cent, with housing construction falling progressively over the last two years to new lows.

However, we remain determined to rebuild and transition our business from a trade-exposed supplier so reliant on Australian industry, to a value added exporter of premium sodium bicarbonate to strongly growing Asian markets and a supplier of our world-first SSR technology to the Australian coal seam gas industry.

SODIUM BICARBONATE CRYSTALLISERS



We are particularly encouraged with the recent progress in developing Penrice's SSR technology. This SSR technology and our export business supported the improvement in performance in the second half and, more importantly, have considerable potential to grow earnings sustainably over the long term.

I would like to preface my business commentary to record two important matters. One is our continued improvement in safety performance. Over the last seven years we have reduced the incidents of work place injuries and illnesses from fourteen to less than one incident per 200,000 hours worked. It is a remarkable and worthwhile achievement leading to improved lives and reflects our commitment and the efforts of all staff and contractors. My sincere thanks to all staff and contractors who have contributed to this meaningful and pleasing result.

The second is the commitment and the tireless efforts of our Penrice staff and contractors who are working to the best of their abilities in this most difficult external environment, which is placing pressure on all to work smarter with less resource. It is a testament to our committed, hardworking staff that we are able to look forward with confidence to build a better organisation, with many opportunities identified and plans to do so.

STRATEGIC REVIEW

The Company has now implemented the initial programs set out in the Strategic Review which has two aims – lower debt and improved earnings: product price rises; labour cost reductions; and the JORC compliant evaluation of the Angaston Mine's resource base. As is clear from Penrice's improved underlying performance in the second half, these initiatives are making a positive contribution to earnings.

We remain cognisant of the need for debt reduction and continue with the planned sale of the Angaston Mine to achieve that end and thereby place the Company on a better footing to pursue growth opportunities in exports and SSR technology.

Under the Strategic Review, we completed the first Mineral Resource and Ore Reserves ("JORC") Statement for Angaston Mine, giving us a complete understanding of the mine's value and a new, efficient extraction plan for the next 25 years. We are pleased that the business is already benefitting from reduced overburden stripping requirements and reduced costs enabled by the plan.

As at 30 June 2012, Penrice had net debt of $93.6 million, up from $75.6 million a year earlier, primarily due to the impact of the SA government's Gawler rail line closure and the weaker trading environment. Net debt to debt plus equity stood at 98 percent, up from 53 percent.

A substantial part of the funding increase was unavoidable to meet the cost of the SA Government's unfortunate decision to close the Company's Gawler line rail access for seven months, a decision made without proper consideration of the Company's interests.

We are pleased to have the continuing support of the Company's banking syndicate in these particularly difficult market conditions. Reflecting that support, we reached a new agreement with the banking syndicate at the end of the year to extend and restructure the senior debt facility of $98 million. The banking syndicate has agreed to extend maturity of $68 million of the facility to July 2017, and to allow interest on this component to be capitalised.

The new facility accommodates the extraordinarily tough trading environment in which we, along with the majority of Australian manufacturers, find ourselves. It also confirms that our growth strategies around sodium bicarbonate exports and SSR technology commercialisation are sound. We are grateful for the sound, long term view which the Company's banks are taking and we will continue to work closely with them.

CHEMICALS BUSINESS

The Chemicals business booked underlying EBIT of $3.1 million in FY2012, down from $6.0 million in the previous year. Revenue was $124.0 million, down 3 percent, reflecting an 11 percent drop in soda ash revenue, partly offset by an 11 percent increase in revenue from sodium bicarbonate. Penrice's Selective Salts Recovery technology contributed EBIT of $2.1 million to Chemicals' FY2012 earnings from several commercialisation activities. The business benefited from prior year price rises, which contributed about $7.1 million to revenue in FY2012, helping offset reduced demand in the soda ash segment, the impact of the higher Australian dollar in the sodium bicarbonate exports and higher coke prices.

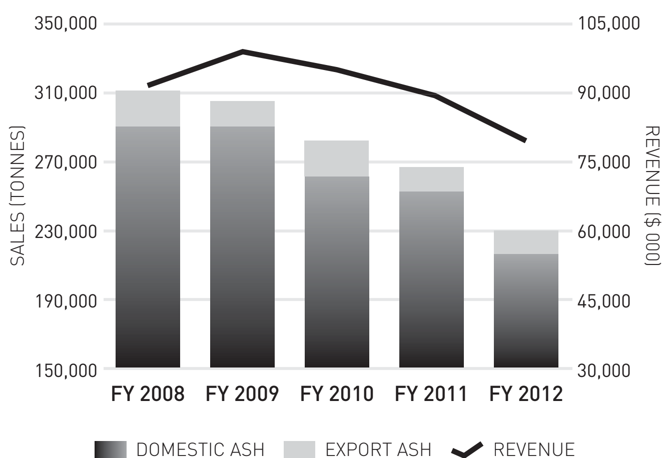
The Chemicals business reduced costs as a result of labour reductions and other productivity initiatives. Cash costs related to the trialling of calsilt-based landfill at Penrice's Gillman site increased $0.5 million due to the ramp up of operations. Coke costs were up $1.8 million from the previous year based on peaking hard coking coal prices, now in retreat.

SODA ASH

In FY2012 soda ash sales volumes were down 14 percent on the previous year, reflecting recessionary conditions in the two main customer segments – glass and detergent. Owens Illinois reduced its glass packaging manufacturing footprint in Australia, including the closure of glass furnaces, which directly reduces soda ash demand, with the closure of another glass furnace in Adelaide announced this month. Activity in the construction industry in FY2012 was the worst in over 25 years with CSR reducing its flat glass manufacturing footprint in Sydney, further reducing soda ash demand. Demand from detergents fell, reflecting the closure of the Australian manufacturing of two global detergent manufacturers, PZ Cussons and Reckitt Benckieser. Glass and detergent manufacturers continue to suffer from the high Australian dollar and reduced demand, with increased import competition placing pressure on prices and margins and also in the case of glass, increased overseas bottling of bulk wine exports.

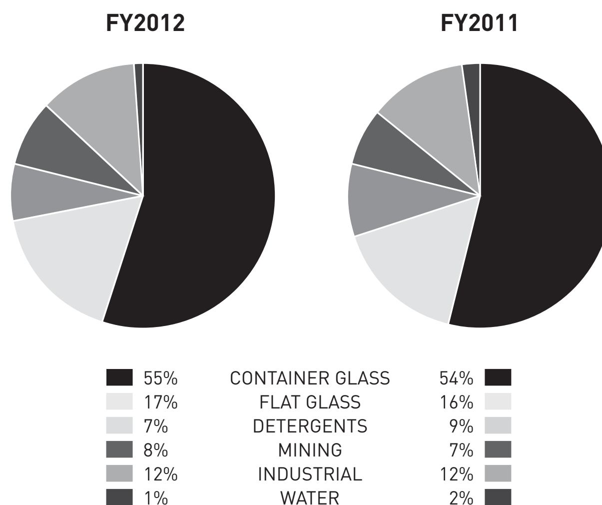
On the positive side, new business was gained from the minerals processing

SODA ASH SALES



Ash sales fell 14% reflecting softer demand due to stronger AUD

SODA ASH REVENUE



FY2012		FY2011
55%	CONTAINER GLASS	54%
17%	FLAT GLASS	16%
7%	DETERGENTS	9%
8%	MINING	7%
12%	INDUSTRIAL	12%
1%	WATER	2%

Reduced sales in most segments, impacted by pressure on Australian manufacturing from continuing strong AUD.

sector, which continues to have longer term growth potential.

FY2012 soda ash production was seriously impeded with the South Australian Government's decision to close the Gawler rail line, leading to road freight of limestone kiln fuels, causing limestone breakage which compromised plant performance and output. That rail outage was completed in the second half and normal operations have resumed.
The Company is still in discussions with the South Australian Government regarding recompense of the damage caused by the project.

FY2012 saw the rebuild and reline of two of six kilns, a major step forward in plant reliability and output.

SODIUM BICARBONATE
Penrice's sodium bicarbonate business is profitable and has growth potential as demand for its premium range continues strongly in Asia. Over the past four years the export business has recovered the margin eroded by the 40 per cent appreciation of the Australian dollar at the same time as export sales volume has grown by 50 percent to 73,000 tonnes per annum.

Production for FY2012 was at nameplate capacity of 100,000 tonnes, reflecting productivity enhancements. Planned low capital intensity staged expansions are ready to be implemented as cash flow permits, with increasing demand in Asia for Penrice's premium range of food, pharmaceutical and personal care grades.

Net selling prices for sodium bicarbonate increased 10 percent in FY2012 offsetting the negative impact of a 3 percent increase in the Australia dollar compared with FY2011.

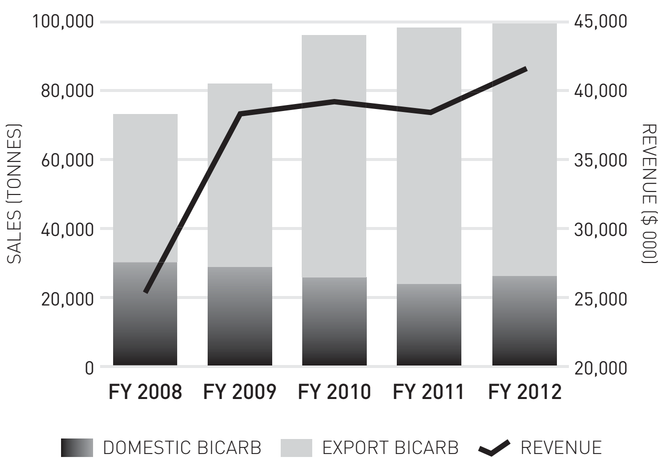
SELECTIVE SALTS RECOVERY TECHNOLOGY
Penrice accelerated the commercialisation of its SSR technology during FY2012, with a pilot plant, for QGC, successfully commissioned and operational.
A material contribution was earned from all commercialisation activity during the year.

Penrice's technology has now been demonstrated to clean coal seam gas water effectively, allowing it to be returned to the environment or for other beneficial uses, while selectively recovering the residual salts into saleable products. Penrice is actively pursuing a number of SSR development opportunities in Queensland and New South Wales.

Penrice believes that successful commercialisation of the technology is potentially company transforming, giving it the potential to earn a growing income stream from the technology as well as income from associated operational and marketing services.

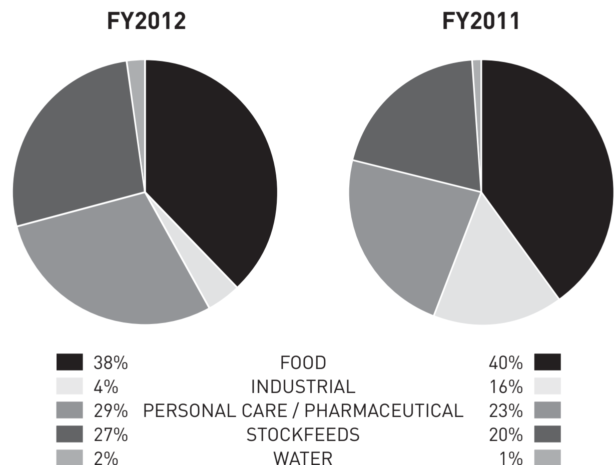
CALSILT MANAGEMENT
In FY2012, Penrice completed trials of calsilt-based landfill. Penrice generates 90,000 tonnes of calsilt per annum (as a by-product of soda ash production) which requires land disposal. Penrice is committed to recycling and reusing calsilt as an Environment Protection Authority (EPA) approved landfill. Trials have confirmed that the landfill is suitable as an engineered fill for light industrial development.

SODIUM BICARBONATE SALES



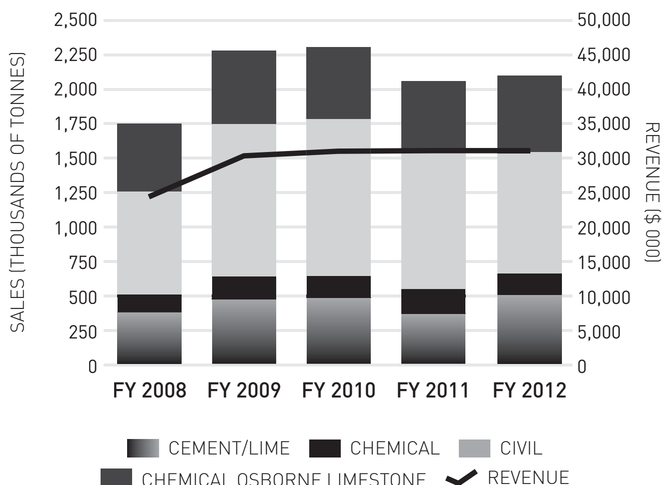
Sales levels at plant capacity. Revenue increase despite stronger AUD as a result of price increases in export markets.

SODIUM BICARBONATE REVENUE



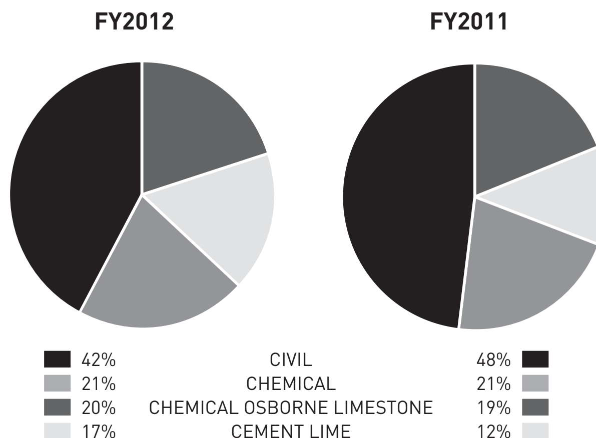
Continuing to grow sales into higher margin personal care/pharmaceutical markets. FY2012 Stockfeed sales recovered from FY2011 levels which were impacted by adverse weather conditions.

QUARRY AND MINERAL SALES



Overall sales volumes were steady in FY2012 despite the contraction of the construction/civils industry sales.

QUARRY & MINERAL REVENUE



Overall sales revenue increased slightly in FY2012, severe cyclical downturn in the construction industry reflected in civil and cement lime revenues.

Penrice will complete the in-fill of the remaining area of its Gillman site, opening the way for a long term, economic and environmentally sustainable reuse strategy for calsilt as landfill in the greater Gillman area.

CARBON TAX

The Company has gained the maximum assistance available under the clean energy scheme by obtaining Energy Intensive Trade Exposed status, entitling the Company to 94.5% credit against the carbon tax. The Company has received and continues to receive claims from suppliers for carbon tax pass throughs; until all these claims are known the impact on the Company is uncertain. The Company will seek to mitigate the net impost of the carbon tax by passing the cost to its customers consistent with the federal government's scheme design and as contracts permit.

QUARRY & MINERAL BUSINESS

The Quarry business booked EBIT of $2.0 million for FY2012, down from $3.7 million in the previous year. This was a robust result in a year of severe cyclical downturn in the construction industry, the main customer segment.

Sales revenues increased slightly, with sales of industrial minerals stronger in the year, showing the benefit of diversification of sales into industrial companies, the other main customer segment. Sales into the construction industry decreased 7 percent and occurred at lower margins. Sales to the South Road Superway project partially offset a deeper decline in demand. The business improved its market share as the South Australian construction sector dropped to a cyclical low during the year, with activity reported to be down 30 percent compared with the prior year, similar to the national trend. Residential and commercial activity slowed considerably across the public and private sectors.

Quarry and Mineral achieved a higher success rate in civil project tenders and a more diverse client base in FY2012. Penrice believes the business is well positioned to leverage these capabilities when demand recovers.

Mine planning has been expedited with the completion of the comprehensive drilling campaign and subsequent Reserves Statement, which demonstrates a mine life of at least 25 years. Current planning sees extraction of no more than 0.5 million tonnes of overburden per annum over the life of the mine plan, which compares favourably with average extraction of over 2 million tonnes per annum over the past five years.

BALANCE SHEET & CASH FLOW

Reflecting the Company's net loss, the Company notes an impairment charge of $45.3 million relating to the Chemical and Quarry & Mineral Businesses (of which $2.7 million was recorded as at 31 December 2011), $7.7 million of de-recognition of deferred tax assets, $2.4 million defined benefit scheme revaluation (closed), $3.3 million of rail closure costs and $0.6 million in restructuring, net assets reduced to $1.7 million as at 30 June 2012 (30 June 2011: $67.8 million).

Working capital as at 30 June was $15.2 million, up from $13.1 million a year earlier, reflecting a rise in receivables. Working capital reduction remains a management focus.

Capital investment was reduced to $10.6 million for the year (FY2011: $13.2 million) with increased focus on capital discipline. Major projects included the reline of two lime kilns, the annual Osborne plant maintenance shutdown and the Angaston drilling campaign.

OUTLOOK

The demand outlook for Chemicals and Quarry & Mineral businesses in Australia remains uncertain and given this outlook, no earnings guidance for FY2013 is offered at this time. An update on current trading will be provided at the Company's Annual General Meeting.

The Penrice team is committed to improving the underlying performance of its businesses, by working with those factors which are within its control. Improving margins and controlling costs are key strategies to underpin underlying performance. Building on those, our growth lies in our export sodium bicarbonate business and SSR technology business, both of which we will actively pursue in the year ahead.

SUSTAINABILITY REPORT

Sustainability for Penrice means addressing the environmental, community, social and governance issues that are material to our business. Central to this policy is the Company's strong commitment to the safety of the people we work with, and the communities and environments within which we operate. We strive to continually improve our performance in these areas, and reduce the impact that our activities have on our people, the environment and our communities.

To this end we have a suite of short and long term programs designed to reach our new performance goals and reduce our footprint.

SAFETY – "NO INJURIES TO ANYONE EVER"

As a mining and manufacturing Company, it goes without saying that safety is critical to the way we work at Penrice. Our belief is that all injuries and environmental incidents are preventable, and in line with that belief, we have reconfirmed our safety vision "no injuries to anyone ever" and have adopted our environmental vision of "zero harm and waste". Our safety focus, which is led at Board and Executive Management level, is underpinned by three elements:

• developing and implementing a "best practice" safety management system

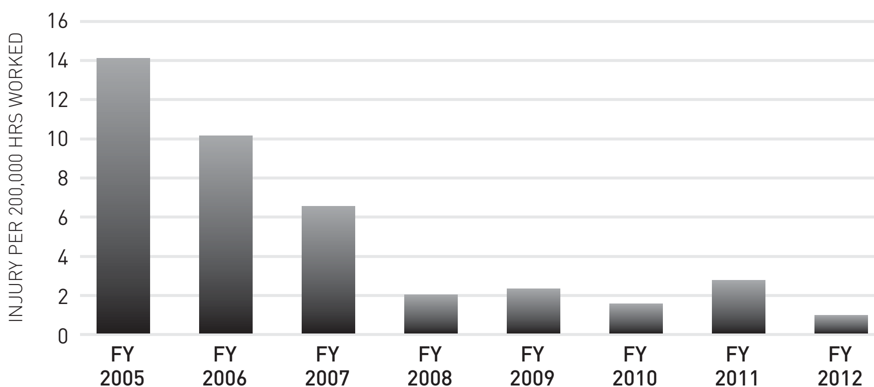
• embedding the right behaviour in all our people, and

• finding solutions for the physical safety hazards that we face – as in any mining and manufacturing environment.

Penrice's progress in the past seven years in reducing workplace injuries and illnesses – from a recordable injury rate of 14.2 to 0.91 in 2012 represents a significant improvement in both the long term trend and over the prior 12 month period. The improvement was consistent both in the areas of Penrice employees and site contractors and reflects the benefit of the on going behavioural safety program and the continual review and improvement of systems and procedures. The Company continues to be well placed to achieve the "best practice" levels to which it aspires.

A continued focus has been to further embed the Safety Foundations core principles, involving all of the Company's employees and principal contractors. Safety incident reporting continues to be a pillar on our performance as does an increased concentration on management accountability and proactive hazard and risk assessment. During the year, the Group invested significantly in safety improvements across our operations covering procedures, people and equipment. This effort will help to ensure an even more solid foundation for the desired safe workplace at Penrice.

ALL WORKER RECORDABLE CASE RATE



MAJOR HAZARD FACILITY

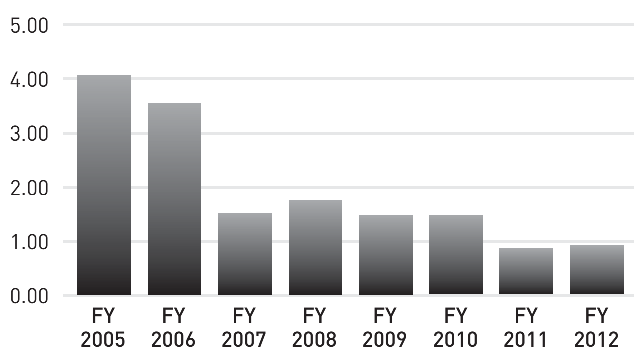
An intrinsic part of Penrice's manufacturing process for soda ash and sodium bicarbonate, is the storage and use of specific chemicals. As a consequence of anticipated regulatory change in South Australia, our Osborne operation is likely to be categorised as a "Major Hazard Facility", which is in line with requirements in other Australian states. The Company has undergone a formal review by SafeWorkSA and has since developed a comprehensive Safety Management System. A gap analysis via an independent audit was completed in late 2011 by a specialist Major Hazardous Facilities consultant. The findings from this review and the ensuing action plans will ensure the Company is well placed to meet the high regulatory standards required of a Major Hazard Facility when the legislation is enacted in 2013.

COMMUNITY – "WORKING WITH OUR KEY STAKEHOLDERS"

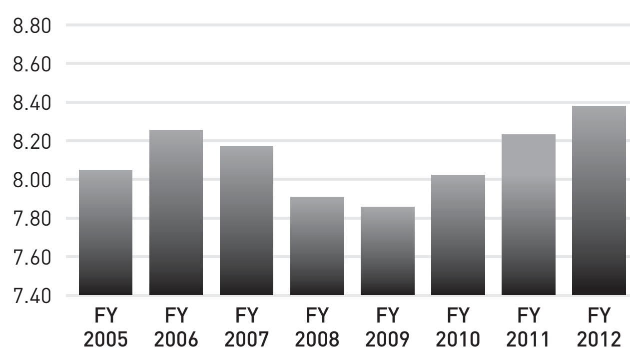
Penrice has been a company of significance and achievement in South Australia for over 70 years, and we understand that the way we conduct our business affects the various communities in which we operate. That includes a responsibility to understand and resolve social and environmental issues. Penrice has in place staffing, processes and systems to better understand community perspectives, and has updated our community complaints and issues reporting and recording systems to improve our responsiveness.

As part of our commitment to working better within the communities in which we operate, we actively participate in independently chaired consultative forums for both Penrice sites – the Penrice Community Consultation Group (PCCG) – with the community around our Angaston mine in country South Australia and a community forum for our chemical operations located at Osborne South Australia. These committees are made up of representatives from Local Government, community members, the Environmental Protection Agency (EPA), Department of Primary Industries and Resources of South Australia (PIRSA) and Penrice. Both forums meet on a quarterly basis, to discuss and share

TOWNS WATER CONSUMPTION (M_3/MT PRODUCT)



ENERGY CONSUMPTION (GJ/MT PRODUCT)



information around the Company's operations and performance to agreed environmental outcomes and criteria.

Penrice believes this is a strong indication of our commitment to listen to and understand our community stakeholders and to work to improve and ultimately resolve community issues.

ENVIRONMENT – "ZERO HARM AND WASTE"

An economically and environmentally sustainable future is high on the list of Penrice priorities. We have an operational improvement program that addresses the environmental impact from our businesses. Our Environmental Management System focuses on meeting requirements of the international standard ISO 14001, and we are licensed by the EPA in South Australia.

WATER USE

We continue to focus on reducing the water used by our operations, and in particular lowering the amount of towns water used per tonne of product produced. With the installation and commissioning of the Reverse Osmosis desalination plant in 2006, our use of towns water was reduced by 0.9 Gl per annum– a 56% reduction.

The majority of fresh water used at Penrice's operations is utilised for the generation of steam. The water from the desalination plant is of a greater purity than that of towns water and has resulted in 1,800 tonnes per annum less sulphuric acid and caustic soda being used for water treatment.

Buoyed by the good progress which Penrice has made in water savings, a project was initiated in Q3 of FY2010 to further reduce the amount of towns water. This project was focused on reusing existing process water waste streams and was commissioned in June 2010. It has ensured the recovery waste streams and allowed them to be directed to feed the lime slaking plant. The water which was being used for lime slaking is directed to a new Reverse Osmosis (RO) plant. The permeate from the RO plant is used as process softened water (replacing towns water), and the rejected water from the RO plant is now used in the slaking plant to supplement the waste water streams.

As a result of making these changes, a further saving of 0.4 Gl per annum of towns water was made in FY2011. This has continued in FY2012 with towns water consumption at 0.3Gl, down from 1.6Glpa in 2005.

ENERGY CONSUMPTION

The operations of the Penrice Group use a range of energy sources including gas, electricity, steam and coke in producing soda ash and sodium bicarbonate. Energy use is closely monitored to ensure the conservation program remains on target. The Company's desire to continue to reduce energy consumption has been impacted in the past two years by plant failures, with the gigajoule of energy used per metric tonne of product made being 8.38 in FY2012. In FY 2012 failures of heat exchanger equipment were the primary cause of inefficiencies. Remedial work is planned in the 2013 financial year to assist with lowering unit energy consumption.

Penrice is a participant in the Australian Government's Energy Efficiency Opportunities (EEO) program, and after identifying a number of areas for significant energy savings, we have established plans that are expected to result in further improvement.

GREENHOUSE GAS

Penrice is a significant greenhouse gas emitter and is subject to the National Greenhouse and Energy Reporting Scheme (NGERS). As a significant emitter, the Company is recognised as a liable entity under the Australian Government's Clean Energy Act. We have continued to report formal greenhouse gas inventory under NGERS as required by legislation.

CLEAN ENERGY ACT: CARBON SCHEME

The Company has gained the maximum assistance available under the clean energy scheme by obtaining Energy Intensive Trade Exposed status, entitling the Company to 94.5% credit against the carbon tax. The Company has received and continues to receive claims from suppliers for carbon tax pass throughs; until all these claims are known the impact on the Company is uncertain. The Company will seek to mitigate the net impost of the carbon tax by passing the cost to its customers consistent with the federal government's scheme design and as contracts permit. Penrice fully supports a carbon reduction mechanism to reduce green house gas emission. In order to meet the expectation of all stakeholders Penrice believes this will only be achieved through a global pricing mechanism.

WASTE WATER EFFLUENT

All storm water and cooling water drains located within our Osborne site are discharged to the local marine environment, the Port River, after passing through the onsite solids recovery plant.

AMMONIA

Penrice continues its commitment to reducing nitrogen load on the Port River. In early 2011 a new five year environmental improvement plan (EIP) was developed and approved by the EPA and commits the Company to a 15 tonne per year reduction of ammonia to the Port River for the next 5 years. The EIP will be valid until December 2015.

Penrice has also continued to support the targets set within the Adelaide Coastal Waters Study and has agreed with the EPA to meet a 2025 target of 300 tonnes of ammonia discharged to the Port River.

SOLIDS

An intrinsic part of the Solvay process is the generation of a solid by-product. This by-product is a calcium carbonate based material. Over many years of operation, this solid material was discharged directly into the Port River with campaign dredging removing it to a spoil ground at sea. From 2001, this was no longer permitted by the EPA so the Company developed a solids recovery system on site at Osborne. For this system to operate effectively, the recovered material must be removed from site for a sustainable long term end use. Currently, the only viable and economic outlet for this material is as an engineered landfill. Its use in this regard on a site in the nearby Gilman area has been proven as suitable chemically and geo-technically. To maintain and further improve this recovery and end use process, Penrice is seeking assistance from the SA Government to install a filter plant to directly treat the solid by-product at source and to support its use as a suitable fill material.

AIR QUALITY

In accordance with our EPA operating licence, we monitor the release of contaminants to the atmosphere. This program includes the monitoring of chimney stacks on site that discharge particulates (dust) to the atmosphere, and also the continuous monitoring of particulates on the plant with two dust monitoring stations. The FY2012 emissions were compliant with legislation.

At our Angaston operation we have undertaken extensive air quality investigation and monitoring as part of our commitment to the PCCG. The EPA undertook dust emission monitoring over a 12 month period which confirmed that our operations are compliant with all standards and regulations. Our commitment to lower the emissions further has included automating dust suppressant systems on fixed plant that complements our daily operational activities. Penrice has made a significant investment in upgraded dust monitoring equipment in FY2012 to improve the level of compliance monitoring.

LICENCE COMPLIANCE

The Company is pleased to report continued compliance with all relevant environmental legislation, including our EPA operating licences and our EPA Environment Improvement Programs (EIP).

QUALITY

Penrice manufactures product to high quality standards and maintains manufacturing systems accredited to the Quality Management System international standards ISO 9001 and Food Safety Management System ISO 22000 which enables the supply into both food and pharmaceutical markets. Penrice produces pharmaceutical grade sodium bicarbonate which meets British Pharmacopoeia 2010 and European Pharmacopoeia (6th Edition) specifications.

EXECUTIVE TEAM

FRANK LUPOI
Chief Financial Officer & Company Secretary
FCPA, BA (Acc) (Uni SA)
Frank joined Penrice in May 2008. Prior to joining Penrice, Frank was with ASX listed Adelaide Bank for 18 years, the last four years as its CFO. Prior to this, Frank spent six years with the South Australian Gas Company in various accounting roles.

DECLAN MACKLE
General Manager – Group Operations
BEng (Hons) Chemical Engineering (Queen's Uni, Belfast)
Declan commenced with Penrice in May 2008 in the role of General Manager – Chemical Operations. He brings an extensive and successful international career in senior management positions gained from roles held with Adelaide Brighton Cement, Shark Bay Salt and Botswana Ash Pty Ltd.

BRETT SMITH
General Manager – Group Business
Dip Ag Science (CSU), Grad Dip Ed (CSU), Grad Bus Studies (UNE)
Brett joined Penrice in April, 2010 and possesses over 20 years experience in sales and marketing management, procurement and distribution in chemical commodities. Brett's previous roles were held with Elders and Incitec Pivot.

ROY DOVETON
General Manager – Capital Projects
BSc Eng (Mech) (Hons), Mgmt Dip (Uni SA)
Roy joined Penrice in 1994. He has more than 25 years experience in chemical and industrial manufacturing including management responsibility for major projects, production management and maintenance. In recent years, Roy has driven the technological and business development work aimed at establishing a soda ash business within the Coal Seam Gas industry. Roy's previous experience was gained from senior roles with Sappi Kraft Tugela (Pulp & Paper) and Iscor Newcastle (Iron & Steel).

MARNIE BROKENSHIRE
General Manager – Human Resources
BBus, Grad Dip HRM/IR (RMIT), Grad Cert Change Mgmt (AGSM)
Marnie joined Penrice in May 2007. She is a Human Resources specialist with more than 15 years experience in senior generalist roles. She has worked nationally and internationally with GM Holden, Sensis, Deloitte Consulting and Monsanto.

DIRECTORS

ANDREW V. FLETCHER GUY R. ROBERTS DAVID B. TREBECK JOHN W.A. HIRST

DIRECTORS' REPORT

The Board of Directors of Penrice Soda Holdings Limited has pleasure in submitting this report for the year ended 30 June 2012 as follows.

Directors

The names and details of the Company's Directors in office during the financial year, including other directorships held for the past three years, and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

DAVID B. TREBECK

Chairman
Commenced as Director September 2007
(Appointed Chairman 29 October 2009)

- Bachelor of Science in Agriculture (Hons) (University of Sydney)
- Master of Economics (University of New England)
- Fellow, Australian Institute of Company Directors
- Churchill Fellowship
- Member of the ACT Division Council of the Australian Institute of Company Directors (since November 2011)
- Centenary of Federation Medal 2001

Experience
David is a Director of ASX listed Graincorp Limited and PrimeAg Australia Ltd, a former Commissioner of the National Water Commission and a Director of several other companies. During 2008 he served on a Government Panel reviewing Australia's biosecurity and quarantine arrangements. David is a former Managing Director of ACIL Consulting Pty Ltd and a former Director of Incitec Pivot Limited, Incitec Limited and Pipers Brook Vineyard Limited. During the past three years David served on the following boards:

- Graincorp Limited *
- PrimeAg Australia Ltd *
- Maersk Australia Pty Ltd
- Brumbies Rugby - Audit & Risk Committee

** Indicates a current Directorship*

Special Responsibilities
- Member of Audit and Risk Management Committee
- Chairman of Nomination Committee
- Member of Remuneration Committee

GUY R. ROBERTS

Managing Director and Chief Executive Officer
Commenced as Director December 2006

- Bachelor of Law (University of Adelaide)
- Graduate Diploma in Legal Practice (University of Adelaide)

Experience
Guy is an experienced international chemical company executive who was with the Orica Australia group (formerly ICI Australia) for 15 years prior to being appointed Managing Director and Chief Executive Officer of Penrice in 2007. He has wide experience in chemical, plastics and consumer markets in Australia, New Zealand, Asia and the United States - all of which are relevant to Penrice's operations.

Guy held a number of senior Executive positions with Orica, including Managing Director and General Manager roles in chemical manufacturing and distribution, plastics manufacturing and distribution, paint manufacturing and retailing in Australia and New Zealand.

His final Orica position prior to joining Penrice involved particular responsibility for setting Orica's strategic growth agenda in water treatment and was General Manager of Orica Watercare, the leading supplier of industrial and water treatment chemicals and equipment in Australia and New Zealand, and with operations in the United States and the United Kingdom.

Guy is also a former barrister and solicitor with Minter Ellison Lawyers and Senior Legal Counsel with Orica, responsible for major projects, mergers and acquisitions across the Group's portfolio in Australia, New Zealand, Asia, United States and the United Kingdom.

Guy currently serves on the following boards:

- Adelaide Festival Centre Foundation
- Business SA
- Committee for Economic Development of Australia SA (CEDA)
- SACOME
- National Lime Association of Australia

ANDREW V. FLETCHER

Deputy Chairman
Commenced as Director April 2005

- Bachelor of Engineering (Civil) (University of Adelaide)
- Fellow, Institution of Engineers Australia
- Fellow, America Society of Civil Engineers
- Foundation Fellow, Australian Institute of Company Directors

Experience
Andrew is currently the Chief Executive Officer of Defence SA. His previous executive appointments include Senior Vice President Global Infrastructure and Asia Pacific for Kellogg Brown & Root from 2001 until 2005, and Senior Vice President Asia Pacific for Brown & Root Services from 1998 until 2000. During the past three years Andrew has served on the following boards:

- Defence SA Advisory Board *
- SA Environment Protection Authority Board
- Member of SA Economic Development Board

** Indicates a current Directorship*

Special Responsibilities
- Chairman of Audit and Risk Management Committee
- Member of Nomination Committee

DAVID F. GROVES

Commenced as Director December 2010
Resigned as Director 23 March 2012

- Bachelor of Commerce (University of Wollongong)
- Master of Commerce (University of New South Wales)
- Chartered Accountant
- Fellow, Australian Institute of Company Directors

Experience
David is Deputy Chairman of Equity Trustees Limited and a non-executive director of Tassal Group Ltd, Pipers Brook Vineyard Pty Ltd and Kambala, a leading Australian girls' school in Sydney. He is a member of MIR Management Limited Advisory Council and also an executive director of a number of private investment companies. David is a former director of Graincorp Limited and Mason Stewart Publishing and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia. During the past three years David served on the following boards:

- Equity Trustees Limited*
- Tassal Group Limited
- Pipers Brook Vineyard Pty Ltd*
- Graincorp Limited

**Indicates a current Directorship*

Special Responsibilities
- Member of Audit and Risk Management Committee
- Member of Nomination Committee
- Member of Remuneration Committee

JOHN W.A. HIRST

Commenced as Director September 2007

Experience
John has over 40 years experience in the international chemical industry, and from 2001 to mid 2010 was Managing Director of ASX and NZX listed, Nuplex Industries Limited, a leading manufacturer and distributor of functional chemical based materials with global operations. During the past three years John has served on the following boards:

- Nuplex Industries Limited
- Member of Investment Committee of Jencay Capital Pty Ltd

Special Responsibilities
- Member of Nomination Committee
- Chairman of Remuneration Committee
- Member of Audit and Risk Management Committee

BARBARA J. GIBSON

Commenced as Director November 2005
Retired as Director 31 August 2011

- Bachelor of Science (Biochemistry) (Monash University)
- Fellow of the Australian Academy of Technological Sciences and Engineering
- Centenary of Federation Medal 2003

Experience
Barbara was formerly the Group General Manager of Chemicals for Orica Limited, a $1.3 billion business and the largest Chemicals business in Australia, and a member of the Orica Group Executive. She has extensive experience in running science based businesses and technology development. During the past three years Barbara has also served as a Non-Executive Director on the following boards:

- Nuplex Industries Limited *
- Warakirri Asset Management Pty Ltd (Chairman) *
- Graincorp Limited*
- Biota Holdings Limited
- St Barbara Limited

** Indicates a current Directorship*

Special Responsibilities
- Member of Nomination Committee
- Member of Remuneration Committee

DIRECTORS' INTERESTS

No Director has any interest in a contract or proposed contract with the Company or any of its subsidiaries other than as disclosed in the Directors' benefits section of this report.

The relevant direct or indirect interest of each Director in the shares issued by the Company as notified by the Directors to the Australian Securities Exchange in accordance with S205G(l) of the Corporations Act 2001, at the date of this report is as follows:

Director	Name of holder and nature of interest	Number of ordinary shares
D Trebeck	DB & DJ Trebeck as Trustee for Fairo Superannuation Fund	715,989
A Fletcher	Andrew Fletcher & Associates Pty Ltd Superannuation Fund	168,349
J Hirst	J.W.A. Hirst	87,608
G Roberts	G.R. Roberts	105,063

DIRECTORS' MEETINGS

The number of Directors' meetings and meetings of Committees of Directors held during the year and the number of meetings attended by each Director is as follows:

	Board Meetings		Audit & Risk Management Committee Meetings		Nomination Committee Meetings#		Remuneration Committee Meetings#	
	Eligible Scheduled Meetings	Meetings Attended	Eligible Scheduled Meetings	Meetings Attended	Eligible Scheduled Meetings	Meetings Attended	Eligible Scheduled Meetings	Meetings Attended
D Trebeck	22	22	3	3	1	1	3	3
A Fletcher	22	22	3	3	1	1	-	2*
J Hirst	22	20	3	3	1	1	3	3
D Groves	17	14	2	2	1	1	3	3
B Gibson	2	2	-	1*	-	-	1	1
G Roberts	22	22	-	3*	-	1*	-	3*

Up until 23 August 2011 the Company had a combined Remuneration and Nomination Committee, after which they were separate. There was one meeting of the Remuneration and Nomination Committee held on 23 August 2011 and this has been included in the Remuneration Committee table only.

* Although not a member of the committee, the Director attended.

COMPANY SECRETARY*

Marnie Brokenshire *BBus, Grad Dip HRM/IR (RMIT), Grad Cert Change Mgmt (AGSM)*

Marnie joined Penrice in May 2007 as General Manager Human Resources and appointed Company Secretary on 18 September 2012.

*not a Director of the Penrice Group of Companies.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the manufacture, distribution and sales of soda ash and sodium bicarbonate and the mining, distribution and sale of quarry and mineral products.

RESULT	30 June 2012 $000	30 June 2011 $000
Operating profit/(loss) after income tax	**(63,552)**	26,206
Dividends	**Nil**	Nil

2012: No interim dividend was paid and no final dividend has been declared.

2011: No interim or final dividend was paid.

EMPLOYEES

The consolidated entity employed 243 employees at 30 June 2012 (2011- 259 employees).

REVIEW OF OPERATIONS

A review of operations of the consolidated entity during the financial year and the results of those operations are included earlier in the Managing Director and Chief Executive Officer's Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has been no significant change in the state of affairs of the Company.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events after the balance date.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

A detailed review of the likely developments and future results is included in the Managing Director and Chief Executive Officer's Report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company holds licences issued by the Environment Protection Authority (EPA), which enables discharge to the environment from the consolidated entity's operations. All environmental performance obligations are monitored and are subjected, from time to time, to Government Agency audits and site inspections. The consolidated entity has a policy of at least complying, but in most cases, exceeding its environmental performance obligations.

There have been no known breaches of the consolidated entity's licence conditions during the financial year.

A detailed review of environmental regulation and performance is included in the Sustainability Report.

DIVERSITY

Penrice considers that business performance, productivity and job satisfaction are enhanced by a diverse workforce, senior management team, and Board, and as a consequence is committed to promoting a culture where diversity is encouraged. Given the current constrained business situation, along with a reduced number of non-executive director and executive roles, it has been challenging for the Company to make progress. Nevertheless, in the reporting period we have:

- had a senior employee benefit from a market competitive parental leave policy and return to work with flexible work arrangements;
- recruited a professional female who was provided with specific family friendly work arrangements;
- offered two employees financial support with child care to assist their return to work;
- increased the number of women shortlisted in the recruitment process for vacant positions;
- conducted EEO training for all employees; and
- ensured female employees have been sponsored to attend job specific training to support the progression of high performing women within our workforce.

INDEMNIFICATION OF OFFICERS

The Company has paid a premium for Directors' and Executive Officers' liability insurance in respect of Directors and Executive Officers of the Company as permitted by the Corporations Act 2001. The terms of the policy prohibit disclosure of details of the insurance cover and premium.

The Company has agreed to indemnify the current Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving lack of good faith. The Access, Indemnity and Insurance Deed stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

SHARE OPTIONS AND RIGHTS

As at the date of this Report there were 834,877 performance rights allocated in respect of the LTI plan for FY2010 which are subject to a 3 year performance period and will be eligible for vesting under the plan at the conclusion of FY2012, 1,913,073 performance rights allocated in respect of the LTI plan for FY2011 which are subject to a 3 year performance period and will be eligible for vesting under the plan at the conclusion of FY2013 and 3,880,901 performance rights allocated in respect of the LTI plan for FY2012 which are subject to a 3 year performance period and will be eligible for vesting under the plan at the conclusion of FY2014.

Refer to the remuneration report for further details.

REMUNERATION REPORT (AUDITED)

The Directors of Penrice Soda Holdings Limited present the Remuneration Report (which forms part of the Directors' Report) prepared in accordance with section 300A of the Corporations Act 2001 and its Regulations for the Company and its controlled entities for the year ended 30 June 2012. This report outlines the remuneration arrangements in place for the specified Directors and Executives of Penrice Soda Holdings Limited, collectively the Key Management Personnel (KMP).

Over the past few years, Penrice's remuneration policy has had to take account of competing interests. On the one hand, shareholder returns are inadequate and shareholders would like to see executive remuneration changed, while Directors, faced with their responsibilities to the Company, need to retain an experienced, expert Executive team. Directors are aware that these Executives have opportunities to pursue their careers in less challenging environments with prospects of greater remuneration.

The Board understands shareholders' concerns however maintains its view that it is in the shareholders' best interests that the existing Executive team is retained, believing that they are best placed to lead the Company through its current challenges.

The Board has responded to the shareholder feedback given at the 2011 AGM in the following way:

- **Executive salaries, where there was no change in job scope, were frozen for the second consecutive year and for two executives, for the third consecutive year**
- **There are no benefits available for the 2012 financial year rising from any long term incentive scheme**
- **Executives as a consequence earned substantially less than their approved Total Annual Remuneration.**
- **Directors Fees remained unchanged**
- **Reduced the number of Non Executive Directors by two**

The Executive has responded to the shareholder feedback by restructuring the business and identifying specific cost reduction projects. As a result of this restructure, the Executive team was reduced by two roles and a third full time role to part time. While two Executives had remuneration increased due to expanded roles, there was a material overall saving in Executive Remuneration.

The additional cost reduction projects carried high execution risk but high reward for the Company. As a consequence, the Board advised the Executive that if they were able to deliver the project meeting agreed targets, a component of the available short term incentive would be payable.

- **29% of short term variable remuneration became payable for the 2012 financial year as a consequence of achieving specific cost reduction targets**

The Board believes that the Executive has performed well in very difficult business conditions. It has maintained market share, the confidence of customers, suppliers and banks, and continues to seek avenues for growth and recovery. The Board maintains that it is crucial for the purposes of engagement, motivation and retention to pay STI to Executives where they have delivered outstanding quantified results even if the business as a whole is not profitable. A similar plan is intended for FY2013.

As Chair of the Remuneration Committee, John Hirst wrote to a number of shareholders in July 2012 outlining these points and some of the detailed achievements of the Executive. Mr Hirst invited comment and feedback from shareholders on the remuneration strategy of Penrice.

REMUNERATION STRATEGY

Penrice Soda Holdings Limited operates a unique Australian chemical manufacturing business and quarry operations exclusively in South Australia. Retaining executives with specific industry skills, and attracting talented managers from a limited pool within a highly competitive market sector is essential if the Company is to survive and grow under the most difficult operating conditions experienced in many decades.

The executive remuneration strategy and underlying policy provides the basis for achieving these aims.

Key elements of executive remuneration strategy are:

Industry competitive package
We must be able to attract, motivate and retain high quality skilled people in a market where competition for talent is high.

While fairness and equity are factors, it is commonsense that unless the package is competitive the Company would be unlikely to attract any executive capable of meeting the expected performance standard.

Performance related pay
Driven executives are attracted by the risk/reward aspects of superior short term remuneration through achieving transparent stretch targets.

Such people are able to respond to opportunities for competitive advantage and to optimise performance.

Shareholder alignment
We aim to encourage executives to build shareholder value through targeting superior performance relative to peer groups and providing long term incentives.

The interests of shareholders and executives are more closely linked as a consequence of a longer term focus with executives encouraged to build a company share portfolio.

Health, safety and the environment
We aim for continuous improvement in protecting employees and the general community and create a focus for executives to achieve specific performance minimums.

The nature of the business makes a major focus on health, safety and the environment essential in properly managing operations.

REMUNERATION POLICY

The Remuneration Committee of the Board of Directors of the Company is responsible for determining, reviewing, and recommending remuneration strategy, policy and compensation arrangements for the Non-Executive Directors, the Managing Director and Executives.

Details of the composition and responsibilities of the Remuneration Committee can be found on page 31.

The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, taking particular note of trends in comparative companies. Remuneration packages are generally structured to include a mix of fixed annual remuneration and performance-based remuneration. No consultants were engaged in 2012.

The policy seeks to establish average fixed remuneration at the median of comparative companies with available short term and long term incentives also generally in line with the broader market.

Current remuneration arrangements are as follows:

Fixed annual remuneration

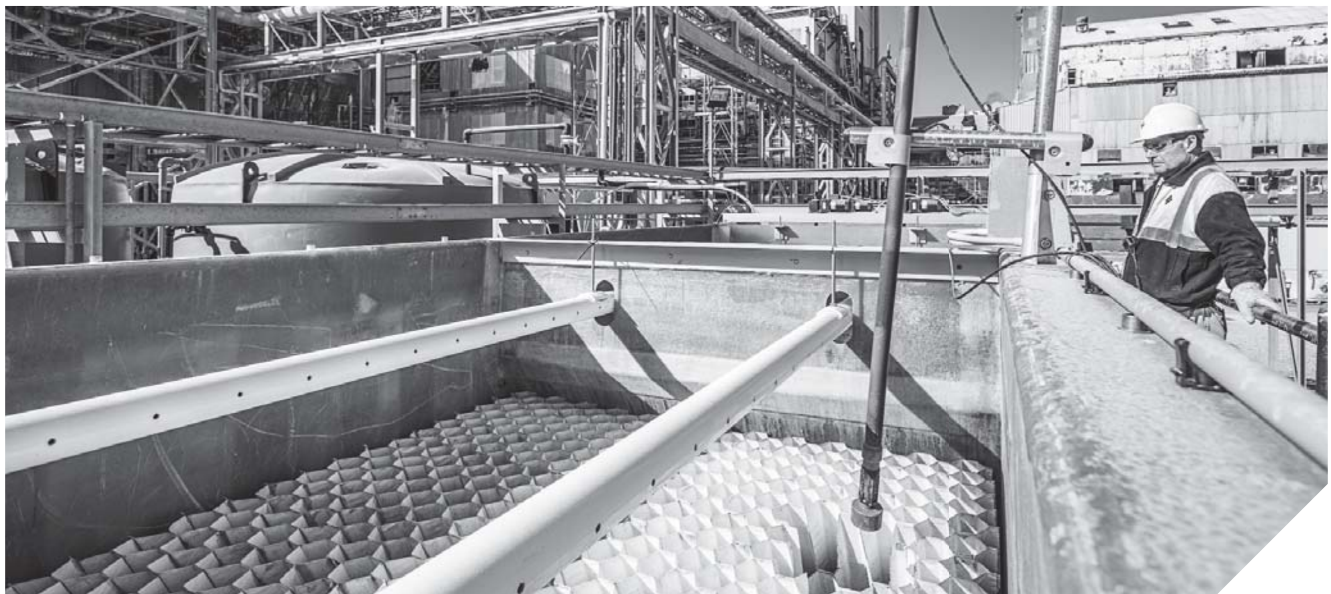
- Guaranteed cost for the Company and income for the executive. Generally positioned at the median of comparative companies.
- It is the aggregate of salary, compulsory superannuation payments, and other benefits paid to each member of the executive.
- Salary reviewed annually and effective from September 1st. Any increases are based on capacity to pay, general economic conditions, change in responsibilities.

Short term incentive plan

- This is remuneration at risk
- Creates executive focus on specific goals that when achieved are expected to create sustainable performance improvements. Performance targets may be related to profits, cash flow, health, safety and environmental protection, and individual objectives. Any incentive earned is payable in cash.
- Target opportunity is in the range 15 – 40% of fixed annual remuneration.

Long term incentive plan

- This is remuneration at risk and provides an opportunity for a substantial uplift in remuneration and rewards executives for superior growth of shareholder wealth.
- Three year performance measurement period to align with the interests of shareholders.
- Measured against transparent targets of relative Total Shareholder Return and absolute earnings per share growth.
- The Board has the discretion to pay any reward in equity or cash, or a combination.
- Target opportunity is in the range 15 – 50% of fixed annual remuneration.



DETAILS OF KEY MANAGEMENT PERSONNEL (KMP)

As deemed under AASB 124 Related Party Disclosures, Key Management Personnel (KMP) include Non-Executive Directors and members of the Executive Team, consisting of an Executive Director and Executives listed below, who have authority and responsibility for planning, directing and controlling the major activities of Penrice. In this report, "Executive" refers to Executive Key Management Personnel. Non–Executive Directors have no involvement in the day to day management of the business.

Name	Role		Years service in most recent role	Start date of most recent role
Executive				
G Roberts	Managing Director & Chief Executive Officer		5.5	19.12.2006
F Lupoi	Chief Financial Officer & Company Secretary	Resigned	n/a	01.05.2008
D Mackle	General Manager, Group Operations	Resigned	n/a	01.11.2011
D Wright	General Manager, Quarry & Mineral	Resigned	n/a	01.05.2010
B Smith	General Manager, Group Business		0.6	01.11.2011
A Cannon	General Manager, Supply Chain	Resigned	n/a	15.10.2007
R Doveton	General Manager, Capital Projects		4.2	07.04.2008
M Brokenshire	General Manager, Human Resources		5.2	07.05.2007
Non-Executive				
D Trebeck	Chairman		2.7	29/10/2009
A Fletcher	Deputy Chairman		7.2	01/04/2005
B Gibson	Non-Executive Director	Retired	n/a	23/11/2005
J Hirst	Non-Executive Director		4.7	01/09/2007
D Groves	Non-Executive Director	Resigned	n/a	20/12/2010

B Gibson retired as non executive director on 31 August 2011. D Groves resigned as non executive director on 23 March 2012.

D Wright resigned as GM, Quarry and Mineral on 18 November 2011. A Cannon resigned as GM, Supply Chain on 28 February 2012.

D Mackle was appointed to the role of General Manager, Group Operations as at 1 November 2011 (previously GM Chemical Operations since April 2008). B Smith was appointed to the role of General Manager, Group Business as at 1 November 2011 (previously GM Chemicals Business since April 2010). The GM Quarry and Mineral and the GM Supply Chain roles were restructured into the above roles.

Since the reporting date, F Lupoi and D Mackle have both resigned their positions.

NON-EXECUTIVE DIRECTOR REMUNERATION STRATEGY

The Board sets Non-Executive director fees within the aggregate remuneration of $500,000 which was set at the time of the Company's listing. These fees include both committee and superannuation benefits paid in accordance with the Superannuation Guarantee Levy (SGL). Fees are set at a level to attract and retain Directors of the highest calibre with relevant and complementary experience, and reflect their risk, time commitments and responsibilities. Non-Executive Directors are not entitled to any form of incentive or any payments related to the Company's performance that may otherwise impinge on independence and impartiality.

The Board may pay additional remuneration to Non-Executive directors for significant extra work however no such payments were made in 2012. In addition, Non-Executive directors are entitled to be reimbursed for reasonable travel and other expenses while engaged in the business of the Company.

The amount of aggregate remuneration required and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process and seeks shareholder approval when required.

NON-EXECUTIVE DIRECTOR REMUNERATION

The fee received by each Non-Executive director in 2012 was $63,900 in relation to their service as a Director of the Board and as a member of any Board Committee for the year. The Chairman received a fee of $126,700 reflecting the additional time commitments in fulfilling this role. Chairs of the Audit and Risk Management Committee, and the Remuneration Committee received an additional fee of $5,100. The Chairman does not receive any additional fees for being Chair of the Nomination Committee.

Total remuneration for Non-Executive directors for the year ending 30 June 2012 was $326,980. Details are provided on page 26 of this report.

Non-Executive Director fees were not increased in 2012.

EXECUTIVE REMUNERATION STRATEGY

Penrice's Executive Remuneration Strategy encompasses the Managing Director, General Managers and Secretaries of the Parent and the Group.

The Executive Remuneration Strategy is to strike a balance between rewarding performance and sustaining and growing the business profitably. Its intent is to:

- Attract, motivate and retain the right people
- Pay competitive, median market aligned total compensation
- Pay for performance with a transparent process linking outcomes and reward, with clear and meaningful targets
- Create an environment where Executives act, feel, and are encouraged to be owners of the business

The Company recognises that to date it has underperformed investors' expectations. Consequently, the current focus of the Company is to achieve and then sustain above average returns to shareholders. Having an effective Executive is a key element in this and hence attracting and retaining the right people is critical to success.

The Directors believe that retention of the current Executive at this time is critical to achieving that aim and that competitive remuneration must therefore be maintained.

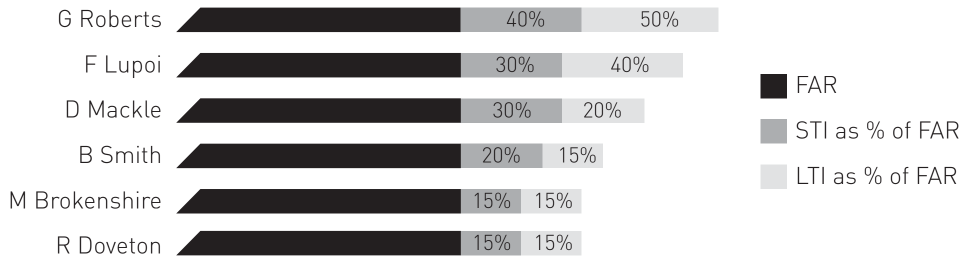
EXECUTIVE REMUNERATION POLICY

The Company remunerates the Executive commensurate with their position and responsibilities, so as to:

- link reward with the strategic goals and profit performance of the Company
- align the interests of Executives with those of shareholders
- ensure total remuneration is competitive by market standards
- minimise risk

EXECUTIVE REMUNERATION MIX

The company seeks to offer a remuneration mix that addresses both short term and long term strategic requirements with an increasing preference for greater weighting towards longer term variable pay. The mix used in FY2012 was as below:



Remuneration is structured to contain both fixed and at-risk components to drive culture and behaviour towards higher performance. The mix between fixed and at-risk elements varies across the Executive and the table below shows the percentage of Total Annual Remuneration that is at risk against both Short Term and Long Term objectives.

		% OF TOTAL ANNUAL REMUNERATION AT RISK					
		Short term incentive		Long term incentive		Total at Risk	
Name	Role	2011	2012	2011	2012	2011	2012
G Roberts	MD & CEO	21%	21%	26%	26%	47%	47%
F Lupoi	CFO & Company Secretary	18%	18%	24%	24%	42%	42%
D Mackle	General Manager	20%	20%	13%	13%	33%	33%
D Wright	General Manager	20%	20%	13%	13%	33%	33%
B Smith	General Manager	15%	15%	11%	11%	26%	26%
A Cannon	General Manager	12%	12%	12%	12%	24%	24%
R Doveton	General Manager	12%	13%	12%	11%	24%	24%
M Brokenshire	General Manager	12%	12%	12%	12%	24%	24%

The above table reflects target performance. It is usual practice to provide Executives with stretch targets for key STI measures. In the event that these stretch targets are met, a loading of 20% on STI earned becomes payable. This is consistent with the Board's strategy of linking rewards with shareholder interests.

Executive performance against plan, corporate behaviour, and overall contribution to Company performance is reviewed annually. The payment of any STI or LTI incentive earned is entirely dependent upon each Executive achieving a minimum satisfactory standard.

EXECUTIVE FIXED ANNUAL REMUNERATION (FAR)

Fixed annual remuneration (FAR) is the aggregate of salary, compulsory superannuation payments and other benefits paid to each member of the Executive. It may be taken in agreed form. It is reviewed annually based on Company, business unit and individual performance, capacity to pay, relevant comparative market data and, where appropriate, external advice on policies and practices. The Remuneration Committee has access to professional advice independent of management. The Company seeks to pay in the median range.

The following table provides fixed annual remuneration for Executives with effect from 1 September.

		FAR as at 1 September		
Name	**Role**	**2012**	**2011**	**2010**
Executive				
G Roberts	Managing Director & Chief Executive Officer	$520,000	$520,000	$520,000
F Lupoi[5]	Chief Financial Officer & Company Secretary	n/a	$320,000	$320,000
D Mackle[5]	General Manager, Group Operations	n/a	$235,000	$235,000
D Wright[3]	General Manager, Quarry & Mineral	n/a	$226,000	$226,000
B Smith[1]	General Manager, Group Business	$230,000	$210,000	$193,000
A Cannon[4]	General Manager, Supply Chain	n/a	$218,000	$218,000
R Doveton	General Manager, Capital Projects	$194,500	$194,500	$194,500
M Brokenshire[2]	General Manager, Human Resources	$174,000	$214,000	$214,000

[1] Appointed 12 April 2010. Salary adjustment resulting from assuming sales and marketing responsibility for the Quarry and Mineral business upon the resignation of D Wright at 18 November 2011.

[2] Reduction in salary a result of transition from full time to part time at 1 March 2012.

[3] Resigned 18 November 2012

[4] Resigned 28 February 2012

[5] Resigned after reporting date.

The actual FAR payments provided in the tables in pages 26 and 27 vary from the above due to the disconnect between the July to June financial year being reported and the salary review period being September to August

EXECUTIVE VARIABLE ANNUAL REMUNERATION – SHORT TERM INCENTIVE (STI)

The STI program is a cash based incentive linked to the achievement of the Company's predominantly financial targets which are set annually. It places a substantial percentage of each Executive's earnings at risk, yet is both achievable under reasonable circumstances, and cost effective.

The Managing Director reviews the performance of individual Executives and the Chairman reviews the performance of the Managing Director against a standard covering financial and non financial measures. Non financial measures include safety, health and environmental performance, behaviours and skills development, and projects with longer term strategic benefits. In the event that a minimum personal performance rating is not met, no STI is payable under any circumstance. Executives with superior and outstanding individual performance may receive additional STI payments up to a maximum of 120% but only in the event that the Company achieves a predetermined, Board approved, stretch target.

The aggregate of annual STI payments available for the Executive and other Company executives is subject to the approval of the Remuneration Committee.

In the Company's current circumstances, positive cash flow is the principal STI target. For the 2012 financial year fifty percent of the available STI was subject to achieving budgeted net free cash flow of $0.3M which was not achieved. The remaining fifty percent was subject to achieving specific cost reduction targets, which was partially achieved.

Name	Role	STI earned in financial year	
		2012	2011
G Roberts	Managing Director & Chief Executive Officer	$60,320	$0
F Lupoi	Chief Financial Officer & Company Secretary	$27,884	$0
D Mackle	General Manager, Group Operations	$24,360	$0
B Smith	General Manager, Group Business	$13,340	$0
R Doveton*	General Manager, Capital Projects	$34,029	$0
M Brokenshire	General Manager, Human Resources	$7,874	$0

Executives achieved a component of the specific cost reduction targets and as a resulted have been rewarded 29% of the short term variable remuneration for the 2012 financial year.

*R Doveton was excluded from the Executive STI plan due to the specificity of his current role. The Board endorsed a specific STI plan relating to the selective salts recovery initiative and achievement of this target resulted in a reward payout of 100% of his eligible STI.

There were no STI payments earned in the prior year.

EXECUTIVE VARIABLE ANNUAL REMUNERATION – LONG TERM INCENTIVE (LTI)

The LTI Scheme is equity or cash based and provides eligible Executives with an additional reward for achieving Penrice's long term strategic and financial objectives, hence aligning compensation with shareholders' risks and rewards. It is measured over a three year period.

The current plan focusses on two areas of performance:

- Earnings per share growth as an absolute measure
    - It has direct relevance to shareholders and potential to pay dividends
- Total shareholder return as a relative measure
    - It reflects superior performance compared with a general investment market

As a consequence of performance targets not being met, there were no benefits for participating Executives arising from the LTI Plan for FY2010 (Performance period FY2010-FY2012).

Details of the structure of the LTI Scheme are as follows:

The performance period commences on every 1 July and continues three (3) years to 30 June. The Company grants Performance Rights to each eligible participant at the commencement of each performance period. Each grant will specify the value of the grant, vesting period, and vesting conditions.

The vesting period or "performance measurement period" for the annual grants under the Scheme is three (3) years. The participant will receive 100% of the annual grant of Performance Rights at the commencement of each performance period.

The quantum of each annual grant is calculated firstly as a percentage of each Executive's FAR determined by size and function of the role (Hay Evaluation).

Name	FAR	LTI %	LTI grant quantum
G Roberts	$520,000	50%	$ 260,000
F Lupoi	$320,000	40%	$ 128,000
D Mackle	$275,000	20%	$ 55,000
D Wright	$226,000	20%	$ 45,200
A Cannon	$218,000	15%	$ 32,700
B Smith	$230,000	15%	$ 34,500
R Doveton	$194,500	15%	$ 29,175
M Brokenshire	$214,000	15%	$ 32,100

Using this grant quantum, each Executive is granted a number of performance rights, the number of which is determined as follows:

Number of Performance rights = Fixed Annual Remuneration for the Participant x LTI% / Adjusted Value of a Performance Right.

The value of a performance right (prior to any adjustment/discount) is the VWAP (volume weighted average price) of trading for 15 days immediately prior to the commencement of the measurement period.

A discount (adjusted value of a performance right) may be applied on account of the grant being subject to vesting conditions effectively reducing the value of the Performance Rights. This discount is considered in light of the initial vesting conditions and its application is subject to change at the discretion of the Board in respect of each grant.

The performance right, upon vesting, can be either cash at the FAR amount or converted to equity on a 1 Performance Right to 1 Ordinary Share basis.

Each grant will be subjected to vesting conditions or "performance measures".

The Scheme currently incorporates two performance measures (that is EPS and TSR) which align executive reward with shareholder interests. These function as vesting conditions with various hurdles required to be met before any vesting of Performance Rights will occur.

Each measure is weighted equally as a vesting condition and considered separately in the calculation of vesting, that is 50% EPS and 50% TSR.

DEFINITIONS:

EPS Earnings: Net profit after tax

Shares: The daily average number of shares on issue in the performance measurement period. Board discretion shall apply to the calculation of EPS growth so that eligible participants are neither advantaged nor disadvantaged by capital raisings or reductions, or any other factors not reflective of underlying business performance.

TSR Dividend paid in the performance measurement period plus the movement in the share price from the VWAP for the twenty trading days immediately prior to the commencement of the performance measurement period (1 July Year One) up to the VWAP for the twenty trading days immediately prior to the end of the performance measurement period (30 June Year Three).

TSR performance is ranked relative to companies in a comparator group consisting of the smallest 50 companies other than Penrice in the ASX Small Industrials Index. The hurdle is tested initially at the end of the Performance Period being the end of the three year period and if required is then subject to retesting at the end of the fourth year following the grant.

- The Company may in its discretion decide to pay earned Performance Rights in cash and/or shares and will take into account expressed wishes on behalf of an eligible participant in that regard.
- A participant must remain employed by the Company as at 30 June in the third year of the performance measurement period to be eligible to receive the Performance Rights.
- If a participant is terminated on account of redundancy or redeployment all earned Performance Rights shall be paid and unearned Performance Rights will be forfeited, unless otherwise determined by the Board.
- In the case of retirement and resignation as a consequence of ill health or death, all earned Performance Rights shall be paid soon after termination.
- Takeovers/Ownership Change – all granted Performance Rights will be paid out (issued) upon takeover.

While the tables on pages 26 and 27 show remuneration related to LTI, Executives received no cash or equity benefit and the amounts represent an expense for the Company in accordance with AASB–2 Share Based Payments.

Recent history of STI and LTI performance measures is set out below:

	2008	2009	2010	2011	2012
Net Free cash out flow ($000)	(19,731)	(22,178)	(5,854)	(8,218)	(16,762)
Earnings per Share (cents)	16.1	12.9	7.8	(28.7)	(69.6)
Total Shareholder Return	n/a	n/a	n/a	n/a	<40th percentile

EMPLOYMENT CONTRACTS

CEO & Managing Director

The CEO & Managing Director, Mr Guy Roberts, is employed under a rolling common law employment contract. The current employment contract commenced on 19 December 2006. Under the terms of this contract:

- Mr Roberts receives fixed annual remuneration (FAR) which is reviewed annually effective 1 September.
- Mr Roberts is eligible for participation in the STI scheme with a quantum of 40% of FAR and the LTI scheme with a quantum of 50% of FAR.
- Mr Roberts may resign from his position and thus terminate this contract by giving 12 months written notice.
- The Company may terminate this employment agreement by providing 12 months written notice or providing payment in lieu of the notice period (based on the FAR of Mr Roberts' remuneration).
- If in the Company's reasonable opinion, the CEO fails to exercise reasonable skill and care in the performance of the CEO's duties, having first been provided with not less that 28 days notice of the details of the alleged failure to exercise reasonable skill and care, and having failed to rectify that failure within that time, the employment agreement may immediately terminate without notice.
- The Company may terminate this employment agreement at any time without notice or compensation in lieu, in the case of serious or wilful misconduct.

Other Executives

All Executives have common law employment contracts. The Company may terminate the employment by providing four (4) months written notice or providing payment in lieu of the notice period (based on FAR) in the event of redundancy or termination. In the event of voluntary resignation, the Executive is required to provide three (3) months written notice which the Company may elect to pay in lieu.

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested performance rights will immediately be forfeited.

TABLE 1: COMPENSATION OF KEY MANAGEMENT PERSONNEL – 30 JUNE 2012

	SHORT TERM			POST EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE BASED PAYMENTS			
	Total Salary & Fees	Non Monetary Benefits (a)	STI (b)	Superannuation	Long Service Leave	LTI(c)	Total	Performance Related Pay % (d)	LTI No. of Pref Rights Vested (e)
Non Executives									
D Trebeck	$116,229	–	–	$10,461	–	–	$126,690	0.00%	–
A Fletcher	$24,699	–	–	$44,311	–	–	$69,010	0.00%	–
B Gibson+	$14,647	–	–	$1,816	–	–	$16,462	0.00%	–
J Hirst	$20,466	–	–	$46,457	–	–	$66,923	0.00%	–
D Groves^	$43,940	–	–	$3,955	–	–	$47,895	0.00%	–
Executives									
G Roberts	$472,959	$45,897	$60,320	$15,775	$20,968	$45,895	$661,814	16.05%	–
F Lupoi	$295,513	-	$27,884	$26,422	$7,055	$22,539	$379,413	13.29%	–
D Mackle	$259,466	-	$24,360	$21,735	$7,108	$8,707	$321,377	10.29%	–
D Wright*	$75,465	$11,940	-	$6,411	$1,115	$6,707	$101,638	6.60%	–
B Smith	$183,845	$21,234	$13,340	$24,999	$1,278	$2,951	$247,646	6.58%	–
A Cannon#	$191,267 [f]	$13,762	-	$15,531	$5,315	$5,658	$231,533	2.44%	–
R Doveton	$172,270	-	$34,029	$31,828	$8,767	$5,301	$252,195	15.60%	–
M Brokenshire	$170,554	$11,505	$7,874	$7,138	$10,043	$5,738	$212,851	6.40%	–
	$2,041,320	**$104,337**	**$167,807**	**$256,838**	**$61,649**	**$103,496**	**$2,735,448**		**–**

Notes

+ Retired 31 August 2011 ^ Resigned 23 March 2012 * Resigned 18 November 2011 # Resigned 28 February 2012

(a) Non monetary benefits relate to salary sacrifice motor vehicles unless otherwise noted.

(b) Partial STI performance hurdle met for performance year FY2012.

(c) The share base payment expense represents a proportion of the value of the performance rights granted in FY2010, FY2011 and FY2012 in accordance with AASB2 Share Based Payments. These rights have performance hurdles over three year periods ending 30 June, 2013 and 2014 and as such, no vesting or payments in relation to these LTI schemes have been made.

(d) STI payment per plan at 29% for FY2012.

(e) LTI performance hurdle not met for the FY2010 scheme, relating to the three year period FY2010-2012, and therefore no rights were vested.

(f) Includes Eligible Termination payment - $72,668

TABLE 2: COMPENSATION OF KEY MANAGEMENT PERSONNEL – 30 JUNE 2011

	SHORT TERM			POST EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE BASED PAYMENTS			
	Total Salary & Fees	Non Monetary Benefits (a)	STI (b)	Superannuation	Long Service Leave	LTI(c)	Total	Performance Related Pay % (c)	LTI No. of Pref Rights Vested (d)
Non Executives									
D Trebeck	$116,229	–	–	$10,461	–	–	$126,690	0.00%	–
A Fletcher	$30,698	–	–	$38,312	–	–	$69,010	0.00%	–
B Gibson	$60,376	–	–	$7,597	–	–	$67,973	0.00%	–
J Hirst	$29,678	–	–	$35,295	–	–	$64,973	0.00%	–
D Groves^	$31,069	–	–	$2,796	–	–	$33,865	0.00%	–
Executives									
G Roberts	$460,977	$48,399	–	$25,000	$13,155	$67,609	$615,140	10.99%	–
F Lupoi	$303,200	–	–	$26,330	$3,079	$33,197	$365,806	9.08%	–
D Mackle	$217,871	–	–	$19,408	$2,243	$12,181	$251,703	4.84%	–
D Wright	$192,502	$25,766	–	$16,750	$1,902	$9,768	$246,688	3.96%	–
B Smith	$164,703	$21,234	–	$16,515	$683	$3,686	$206,821	1.78%	–
A Cannon	$186,054	$11,472	–	$24,289	$1,864	$8,325	$232,004	3.59%	–
R Doveton	$151,830	–	–	$36,292	$1,581	$7,821	$197,524	3.96%	–
M Brokenshire	$177,250	$17,608	–	$15,870	$4,306	$8,459	$223,493	3.78%	–
	$2,122,437	**$124,479**	**–**	**$274,915**	**$28,813**	**$151,046**	**$2,701,690**		**–**

Notes

^ Appointed 20 December 2010

(a) Non monetary benefits relate to salary sacrifice motor vehicles unless otherwise noted.
(b) STI performance hurdle not met for performance year FY2011.
(c) The share base payment expense represents a proportion of the value of the rights granted in FY2010 and FY2011 in accordance with AASB2 Share Based Payments. The FY2010 grants relate to performance hurdles over the three year period FY2010–2012 and the FY2011 grants over FY2011–2013. As such, no vesting or payments in relation to these LTI schemes have yet been made.
(d) LTI performance hurdle not met for the FY2009 scheme, relating to the three year period FY2009–2011, and therefore no rights were vested.

TABLE 3: COMPENSATION PERFORMANCE RIGHTS FOR FY2012

Compensation performance rights – granted and vested during the year

	Granted			Vested subject to service condition			
	No.	Granted Date	Fair Value per Perf Right ($)	No.	%	Vesting Date	No lapsed during year
Directors							
G Roberts	1,636,249	15/01/12	0.09	–	–	30/06/14	-
Executives							
F Lupoi	805,538	15/01/12	0.09	–	–	30/06/14	-
D Mackle	346,130	15/01/12	0.09	–	–	30/06/14	-
A Cannon	205,790	15/01/12	0.09	–	–	30/06/14	205,790
B Smith	217,118	15/01/12	0.09	–	–	30/06/14	-
R Doveton	183,606	15/01/12	0.09	–	–	30/06/14	-
D Wright	284,456	15/01/12	0.09	–	–	30/06/14	284,456
M Brokenshire	202,014	15/01/12	0.09	–	–	30/06/14	-
	3,880,901						490,246

TABLE 4: COMPENSATION PERFORMANCE RIGHTS FOR FY2011

Compensation performance rights – granted and vested during the year

	Granted			Vested subject to service condition			
	No.	Granted Date	Fair Value per Perf Right ($)	No.	%	Vesting Date	No lapsed during year
Directors							
G Roberts	824,703	1/09/10	0.24	–	–	30/6/13	-
Executives							
F Lupoi	406,008	1/09/10	0.24	–	–	30/06/13	-
D Mackle	149,081	1/09/10	0.24	–	–	30/06/13	-
A Cannon	103,722	1/09/10	0.24	–	–	30/06/13	103,722
B Smith	91,828	1/09/10	0.24	–	–	30/06/13	-
R Doveton	92,541	1/09/10	0.24	–	–	30/06/13	-
D Wright	143,371	1/09/10	0.24			30/06/13	143,371
M Brokenshire	101,819	1/09/10	0.24	–	–	30/06/13	-
	1,913,073						247,093

TABLE 5: COMPENSATION PERFORMANCE RIGHTS FOR FY2010

Compensation performance rights – granted and vested during the year

	Granted			Vested subject to service condition			
	No.	Granted Date	Fair Value per Perf Right ($)	No.	%	Vesting Date	No lapsed during year
Directors							
G Roberts	387,939	1/02/10	0.64	–	–	30/06/12	193,970
Executives							
F Lupoi	190,011	1/02/10	0.64	–	–	30/06/12	95,006
D Mackle	69,671	1/02/10	0.64	–	–	30/06/12	34,836
A Cannon	46,790	1/02/10	0.64	–	–	30/06/12	46,790
R Doveton	45,173	1/02/10	0.64	–	–	30/06/12	23,087
D Wright	45,128	1/02/10	0.64			30/06/12	22,564
M Brokenshire	49,165	1/02/10	0.64	–	–	30/06/12	49,165
	834,877						465,418

An additional 43,191 performance rights were issued to other employees.

TABLE 6: VALUE OF PERFORMANCE RIGHTS AWARDED, EXERCISED AND LAPSED DURING THE YEAR

	Value of Perf Rights Granted during year $	Value of Perf Rights exercised during year $	Value of Perf Rights lapsed during year $	Remuneration consisting of performance rights for the year %
Directors				
G Roberts	152,171	-	129,960	3.4%
Executives				
F Lupoi	74,915	–	63,654	3.0%
D Mackle	32,190	-	23,340	2.8%
A Cannon	19,138	-	56,782 *	(16.3)%
B Smith	20,192	-	-	8.2%
R Doveton	17,075	-	41,819	(9.8)%
D Wright	26,454	-	27,483 *	(1.0)%
M Brokenshire	18,787	-	71,563	(24.8)%
	360,922		414,601	

* Represents forfeiture on resignation

ROUNDING OF AMOUNTS

The entity is a Company of the kind specified in the Australian Securities and Investments Commission class order 98/100. In accordance with the class order, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars unless specifically stated otherwise.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PENRICE SODA HOLDINGS LIMITED

In relation to our audit of the financial report of Penrice Soda Holdings Limited for the financial year ended 30 June 2012, 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

Ernst & Young

Mark Phelps

Mark Phelps
Partner

28 September 2012

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NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Ernst & Young received or are due to receive the following amount for the provision of non-audit services:

Taxation	$118,576

This report has been signed in accordance with a resolution of the Directors.

Signed at Adelaide 28 September 2012.

David Trebeck
Chairman

Guy Roberts
Managing Director and Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Penrice Soda Holding Limited is responsible for establishing the corporate governance framework of the consolidated Group. The Board has considered the ASX Corporate Governance Council's published guidelines as well as its Corporate Governance Principles and Recommendations and is pleased to report that its practices are largely consistent with those of the Council's guidelines. The Board guides and monitors the business and affairs of Penrice Soda Holdings Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

STRUCTURE OF THE BOARD

The names of the Directors, their qualifications and experience and their period of office are stated in the Directors' Report. An independent Director is a Director who is not a member of management (a non-executive Director) and who:

- holds less than five percent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another group member;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a Director of the Company; and
- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

All the non-executive Directors at the time of this report are considered independent.

The Chairman of the Board and the Chairman of the Audit and Risk Management Committee are each considered to be independent Directors.

The roles of Chairman and Managing Director & CEO are not exercised by the same individuals.

Penrice Soda Holdings Limited's Board Charter is available in the Corporate Governance section at www.penrice.com.au.

BOARD SIZE AND COMPOSITION

At the date of this Corporate Governance Statement, the Board comprises three independent non-Executive Directors and one Executive Director. The constitution requires a minimum of three and a maximum of eight Directors. The Board currently has four Directors and may review this from time to time.

The Nomination Committee determines the necessary and desirable competencies of the Board members and will make recommendations to the Board on the composition of the Board and its Committees, including the appointment and removal of members. The Company's constitution requires that at the Annual General Meeting, one third of the non-Executive Directors who have held office for the longest period, or if their number is not a multiple of three, then the number nearest to but not more than one third of the Directors, must retire. A retiring Director is eligible for re-election.

BOARD ROLE AND RESPONSIBILITY

The Board's role and responsibilities are formalised in the Board Charter. The Charter also defines the matters that are reserved for the Board and its Committees and the Board members' access rights to information and independent advice, among other matters.

Directors may obtain independent, professional advice relevant to Penrice's affairs to assist them in carrying out their duties as directors at Penrice's expense subject to approval of the Chairman. Such approval is not to be unreasonably withheld.

The Penrice Soda Holdings Limited's Board, as the representative of the Company's shareholders, is responsible for the overall governance of the Company and its responsibilities include:

- appoint and remove the Chief Executive Officer and senior executives, and determine the conditions of service, remuneration (including termination benefits) and the remuneration policy of senior executives;
- monitor and assess the performance of the Chief Executive Officer and the Company's executive team;
- approve the remuneration (including financial incentives) of the Chief Executive Officer and executive team;
- recommend the appointment of and review the performance of, Directors;
- oversee succession plans for the Board, Chief Executive Officer and executive team;
- establish incentive plans for Directors, executives and employees;
- establish and appoint the members of subcommittees of the Board, including the Nomination Committee, Remuneration Committee and the Audit and Risk Management Committee;
- provide input into, and approve, the business plan, budget and compliance policies of the Company as prepared by management;
- approve the Company's annual accounts, reports and other public documents;
- monitor the strategic and financial objectives and performance against the business plan and budget;
- monitor business risks and oversee the risk management strategy;
- oversee the audit, compliance and financial and operation risk management functions of the Company;
- delegate an appropriate level of authority to management;
- oversee the Company's employee-relations and legal, ethical, social and environmental behaviour;

- approve all material acquisitions, divestments, contracts and capital expenditure;
- ensure appropriate and responsible funding is available to the Company;
- oversee the Company's financial reporting and communication to shareholders, the investment community and shareholder relations generally (including effectively communicating the Company's financial position, trading performance and prospects to stakeholders); and
- ensure that the Penrice Group has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee has a documented charter, approved by the Board. All members must be non-Executive Directors. The Chairman may not be the Chairman of the Board.

The current members of the Audit and Risk Management Committee are:

- **A Fletcher**
  Non-Executive Director (Chairman)
- **D Trebeck**
  Non-Executive Director (ex officio)
- **J Hirst**
  Non-Executive Director

For details of Directors' attendance at meetings of the Audit and Risk Management Committee refer to the Directors' Report. Refer also to the Directors' Report for details of the qualifications of the members of this committee.

The committee advises on the establishment and maintenance of a framework of internal controls and ethical standards for the management of the consolidated entity.

This includes internal controls to deal with the effectiveness of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations.

The committee also provides the Board with additional assurances regarding the reliability of financial information for inclusion in the financial reports. Penrice Soda Holdings Limited's Audit and Risk Management Committee Charter is available in the Corporate Governance section at www.penrice.com.au.

AUDITOR INDEPENDENCE

The independence of the external auditor is of particular importance to shareholders and the Board. The Board requires:

- Rotation of the senior audit partner every five years;
- Annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence; and
- Specific exclusion of the audit firm from work which may give rise to a conflict.

In accordance with the Corporations Act 2001 and, based on the advice of the Audit and Risk Management Committee, the Directors have satisfied themselves that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

THE REMUNERATION AND NOMINATION COMMITTEE

The Company had a Remuneration and Nomination Committee in place up until 23 August 2011, and then separate Remuneration and Nomination Committees after this date.

The Remuneration and Nomination Committee operated under a Board approved charter, a copy of which is available upon request.

The Company separated the Committees into two for the purpose of more fulsome compliance with the relevant ASX principles and best practice.

For details of Directors' attendance at meetings of the Remuneration and Nomination Committee, refer to the Directors report.

NOMINATION COMMITTEE

The Board has a Nomination Committee, which meets at least annually to ensure that the Board continues to operate within the established guidelines. The Nomination Committee was approved by the Board to operate as an separate committee effective 23 August 2011. The purpose of the Nomination Committee is to recommend to the Board the composition of the Board and its Committees, director appointments and removal, director induction, continuing development and performance assessment and a process to ensure diversity obligations are met. In particular, the Committee is to undertake the functions of the Nomination Committee set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition (ASX Principles).

The Committee is appointed by the Board and shall consist of the Chairman of the Board and all Non Executive Directors in office at the time, of whom at least three shall be independent Directors. The Chairman of the Board shall chair the Committee.

The current members of the Nomination Committee are:

- **D Trebeck**
  Non-Executive Director (Chairman)
- **A Fletcher**
  Non-Executive Director
- **J Hirst**
  Non-Executive Director

Penrice Soda Holdings Limited's Nomination Committee Charter is available in the Corporate Governance section at www.penrice.com.au.

REMUNERATION COMMITTEE

The Board has a Remuneration Committee which meets at least twice annually to ensure that the Board continues to operate within the established guidelines. The Remuneration Committee was approved by the Board to operate as a separate committee effective 23 August 2011. The purpose of the Remuneration Committee is to fulfill its corporate governance requirements and provide recommendations to the Board in relation to strategic human resource policies, remuneration of non executive directors, remuneration framework for the Managing Director and CEO and executives including direct reports to the Managing Director and CEO. In particular, the Committee is to undertake the functions of the Remuneration Committee set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition (ASX Principles).

The current members of the Remuneration Committee are:

- **J Hirst**
  Non-Executive Director (Chairman)
- **D Trebeck**
  Non-Executive Director

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and Directors themselves. It is also responsible for share schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits policies.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced executives.

The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages.

Remuneration packages can include a mix of fixed remuneration and performance-based remuneration.

The expected outcomes of the remuneration structure are:

- retention and motivation of executives;
- attraction of quality management to the Company; and
- performance incentives which allow executives to share the rewards of the success of the Company.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives during the year, please refer to the Remuneration Report, which is contained within the Directors' Report.

Penrice Soda Holdings Limited's Remuneration Committee Charter is available in the Corporate Governance section at www.penrice.com.au.

BOARD PERFORMANCE EVALUATION

The performance of the Board and Executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Remuneration Committee conducted performance evaluations that involved an assessment of each Executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which Directors and Executives are assessed is aligned with the financial and non-financial objectives of Penrice Soda Holdings Limited. Any Director whose performance is consistently unsatisfactory will be asked to retire.

DIVERSITY

The Company considers that business performance, productivity and job satisfaction are enhanced by a diverse workforce, senior management team, and Board, and as a consequence is committed to promoting a culture where diversity is embraced. As part of this commitment, the Company has developed a Diversity Policy (Policy). The Policy is targeted at facilitating diversity within the workforce, management, and Board structure, and where considered desirable, addressing underrepresentation within specific work place groups. The following were identified as the key Diversity objectives:

- Gender;
- Age;
- Equal Opportunity.

The Board sets measurable objectives for achieving both Company wide, and Board specific, diversity aims each year which may include:

- The proportion of women employees in the whole organisation and executive positions and on the board;
- The gender pay equity gap across the organisation;
- The selection criteria for board and senior executive positions to ensure the broadest candidate pool;
- Programs targeting the development of broader and advanced skills relating to career advancement for members of the diversity focus groups into executive and board positions;
- Ensuring that each vacant position at board and senior executive level has at least one woman on the shortlist of candidates;
- Placing diversity as a regular agenda item on Board and/or Nomination Committee meetings; and
- Linking the achievement of these objectives to key performance indicators for the board and the senior executive team.

A summary of the Board's progress against diversity objectives is set out in the Directors' report in this annual report. The Company's Diversity policy is available in the Corporate Governance section at www.penrice.com.au.

ROLE AND FUNCTION OF EXECUTIVES

The Board has delegated to the Managing Director, responsibility for the conduct of the affairs and day to day management of the Company. Delegation is subject to matters reserved for Board approval as detailed in the Board of Directors Charter.

In addition there are five Executives reporting to the Managing Director who have been delegated the responsibility for managing key areas of the business including sales, marketing, financial and treasury management, operations and production facilities, capital projects, human resources, raw material purchasing, distribution, strategic planning, legal compliance, regulatory affairs and corporate secretarial.

The performance of Executives is reviewed periodically by the Managing Director against appropriate measures set by the Managing Director and the Remuneration Committee relative to the Executive's role. The Remuneration Committee has oversight in relation to the setting of goals to be achieved by Executives in connection with both short-term and long-term incentive schemes and monitors the performance of Executives in relation to the achievement of those goals. In accordance with this process, a performance evaluation for Executives has taken place during the reporting period.

CONTINUOUS DISCLOSURE

Penrice Soda Holdings Limited has written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to enforce accountability at Executive level for that compliance. The Board has endorsed these policies.

The Company is committed to dealing fairly, transparently and openly with both current and prospective shareholders using available channels and technologies to reach widely and communicate promptly. The Company commits to facilitating participation in shareholder meetings and dealing promptly with shareholder enquiries. This commitment is formalised in the

Shareholder Communications Policy which is available in the Corporate Governance section at www.penrice.com.au.

COMMUNICATION WITH SHAREHOLDERS

Penrice Soda Holdings Limited has a communications policy to promote communication with shareholders. The Company's website is where shareholders can obtain market announcements, press releases, notice of meetings and financial statements. The external auditor, Ernst & Young, attend the annual general meeting and are available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Penrice Soda Holdings Limited's Shareholder Communications Policy is available in the Corporate Governance section at www.penrice.com.au.

CODE OF CONDUCT

Penrice Soda Holdings Limited has adopted a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. A copy of the code of conduct is provided to all employees and Directors on joining Penrice. Penrice Soda Holdings Limited's Code of Conduct and Code of Conduct-Directors are available in the corporate governance section at www.penrice.com.au.

DIRECTOR AND EMPLOYEE SHARE TRADING POLICY

All information obtained or obtainable as a Director or employee of the Company is the property of the Company and may not be used for any purpose other than in the conduct of the affairs of the Company.

All information of the Company is strictly confidential and must not be disclosed to any entity, except as required in the ordinary course of the operations of the Company, or used by Directors or employees for personal benefit or gain. As a matter of law, Directors and Company employees may not buy or sell shares in the Company if they possess information that, if disclosed publicly, might have a material effect on the price or value of the Company's shares.

The key elements of the Share Trading Policy are:

- Strict recognition of the entity's closed periods;
- The restrictions on trading that apply to the entity's "key management personnel";
- Any trading which is not subject to the entity's trading policy;
- Any exceptional circumstances in which the entity's key management personnel may be permitted to trade during a prohibited period with prior written clearance; and the procedures for obtaining prior written clearance for trading.

Penrice Soda Holdings Limited's Director and Employee Share Trading Policy is available in the Corporate Governance section at www.penrice.com.au.

CEO AND CFO ASSURANCE

The Board receives regular reports about the financial condition and operational results of the Company and its controlled entities. The Board has received and considered the assurance received from the CEO and CFO that the declaration in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Company uses an enterprise wide risk management process and conducts annual reviews of its key risks. The annual review encompasses strategic, financial, operational and compliance risks and the enterprise wide risk profile is updated accordingly. Action plans and controls are identified to manage and mitigate the risks to an acceptable level.

RISK MANAGEMENT

The Board has overall responsibility for ensuring that there is a sound system of risk management and internal compliance and control across the business. It also has responsibility for establishing risk management policies and the risk appetite of the Company, and ensuring that these are implemented. Specific monitoring and evaluation of the effectiveness of risk management and the internal control environment are delegated to the Audit and Risk Management Committee. The Committee approves the Company's accounting policies, reporting practices and production of financial statements, and monitors the application of appropriate management controls. It considers external audit reports and other independent reports, and reviews the adequacy of the Company's procedures and internal controls in order to manage the Company's material business risks. Risk and compliance processes and reporting procedures provide assurance to the Board and the Audit and Risk Management Committee that the preparation of the financial statements and the control systems underlying them are adequate. The enterprise wide risk management framework has enabled the business to identify and assess strategic, operational, compliance and reporting risks and controls, respond promptly and appropriately and continue to monitor risks and issues as they evolve. Throughout the year the Board has been appraised on the status of risk management. The Company's risk management structures and procedures are continually improved and have been enhanced or updated during the year. Penrice Soda Holdings Limited's Risk Management Policy is available in the Corporate Governance section on the Penrice website at www.penrice.com.au.

The Board considers material business risks with reference to materiality set in accordance with the accounting standards and other qualitative factors deemed relevant. Risks are reviewed and challenged on a regular basis to ensure they are relevant, appropriately assessed and rated and are being appropriately managed.

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012	2011
Continuing Operations		**$000**	**$000**
Sales of goods and services	4	**149,426**	152,934
Interest revenue	4	**120**	98
Other revenue	4	**323**	891
Revenue		**149,869**	153,923
Cost of sales		**(117,904)**	(115,044)
Gross Profit		**31,965**	38,879
Distribution expenses		**(24,031)**	(25,433)
Other operating expenses		**(8,277)**	(8,377)
Administration expenses		**(5,585)**	(4,174)
Impairment expense	2(d), 4	**(45,338)**	(26,000)
Exchange gains		**1,240**	690
Unrealised exchange gains on foreign currency options and forwards		**–**	85
Unrealised losses on fair value of interest rate swaps		**(47)**	(18)
Borrowing costs	4	**(10,303)**	(8,715)
Loss from continuing operations before income tax		**(60,376)**	(33,063)
Income tax (expense)/benefit	5	**(3,176)**	6,857
Net loss after income tax for the period attributable to the owners of the parent entity		**(63,552)**	(26,206)
		Cents	Cents
Basic loss per share	8	**(69.6)**	(28.7)
Diluted loss per share	8	**(69.6)**	(28.7)

The above Income Statement should be read in conjunction with the accompanying notes

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012	2011
		$000	$000
Net loss for the period		**(63,552)**	(26,206)
Other comprehensive income, net of tax:			
Cash flow hedges (losses)/gains taken to equity		**(739)**	2,176
Deferred tax benefit/(losses) on cash flow hedges	5	**222**	(653)
Net cash flow hedge (losses)/gain taken to equity		**(517)**	1,523
Actuarial losses recognised directly through retained earnings	27	**(3,057)**	(1,181)
Deferred tax on actuarial losses	5	**917**	354
Net actuarial losses recognised directly through retained earnings		**(2,140)**	(827)
Total other comprehensive (losses)/income for the period, net of tax		**(2,657)**	696
Total comprehensive loss		**(66,209)**	(25,510)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Consolidated	
		30 June 2012 $000	30 June 2011 $000
Current Assets			
Cash and cash equivalents	10	**2,977**	5,163
Trade and other receivables	11	**18,318**	16,738
Inventory	12	**25,944**	26,161
Income tax receivable	5	**568**	110
Derivative financial instruments	13	**-**	891
Other current assets	14	**461**	2,579
Total Current Assets		**48,268**	51,642
Non-Current Assets			
Inventory	12	**19,266**	24,888
Property, plant and equipment	15	**69,619**	99,440
Intangibles	16	**2,334**	8,688
Deferred tax assets	5	**-**	10,666
Total Non-Current Assets		**91,219**	143,682
Total Assets		**139,487**	195,324
Current Liabilities			
Trade and other payables	18	**29,615**	29,803
Interest bearing liabilities	19	**8,658**	10,715
Derivative financial instruments	13	**162**	205
Provisions	20	**5,671**	5,639
Total Current Liabilities		**44,106**	46,362
Non-Current Liabilities			
Interest bearing liabilities	21	**87,872**	70,042
Deferred tax liabilities	5	**-**	8,094
Provisions	22	**2,443**	2,249
Derivative financial instruments	13	**-**	62
Other non-current liabilities	17	**3,346**	692
Total Non-Current Liabilities		**93,661**	81,139
Total Liabilities		**137,767**	127,501
Net Assets		**1,720**	67,823
Equity			
Contributed equity	23	**80,236**	80,236
Cash flow hedge reserve	24	**(80)**	437
Share based payments reserve	24	**295**	189
Cumulative losses	24	**(78,731)**	(13,039)
Total Equity		**1,720**	67,823

The above Statement of Financial Position should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Contributed equity $000	Cash flow hedge reserve $000	Share based payments reserve $000	Retained earnings $000	Total $000
At 1 July 2011	80,236	437	189	(13,039)	67,823
Loss for period	-	-	-	(63,552)	(63,552)
Other comprehensive income for the period	-	(517)	-	(2,140)	(2,657)
Total comprehensive loss for the period	**-**	**(517)**	**-**	**(65,692)**	**(66,209)**
Transactions with owners in their capacity as owners:					
Share based payments	-	-	106	-	106
Capital raising	-	-	-	-	-
Balance at 30 June 2012	**80,236**	**(80)**	**295**	**(78,731)**	**1,720**
At 1 July 2010	80,074	(1,086)	34	13,994	93,016
Loss for period	-	-	-	(26,206)	(26,206)
Other comprehensive income for the period	-	1,523	-	(827)	696
Total comprehensive income/(loss) for the period	-	1,523	-	(27,033)	(25,510)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	155	-	155
Capital raising	162	-	-	-	162
Balance at 30 June 2011	80,236	437	189	(13,039)	67,823

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012 $000 Inflow/(Outflow)	2011 $000 Inflow/(Outflow)
Cash flows from operating activities			
Receipts from customers		**163,093**	174,965
Payments to suppliers and employees		**(159,183)**	(163,770)
Interest received		**120**	98
Interest and other costs of finance paid		**(10,148)**	(7,584)
Income taxes refund/(paid)		**-**	1,306
Net cash flows (used in)/provided by operating activities	10	**(6,118)**	5,015
Cash flows from investing activities			
Payment for property, plant and equipment		**(10,092)**	(13,232)
Payments for intangibles		**(552)**	-
Net cash flows (used in) investing activities		**(10,644)**	(13,232)
Cash flows from financing activities			
Proceeds from loans		**17,000**	8,317
Payments for borrowing costs		**(1,156)**	-
Repayment of loans		**(1,092)**	-
Payment for finance leases		**(176)**	(381)
Net cash flows provided by financing activities		**14,576**	7,936
Net (decrease) in cash held		**(2,186)**	(281)
Cash at beginning of the financial period		**5,163**	5,444
Cash at the end of the financial period	**10**	**2,977**	5,163

The above Cash Flow Statement should be read in conjunction with the accompanying notes

NOTE 1: CORPORATE INFORMATION

This consolidated financial report of Penrice Soda Holdings Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 28 September 2012.

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

The nature of the operations and principal activities of the Group are described in the Director's report.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
This report is a set of general purpose financial statements that are prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. This report has also been prepared on a historical cost basis, except for derivative financial instruments that are measured at fair value.

The financial report has been prepared with the Group being treated as a For Profit entity.

This 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 Group under ASIC Class Order 98/100. The Group is an entity to which the class order applies.

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

The Group remains reliant on the continuing support of its financiers. A revised funding agreement was negotiated with its financiers prior to 30 June 2012 and executed on 3 August 2012. Due to further erosion in demand for soda ash in Australia and for quarry products in South Australia, trading remains difficult and as a result, to meet business needs, a further working capital facility has been secured, subject to final documentation.

Further, the revised facility executed in August 2012 includes certain covenants, tested on a quarterly basis. Any significant deterioration from current expectations may compromise compliance with these covenants.

The Group has previously announced a strategic review program, with a dual view of improving the operating performance of the Group and deleveraging to return the Group to more normal credit metrics. The strategic review is ongoing and includes the possible sale of its quarry and mine operations and associated deleveraging. Successful completion of the strategic review and restoring the Group's financial position to a longer term sustainable debt profile is critical to the ability of the Group to continue as a going concern.

The Directors believe that at the date of the signing of the financial statements there are reasonable grounds to believe that, having regard to the matters set out above, the Group will continue to have the support of its financiers and will meet the obligations as and when they fall due.

Should the Group not achieve appropriate operating performance, deleveraging or continue to receive the ongoing support of its financiers there is material uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

a) COMPLIANCE WITH IFRS
The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b) AUSTRALIAN ACCOUNTING STANDARDS
Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2012. The tables below outline each of these amended standards and the expected change in accounting policy when applied, if any.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2012
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of *AASB 127 Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and *UIG-112 Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Annual Improvements 2009–2011 Cycle	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting • Interim financial reporting and segment information for total assets and liabilities	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2015

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2015	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2015

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) BASIS OF CONSOLIDATION

The consolidated financial statements are those of the consolidated entity, comprising Penrice Soda Holdings Limited and its subsidiaries (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries and special purpose entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Carbon liability

The Group is a liable entity under the Clean Energy Act, being recognised as a heavy carbon emitter. It has gained the maximum assistance available under this legislation by obtaining the highest Energy Intensive Trade Exposed status, entitling the Group to 94.5% free permits.

The Group has received and continues to receive claims from suppliers for carbon tax pass throughs; until all these claims are known the impact on the Group is uncertain. The Group is committed to mitigating the net impost of the carbon liability by passing the cost to its customers consistent with the federal government's scheme design and as contracts permit.

Impairment of Goodwill and other assets

The Group determines whether goodwill and other non-financial assets are impaired where indicators of impairment exist or at least on an annual basis.
This requires an assessment of the value in use, using discounted cash flow methodology, of the cash-generating units (CGU) to which the goodwill and other assets are allocated.

The Group has calculated the net present values for its two CGUs, being the Chemical Business CGU, and the Quarry and Mineral Business CGU.

For each segment the Group has prepared a detailed impairment analysis, based on the 4 year business plan forecasts. Key assumptions and sensitivity drivers used in the models are as follows:-

- Chemical Plant: foreign exchange (AUD:USD), product demand growth, hard coking coal costs.
- Quarry: pricing and cost increases, product demand growth.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Key assumptions used in the impairment models are as follows:

	FY2013	FY2014	FY2015	FY2016
FX USD/AUD *	1.00	0.95	0.93	0.90
Hard coking coal US$/t	180	160	160	160
Sales Volume Growth – Ash #	7%	0%	0%	0%
Sales Volume Growth – Sodium Bicarbonate	0%	0%	0%	0%

* Sourced from Bloomberg.
# Based on increased production from prior year to be sold into export markets.

- Post tax discount rate – 12.5% for Quarry and Mineral Business CGU; 13.5% for Chemical Business CGU;
- Gross margins – based on known and anticipated raw material price fluctuations and the sales pricing structures in place for contracted and non-contracted business;
- Carbon emission obligation in 2013 and 2014 based on a fixed price of $24.15 and $25.40 per tonne respectively and increasing 3% thereafter;
- Carbon emission allocation of free permits covering 94.5% of direct emissions for FY13, reducing by 1.3% per annum and continuing beyond the current three year regulatory period;
- Net carbon emission liability is recovered from customers; and
- Raw materials price inflation – estimates are obtained from published indices, directly from suppliers or from the contracted pricing mechanisms in place. Forecast figures are used if data is publicly available otherwise past actual raw material price movements have been used as an indicator of future price movements.

The directors have determined that the following impairment charge was required for the year ending 30 June 2012, of which $22,747k was recorded at 31 December 2011:

	Asset Value write-off $000	Tax Effect $000	After Tax Impairment charge $000
Chemical – Plant & Equipment	30,331	-	30,331
Chemical – Inventory	2,016	-	2,016
Chemical Business-Total Impairment	32,347	-	32,347
Mine – Inventory	6,700	-	6,700
Mine – Goodwill	6,291	-	6,291
Mine Business-Total Impairment	12,991	-	12,991
Total Impairment Charge	45,338	-	45,338

As a result of the FY2012 impairment charges, the Group no longer has a goodwill asset.

Defined benefit fund
Various actuarial assumptions are required when determining the Group's defined benefit fund obligations.
These include assumptions regarding discount rates for plan liabilities, salary rates, expected return on plan assets in future years, contribution tax rate, and administration expenses. Further details on the defined benefit fund are provided in Note 27.

Employee benefits provisions
Provisions for employee benefits include provisions for annual leave and long service leave. As noted in 2w), the calculation of long service leave includes the use of assumptions and judgements regarding future salary increases, employee departures, periods of service, and timing of future payments.

Remediation provision
As noted in 2t) below, the Group recognises a provision for remediation in respect of dredging of the Port River and the remediation of the Osborne manufacturing site and Angaston mine site. Key judgements and assumptions in estimating this remediation provision include timing of remediation and the extent of remediation work required. These may be impacted in the future by changes to environmental legislation, technology, and the timing and extent of remediation required.

The Company's remediation provision for its Osborne site assumes the continuation of chemical manufacturing at the site, which in turn assumes the adequate supply of raw materials, energy, labour and other inputs at commercial rates. If these assumptions change, further remediation obligations may be required. The chemical manufacture process produces calsilt, which is required to be managed. The Company plans to manage calsilt by blending it into landfill for sale in the local region. EPA approved trials are well advanced at its Gillman site and final approval is expected to be forthcoming, allowing calsilt to be used as landfill. If suitable EPA approval is not obtained, alternative management strategies would need to be employed, potentially at significant cost to the Company.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carry forward losses if directors consider it probable that future taxable profits will be available to utilise those temporary differences. At its FY2012 review, the directors resolved that forecast profitability over the medium term would be insufficient to justify the carrying value of deferred tax assets and as a result deferred tax assets were derecognised and written down to $nil as at 30 June 2012.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte-Carlo simulation model. The accounting estimates and assumptions relating to equity-settled-share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufactures' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against remaining useful life.

Aggregates/Landfill

The Group uses an independent source to produce a volumetric survey of storage dumps, stated in cubic metres. From this, a conversion factor known as a density factor is applied, to convert cubic metres to metric tonnes. The density factor initially came from a series of samples that was taken from across the Mine site by an independent laboratory employed to determine the density of the product. Since then, the average density is constantly compared to density ranges for products of similar geological composition to the Group's products. This information is publicly available from a number of sources in the UK, Europe, USA and Australia.

e) INCOME TAX EXPENSE

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly through equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised, except:

- when the deferred income tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable Group and the same taxation authority.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

At its FY2012 review, the directors resolved that forecast profitability over the medium term would be insufficient to justify the carrying value of deferred tax assets and as a result deferred tax assets were derecognised and written down to $nil as at 30 June 2012.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax consolidation legislation
Penrice Soda Holdings Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 31 May 2004.

The head entity, Penrice Soda Holdings Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, Penrice Soda Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

f) GOODS AND SERVICES TAX (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

g) FOREIGN CURRENCY TRANSACTIONS
The functional currency is determined by each individual entity within the Group, whereas the presentational currency of the Group is determined by the parent entity. The presentational currency of the Group is Australian Dollars.

Foreign currency items are translated to Australian currency on the following bases:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable are translated at the rates available on the close of business on balance date; and
- exchange differences relating to monetary items are included in the Income Statement, as exchange gains or losses, in the period when the exchange rates change.

h) CASH AND CASH EQUIVALENTS
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest - bearing loans and borrowings in current liabilities on the balance sheet.

i) TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Bad debts are written off when identified.

j) DERIVATIVE FINANCIAL INSTRUMENTS

The consolidated Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk arising from operational, financing and investment activities, refer Notes 3 and 13.

Derivative financial instruments are recognised initially at fair value on the date the instrument is entered into. Subsequent to initial recognition, derivative financial instruments are remeasured to fair value.

Held for trading derivative assets and liabilities are classified as current in the statement of financial position. Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months.

The gain or loss on re-measurement to fair value is recognised immediately in the income statement unless the derivative is designated and is effective as a hedging instrument, in which event, the timing and the recognition of profit or loss depends on the nature of the hedging relationship.

The consolidated Group designates derivatives as hedges of the exposure to variability in cash flows attributable to a recognised asset or liability or highly probable forecast transaction (cash flow hedges). The fair value of various derivative financial instruments used for hedging purposes are disclosed in Note 3 and 13.

The consolidated Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Where derivative instruments do not qualify for hedge accounting, changes in the fair value are recognised immediately in the income statement.

Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity in the hedging reserve. The change in the fair value that is identified as ineffective is recognised immediately in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

It is Group policy that derivative financial instruments are used for managing risk and are not for trading.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) INVENTORIES

Inventories including raw materials and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the Group from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.
- Finished goods and goods for resale – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make their sale.

Finished goods

Finished goods comprise of chemicals inventories, and inventories of limestone, aggregates and landfill. Inventories of chemicals, limestone and aggregate are valued at cost. The carrying cost per tonne of chemicals and limestone is as discussed above. The cost per tonne at which aggregates are recognised is limited to the cost of removal of the aggregates, including drilling, blasting, loading and haulage, and those costs directly linked to the removal of aggregate volumes. Landfill is valued at net realisable value per tonne, which is lower than the cost per tonne of removal of this by-product from the mine. Quantities of finished goods are assessed primarily through volumetric surveys which are carried out at half year and full year end. For further details on the judgements and estimates used in quantifying finished goods, refer to Note 2(d).

Aggregates and Landfill

In mining operations, it is necessary to remove overburden and other materials to access ore and minerals which can be economically extracted. The process of removing overburden and other materials is referred to as stripping. Penrice produces two main types of stripping by-products, aggregates and landfill, for which Penrice has determined that there is a market for their sale.

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.

The directors have reviewed the classification of landfill and aggregate inventory. Following this review, the directors have reclassified that portion of aggregates and landfill inventory that will not be realised in the next twelve months as non-current, representing $15.9 million for aggregate and $3.4 million for landfill. The prior year comparatives have also been restated, resulting in $15.4 million of aggregate and $9.5 million of landfill being classified as non-current.

Production spares and consumable goods

Production spares and consumable stores are included in inventories and expensed on a usage basis and are stated net of slow moving or obsolete items.

l) PROPERTY, PLANT AND EQUIPMENT

All plant and equipment is carried at cost less accumulated depreciation and any impairment of value. The carrying amounts of these non-current assets are reviewed annually to ensure they do not exceed their recoverable amount.

Property, plant and equipment are depreciated over their useful economic lives.

	Life	Method
Buildings	40 years	Straight Line
Plant and equipment	4–40 years	Straight Line
Computer equipment	3 years	Straight Line
Furniture and fixtures	10 years	Straight Line
Vehicles	3–7 years	Straight Line

The costs of acquisition or improvements to leasehold properties are amortised over the unexpired period of the lease, including any lease renewal period where Penrice has sole discretion to renew, or the estimated useful life of the improvements, whichever is the shorter.

Major spares purchased specifically for particular plant are included in the cost of plant, except for those listed in inventories, and are depreciated accordingly.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

m) IMPAIRMENT OF NON FINANCIAL ASSETS OTHER THAN GOODWILL

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. All non financial assets have been tested for impairment in the current period.

Refer Note 2(d) for methodology, key drivers and assumptions.

n) NON–CURRENT ASSETS CONSTRUCTED BY THE GROUP

The cost of non-current assets constructed by the group includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead costs based upon a time cost allocation methodology.

o) MINE RESERVES

The group has a marble mine at Angaston consisting of freehold and leasehold land. The marble reserves are not brought to account in the group's financial statements.

p) INVESTMENTS IN CONTROLLED ENTITIES

All investments in controlled entities are initially recognised by the parent entity at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Subsequent to the initial investment, investments in controlled entities are carried by the parent entity at cost less accumulated impairment losses.

q) EXPLORATION AND EVALUATION COSTS

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. Costs are amortised over five years given further exploration and evaluation costs are expected to be incurred at that stage. As at 30 June 2011, all costs were fully amortised.

These costs are reviewed for impairment when facts and circumstances suggest the carrying amount is in excess of the recoverable amount.

r) INTANGIBLES

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit of loss.

Goodwill is allocated to the cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

As referenced in note 2(d), the Group no longer has a goodwill asset.

Other

Expenditure on significant commercial development, including major software applications and associated systems, is capitalised and amortised on a straight-line basis over the period of time during which the benefits are expected to arise, typically between three to ten years.

Software costs are capitalised as intangible assets if they are separable or arise from contractual or other legal rights and it is probable that the expected future economic benefits attributable to the asset will flow to the consolidated Group, and the cost of the asset can be measured reliably.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mine Development Costs
Mine development costs consist of top soil which was required by law to be removed from land that is being used as repository for landfill. This top soil will be used in mine remediation over ten years and is amortised on a straight line basis.

s) TRADE AND OTHER PAYABLES
Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-62 days of recognition.

t) PROVISIONS
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. Present value is based on the anticipated timing of when the cash outflows are expected to occur. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

A provision for dividends is not recognised as a liability unless the dividends are declared on or before the balance date.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement. Provisions are recognised for annual leave and long service leave, as discussed under 2v) below, and for remediation.

The Group has an agreement with both the South Australian Government and the operator of the Port River, Flinders Ports Pty Limited, in relation to the dredging of the Port River. The agreement requires Penrice to dredge this material over a 10 year period. Penrice has maintained a provision to dredge this material and this provision will be adequate to cover the costs over the remaining period. The Group completed the first campaign in late 2008 and the completion of the remediation is expected to be completed over the next 4-5 years.

Remediation provisions exist in relation to the cessation of operations at the Angaston mine.

u) INTEREST-BEARING LIABILITIES
All loans are measured at the fair value of the consideration received net of issue costs associated with the borrowing. They are then measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

v) BORROWING COSTS
Borrowing costs are recognised as an expense when incurred. Where the Group holds qualifying assets, borrowing costs directly associated with these assets are capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

w) EMPLOYEE BENEFITS
Employee leave benefits
Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled in 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long Service Leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and the periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share based payment transactions
Subject to shareholder approval, Penrice provides benefits to its key management personnel in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using Monte-Carlo simulation model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment in equity or cash, and
- Conditions that are linked to the price of the shares of Penrice Soda Holdings Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/ or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Income Statement is the product of:

- the grant date fair value of the award;
- the current best estimate of the number of awards that will vest; and
- the expired portion of the vesting period.

The charge to the Income Statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity in a separate share based payments reserve.

Equity-settled awards granted by Penrice Soda Holdings Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Penrice Soda Holdings Limited in relation to equity-settled awards only represents the expense associated with grants to employees from the parent company. The expense recognised by the Group is the total expense associated with all such awards.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

x) RECOGNITION OF REVENUES
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Risks and rewards of ownership are considered passed to the buyer once the title has passed.

Sale of services
Revenue from selective salts recovery is recognised by reference to the stage of completion. Stage of completion is measured by reference to work incurred to date as a percentage of total estimated work for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest revenue
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of financial assets and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend Revenue
Revenue is recognised when the right to receive the payment is established.

y) GENERAL MAINTENANCE

The costs of maintenance of manufacturing plant and equipment are charged to the Income Statement in the period in which they are incurred. The operating costs of a major plant shutdown are capitalised and subsequently amortised over the remainder of the financial year.

z) CONTRIBUTED EQUITY

Contributed equity is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

aa) EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

ab) LEASED ASSETS

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance Leases
Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group are capitalised at their fair value if lower or, the present value of minimum lease payments. Leased assets are amortised over the life of the relevant lease or, where ownership is expected on the expiration of the lease, over the expected useful life of the asset. Lease payments are allocated between interest expense and reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating Leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, cash and short-term deposits and derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions, principally interest rate swap and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the modelling of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

The primary responsibility for identification and control of financial risks rests with the Audit and Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections. It is the Group's policy that no trading in financial instruments shall be undertaken. All hedge contracts entered into have been designated as qualifying hedges for hedge accounting purposes. Any hedge that is not designated as a hedge in accordance with *AASB139 Financial Instruments: Recognition and Measurement* does not qualify for hedge accounting and is classified as "held for trading" as its mark to market position is reflected directly to the income statement.

RISKS EXPOSURES AND RESPONSES

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's term debt obligations and interest rate swaps in place at balance date. The level of debt is disclosed in Notes 19 and 21 and further details on interest rate swaps are provided in Note 13. At balance date, the Group had the following mix of non-derivative financial assets and liabilities exposed to Australian variable interest rate risk.

	Consolidated	
	2012	2011
	$000	$000
Financial Assets		
Cash and cash equivalents	**2,977**	5,163
Financial Liabilities		
Bank Loan	**(95,800)**	(75,300)
Net Exposure	**(92,823)**	(70,137)

Derivative financial instruments in the form of interest rate swap contracts, outlined in Note 13, with a fair value of ($162k) (2011: ($267k)) and a notional value of $10.0m; (2011: $52.3m) are exposed to fair value movements if interest rates change.

The Groups' policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group's senior debt facility is a variable rate facility and derivatives are used to swap a proportion of variable rates to fixed rates. In broad terms, the framework takes a 3 year view and operates within band limits within time periods, targeting a greater derivative coverage in the first year compared to the third year.

It is acknowledged that derivative mark to market fair value exposure is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

To manage this risk in a cost-efficient manner, the Group enters into interest rate swap contracts, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designed to hedge underlying variable rate debt obligations. At 30 June 2012, after taking into account the effect of interest rate swaps, approximately 10% of the Group's borrowings during FY12 are at a fixed rate of interest (2011: 58%). This percentage will vary throughout the year as contracts mature and further contracts are entered into.

The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate exposures on financial assets and liabilities in existence at the balance sheet date:

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2012 $000	2011 $000	2012 $000	2011 $000
Impact of interest rate movement on Balance Sheet exposures at balance date				
Judgements of reasonably possible movements:				
+1% (100 basis points)	**(577)**	(192)	**-**	-
-1% (100 basis points)	**577**	192	**-**	-

The above calculations take into account the exposures as at balance date and an interest rate movement that is then annualised. The movement does not take into account the addition of new or maturity of existing derivative instruments such as interest rate swaps during the year or the progressive draw down or pay back of debt over the course of the year.

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2012 $000	2011 $000	2012 $000	2011 $000
Impact of interest rate movement on Interest Rate Swaps at balance date (mark to market impact)				
+1% (100 basis points)	**-**	52	**46**	158
-1% (100 basis points)	**-**	(8)	**(46)**	(206)

The mark to market profit and loss impact of the interest rate swaps is calculated based on the swaps notional value as at 30 June 2012. The exposure to the mark to market hedge movements are of a non-cash nature and are reflected through the P&L for non qualifying hedges and Equity for those interest rate swaps that qualify for hedge accounting.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2012 $000	2011 $000	2012 $000	2011 $000
Net Movements of impact of interest rate movement on Balance Sheet exposures and swaps from above				
+1% (100 basis points)	**(577)**	(140)	**46**	158
-1% (100 basis points)	**577**	184	**(46)**	(206)

The overall profit and loss impact of the interest rate swaps, given a change in interest rates, comprises a change in the mark to market value of the derivative and a change in interest expense.

With derivatives in place at balance date, the impact of a movement in interest rates would affect the profit and loss by the impact on the amount that is not hedged, in addition to the movement in the fair value of the non-qualifying derivative instruments.

The +1%/-1% sensitivities are the Group's estimate of reasonably possible changes in interest rates over the following financial year, based on recent interest rate trends.

FOREIGN CURRENCY RISK

At 30 June 2012, the Group had the following exposure to USD foreign currency from non-derivative financial assets and financial liabilities that are not designated as cash flow hedges:

	Consolidated	
	2012 $000	2011 $000
Financial Assets		
Cash and cash equivalents	**537**	792
Debtors	**4,495**	4,159
	5,032	4,951
Financial Liabilities		
Creditors	**551**	1,061
Net exposure	**4,481**	3,890

As a result of significant export sales which are transacted in USD, the Group's income and balance sheet can be affected significantly by movements in the USD/AUD exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by entering into hedge contracts including option and forward exchange contracts. All new hedges qualify as effective hedges in accordance with *AASB 139 Financial Instruments: Recognition and Measurement* and "mark to market" movements in their fair valuation are taken to equity.

The Group constantly analyses its exchange rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of option or fixed rate contracts. It operates within a policy framework that can limit the amount of cash flow risk the group carries in relation to foreign exchange risk.

The following sensitivity analysis is based on the foreign exchange rate risk exposures from non-derivative financial assets and financial liabilities in existence at the balance sheet date:

At 30 June 2012, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2012 $000	2011 $000	2012 $000	2011 $000
Impact of foreign exchange rate movement on Balance Sheet exposures at balance date				
Judgements of reasonably possible movements:				
AUD/USD +5%	**(149)**	(130)	**-**	-
AUD/USD -5%	**165**	143	**-**	-

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2012 $000	2011 $000	2012 $000	2011 $000
Impact of foreign exchange rate movement on Foreign Currency Derivatives at balance date (mark to market impact)				
Judgements of reasonably possible movements:				
Mark to market impact USD/AUD +5%	**-**	-	**-**	118
Mark to market impact USD/AUD -5%	**-**	-	**-**	(130)
Net Movements of impact of FX movement on Balance Sheet exposures and foreign Currency Derivatives from above				
Mark to market impact USD/AUD +5%	**(149)**	(130)	**-**	118
Mark to market impact USD/AUD -5%	**165**	143	**-**	(130)

The +5%/-5% sensitivity is the Group's estimate of reasonably possible changes to exchange rates over the following financial year, based on recent exchange rate trends.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Derivative financial instruments in the form of forward exchange contracts, outlined in Note 13, with a fair value of $nil (2011: $891k and a notional value of $nil, (2011: $3.8m), are exposed to fair value movements if exchange rates change.

The profit and loss impact on the "mark to market" of forward exchange contracts is calculated based on the movement between the instruments notional value and its fair value as at 30 June 2012.

The mark to market hedge movements are of a non-cash nature and as all hedge contracts entered into qualify for hedge accounting, the majority of their "mark to market" movement is reflected in equity.

The above tables do not take into account the forward sales of products denominated in USD and the possible impact on profitability. Penrice has some natural hedging from the procurement of products and services that are denominated in USD such as imported soda ash, coking coal and shipping costs.

Therefore the balance of international chemical sales, less USD denominated purchases, less derivative cover is the net exposure to currency fluctuations.

PRICE RISK

The Group produces and sells soda ash and sodium bicarbonate domestically and internationally. Its long term exposure to commodity price risk for its domestic sales is traditionally limited as a result of high transport costs of imported product relative to the product price. In the past two years the material strengthening of the AUD/USD has increased the price risk due to imported product being substantially cheaper to land in Australia.

The Group's sales into international markets are exposed to international pricing movements, but is limited to an extent by the higher quality offering of its sodium bicarbonate product.

The Group's sales of mine products into the domestic market have normal pricing risk to competitor rates.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, derivative instruments and the granting of financial guarantees. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

Credit risk in trade receivables is managed in the following ways:

- A risk assessment process is used for new customers to assess whether credit should be granted and, if so, setting an appropriate limit;
- Letter of credit facilities are in place for overseas customers where the Group believes a credit risk exists. These are confirmed by National Australia Bank; and
- Payment terms are generally 30–60 days from end of month of supply.

LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases, operating leases and working capital management.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2012. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2012. Maturity analysis of financial assets and liabilities are based on management's expectation.

The contractual maturities of the Group's financial assets and liabilities are:

Year ended 30 June 2012	Carrying value	< 6 months $000	6–12 months $000	1–5 years $000	Total $000
CONSOLIDATED					
Financial Assets					
Cash and cash equivalents	2,977	2,977	-	-	**2,977**
Trade and other receivables	18,318	18,318	-	-	**18,318**
Derivatives – FX contracts	-	-	-	-	**-**
	21,295	21,295	**-**	**-**	**21,295**
CONSOLIDATED					
Financial Liabilities					
Trade and other payables	29,615	29,615	-	-	**29,615**
Interest bearing loans & borrowings	96,530	9,296	1,316	127,517	**138,129**
Derivatives – Interest Rate Swaps	162	61	101	-	**162**
Financial guarantees	-	768	-	-	**768**
	126,307	39,740	1,417	127,517	**168,674**
Net Outflow	**(105,012)**	**(18,445)**	**(1,417)**	**(127,517)**	**(147,379)**

As announced to the ASX on 2 July 2012, as at 30 June 2012 the Group had reached a new agreement with its banking syndicate to extend and restructure its senior debt facility.

The $97.8 million senior debt facility, drawn down to $95.8 million at 30 June 2012, is structured as follows:

- $10.0 million working capital facility;
- $20.0 million term debt facility maturing July 2014; and
- $67.8 million term debt facility maturing in July 2017.

In recognition of the current difficult trading conditions, the $67.8 million debt facility permits the Group to capitalise interest to assist with cash flow and liquidity. Although the $10.0 million working capital facility is on demand, there is no expectation this facility will be repaid in the twelve months to 30 June 2013 unless the Group realises asset sales.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Year ended 30 June 2011	Carrying value	< 6 months $000	6–12 months $000	1–5 years $000	Total $000
CONSOLIDATED					
Financial Assets					
Cash and cash equivalents	5,163	5,163	-	-	**5,163**
Trade and other receivables	16,738	16,738	-	-	**16,738**
Derivatives – FX contracts	891	652	239	-	**891**
	22,792	22,553	239	-	**22,792**
CONSOLIDATED					
Financial Liabilities					
Trade and other payables	29,803	29,803	-	-	**29,803**
Interest bearing loans & borrowings (1)	80,757	12,856	3,531	74,122	**90,509**
Derivatives – Interest Rate Swaps	267	111	94	62	**267**
Financial guarantees	-	508	-	-	**508**
	110,827	43,278	3,625	74,184	**121,087**
Net Outflow	**(88,035)**	**(20,725)**	**(3,386)**	**(74,184)**	**(98,295)**

The group expects to meet the above financial liabilities through effective management of future cash flows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant, equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the Group's overall liquidity risk.

FAIR VALUE

The Group estimates the fair value of its derivative financial instruments using market observable inputs. The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 30 June 2012			Year ended 30 June 2011		
CONSOLIDATED	Quoted Market Price (Level 1) $000	Valuation Technique – market observable inputs (Level 2) $000	Valuation Technique – non market observable inputs (Level 3) $000	Quoted Market Price (Level 1) $000	Valuation Technique – market observable inputs (Level 2) $000	Valuation Technique – non market observable inputs (Level 3) $000
Financial Liabilities						
Derivative instruments						
Foreign exchange contracts	-	-	-	-	891	-
Interest rate swaps	-	(162)	-	-	(267)	-
	-	(162)	-	-	624	-

The Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps and foreign exchange contracts not traded on a recognised exchange.

NOTE 4: INCOME STATEMENT ITEMS

	Consolidated	
Profit from continuing operations is stated after crediting/charging the following amounts:	**2012 $000**	2011 $000
Product and services sales	**149,426**	152,934
Other revenues		
Interest from unrelated entities	**120**	98
Other revenue items	**323**	891
Other revenues	**443**	989
Total revenues	**149,869**	153,923
Depreciation		
Land, improvements and buildings	**834**	504
Manufacturing plant and equipment	**8,736**	8,631
Total depreciation	**9,570**	9,135
Amortisation		
Amortisation of mine development and software	**615**	468
Total amortisation	**615**	468
Impairment		
Chemical – Goodwill	**-**	11,717
Chemical – Property, Plant & Equipment	**30,331**	-
Chemical – Inventory	**2,016**	4,283
Chemical Total Impairment	**32,347**	16,000
Quarry & Mineral - Inventory	**6,700**	10,000
Quarry & Mineral - Goodwill	**6,291**	-
Quarry & Mineral Total Impairment	**12,991**	10,000
Total impairment charge	**45,338**	26,000
Borrowing costs		
Interest paid or payable	**7,761**	6,689
Amortisation of loan facility fees	**1,251**	730
Finance charges related to leases	**123**	98
Other borrowing costs (1)	**1,168**	1,198
Total borrowing costs	**10,303**	8,715
Employee benefit expense		
Wages and salaries	**24,798**	24,583
Share based payment expense	**106**	155
Workers compensation costs	**944**	921
Defined benefit plan expense	**214**	193
Defined contribution plan expense	**3,151**	3,110
Long service leave provision	**366**	132
Total employee benefits expense	**25,579**	29,094
Other expense items		
Government royalties on mineral production	**275**	113
Operating lease rentals	**4,933**	3,824
Net loss/(gain) on sale of plant and equipment	**11**	(86)

(1) Other borrowing costs include the non-cash interest charge for the Defined Benefit Fund of $781k (2011: $821k) as prescribed by AASB 119.

NOTE 5: INCOME TAX

	Consolidated	
	2012 $000	2011 $000
(a) THE MAJOR COMPONENTS OF INCOME TAX EXPENSE ARE:		
Current income tax:		
Current income tax (benefit)	-	(2,809)
Current income tax (over) provision	(535)	(960)
	(535)	(3,769)
Deferred income tax:		
Deferred income tax expense/(benefits)	3,267	(4,079)
Deferred income tax under provided in the prior year	444	991
	3,711	(3,088)
Total income tax (benefit)/expense reported in the Income Statement	3,176	(6,857)
(b) DEFERRED INCOME TAX CHARGED DIRECTLY TO EQUITY		
Actuarial gains/(losses) on defined benefit superannuation fund	(917)	(354)
Cash flow hedge reserve	(222)	653
Total deferred income tax charged directly to equity	(1,139)	299
(c) TAX EXPENSE RECONCILIATION		
Loss from ordinary activities	(60,376)	(33,063)
Prima facie tax benefit thereon at 30%	(18,113)	(9,919)
Under/(over) provided in prior years	(535)	30
Research and development expenditure	(660)	(495)
Investment allowance	-	-
Expenditure not allowable for income tax purposes	1,887	3,537
Derecognition of temporary differences	20,541	-
Other	56	(10)
Total income tax (benefit)/expense	3,176	(6,857)
(d) INCOME TAX (RECEIVABLE)/PAYABLE		
Income tax (receivable)	(568)	(110)

NOTE 5: INCOME TAX (CONTINUED)

	Opening balance $000	Charge to income $000	Charge to equity $000	Movement between DTA & DTL $000	Tax Losses $000	Closing balance $000
(e) DEFERRED TAX BALANCE – 2012 – CONSOLIDATED:						
Taxable and deductible temporary differences arising from the following:						
Deferred tax assets						
Provisions	2,362	(2,362)	-	-	-	-
Inventory	219	416	-	-	-	635
Leases	249	(249)	-	-	-	-
Defined Benefit Fund	207	(1,124)	917	-	-	-
Capital raising costs	406	(406)	-	-	-	-
Cash flow hedge reserve	-	(222)	222	-	-	-
Tax Losses	2,809	(2,809)	-	-	-	-
Inventory impairment	4,284	(4,284)	-	-	-	-
Other	130	(130)	–	–	–	-
	10,666	**(11,170)**	**1,139**	**-**	**-**	**635**
Deferred tax liabilities						
Cash flow hedge reserve	(187)	187	-	-	-	-
Intangibles	(148)	148	-	-	-	-
Inventory	(460)	460	-	-	-	-
Depreciation	(7,085)	7,085	-	-	-	-
Other	(214)	(421)	-	-	-	(635)
	(8,094)	**7,459**	**-**	**-**	**-**	**(635)**
Net deferred tax charge to income and equity per Note 5(a) & (b)		3,711	1,139			

The Group has recorded a deferred tax asset to the extent it is offset by the deferred tax liability. In addition to the recorded deferred tax asset of $635k there is a further unrecorded potential deferred tax asset of 18.9m in relation to temporary differences ($12.7m) and carry forward losses ($6.2m). This potential deferred tax asset has not been recorded at 30 June 2012 on the basis it is not probable there will be sufficient taxable profit, over the medium term, against which the temporary differences and losses will be utilised.

NOTE 5: INCOME TAX (CONTINUED)

	Opening balance $000	Charge to income $000	Charge to equity $000	Movement between DTA & DTL $000	Tax Losses $000	Closing balance $000
(e) DEFERRED TAX BALANCE – 2011 – CONSOLIDATED:						
Taxable and deductible temporary differences arising from the following:						
Deferred tax assets						
Provisions	2,125	237	–	–	–	**2,362**
Inventory	296	(77)	–	–	–	**219**
Leases	363	(114)	–	–	–	**249**
Defined Benefit Fund	7	(154)	354	–	–	**207**
Capital raising costs	416	(10)	–	–	–	**406**
Cash flow hedge reserve	479	(13)	(653)	187	–	**–**
Tax Losses	–	–	–	–	2,809	**2,809**
Inventory impairment	–	4,284	–	–	–	**4,284**
Other	138	(8)	–	–	–	**130**
	3,824	**4,145**	**(299)**	**187**	**2,809**	**10,666**
Deferred tax liabilities						
Cash flow hedge reserve	–	–	–	(187)	–	**(187)**
Intangibles	(21)	(127)	–	–	–	**(148)**
Inventory	(804)	344	–	–	–	**(460)**
Depreciation	(5,842)	(1,243)	–	–	–	**(7,085)**
Other	(186)	(28)	–	–	–	**(214)**
	(6,853)	**(1,054)**	**–**	**(187)**	**–**	**(8,094)**
Net deferred tax charge to income and equity per Note 5(a) & (b)		3,091	(299)			

NOTE 6: DIVIDENDS PAID

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 final dividend for the 2012 financial year has been declared and the DRP will not be utilised at this time.

Franking credit balance	**2012 $000**	**2011 $000**
The amount of franking credits available for the subsequent years are:		
Franking account balance as at the end of the year at 30% (2011:30%)	1,742	2,310
	1,742	2,310
The amount of franking credits available for future reporting periods: Impact on the franking account of dividends proposed of declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	–	–
	1,742	2,310

NOTE 7: SEGMENT INFORMATION

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 the Group 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 and includes activity in the selective salt recovery industry.

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. The Group 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 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 business is operating in.

NOTE 7: SEGMENT INFORMATION (CONTINUED)

QUARRY & MINERAL BUSINESS

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 38% (FY11 42%) of the total group revenue, equating to $58m (FY11 $65m) for this reporting period. Of this, sales to one customer accounted for $27m (FY11 $34m) of revenue earned.

ACCOUNTING POLICIES AND INTER-SEGMENT TRANSACTIONS

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 the Group 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.

Revenue is attributed to foreign countries on the basis of sales made from Australia to customers located in these countries.

Each segment is responsible for the management of working capital which comprises of trade debtors, trade creditors and inventory.

The Group does not have any assets located in foreign countries.

NOTE 7: SEGMENT INFORMATION (CONTINUED)

Year ended 30 June 2012	Chemical $000	Quarry & Mineral $000	Eliminations/ unallocated $000	Consolidated $000
Revenue				
Sales to domestic external customers	92,767	25,389	-	**118,156**
Sales to Japan	9,446	-	-	**9,446**
Sales to Thailand	5,461	-	-	**5,461**
Sales to other countries (18 countries)	16,363	-	-	**16,363**
Inter-segment revenues	-	6,470	(6,470)	**-**
Total segment revenue	124,037	31,859	(6,470)	**149,426**
Non-segment revenues				
Interest from unrelated entities	-	-	120	**120**
Other income	-	-	323	**323**
Normalised consolidated revenue				**149,869**
Result				
Normalised EBITDA before unallocated expenses as reported to CODM	11,396	3,913	443	**15,752**
Unallocated expenses	-	-	(4,798)	**(4,798)**
Normalised EBITDA as reported to CODM	11,396	3,913	(4,355)	**10,954**
Depreciation & amortisation	(8,282)	(1,903)	-	**(10,185)**
Normalised EBIT as reported to CODM	3,114	2,010	(4,355)	**769**
Borrowing costs				**(10,303)**
Normalised loss before tax as reported to CODM				**(9,534)**
Income tax benefit				**2,860**
Normalised net loss after tax as reported to CODM				**(6,674)**
Rail closure costs				**(3,276)**
Impairment – Chemical Business				**(32,347)**
– Quarry & Mineral				**(12,991)**
Deferred net tax asset derecognition				**(7,687)**
Restructure costs				**(577)**
Loss from continuing operations after income tax				**(63,552)**

Segment assets as at 30 June 2012 are as follows:				
Property, Plant & Equipment	49,185	20,434	-	**69,619**
Working Capital	15,783	11,832	-	**27,615**
Non-current Inventory	-	19,266	-	**19,266**
Intangibles	414	1,920	-	**2,334**
	65,382	53,452	-	**118,834**

NOTE 7: SEGMENT INFORMATION (CONTINUED)

Year ended 30 June 2011	Chemical $000	Quarry & Mineral $000	Eliminations/ unallocated $000	Consolidated $000
Revenue				
Sales to domestic external customers	97,267	25,371	-	122,638
Sales to Japan	8,872	-	-	8,872
Sales to other countries (20 countries)	21,424	-	-	21,424
Inter-segment revenues	-	6,052	(6,052)	-
Total segment revenue	127,563	31,423	(6,052)	152,934
Non-segment revenues				
Interest from unrelated entities	-	-	98	98
Other income – insurance recovery	-	-	500	500
– other	-	-	391	391
Normalised consolidated revenue				153,923
Result				
Normalised EBITDA before unallocated expenses as reported to CODM	14,028	5,344	489	19,861
Unallocated expenses	-	-	(4,173)	(4,173)
Normalised EBITDA as reported to CODM	14,028	5,344	(3,684)	15,688
Depreciation & amortisation	(8,001)	(1,602)	-	(9,603)
Normalised EBIT as reported to CODM	6,027	3,742	(3,684)	6,085
Borrowing costs				(8,715)
Normalised loss before tax as reported to CODM				(2,630)
Income tax benefit				1,243
Normalised net loss after tax as reported to CODM				(1,387)
Impairment – Chemical Business				(14,715)
– Quarry & Mineral				(7,000)
Insurance events, net of recovery				(3,150)
Unrealised exchange gains/(losses) on foreign currency options and forwards				59
Unrealised exchange gains/(losses) on fair value of interest rate swaps				(13)
Loss from continuing operations after income tax				(26,206)

Segment assets as at
30 June 2011 are as follows:

	Chemical $000	Quarry & Mineral $000	Eliminations/ unallocated $000	Consolidated $000
Property, Plant & Equipment	77,701	21,739	-	99,440
Working Capital	13,128	11,609	-	24,737
Non-current Inventory	-	24,888	-	24,888
Intangibles	219	8,469	-	8,688
	91,048	66,705	-	157,753

NOTE 8: EARNINGS PER SHARE

	2012	2011
Basic earnings per share based on operating profit after income tax (cents)	**(69.6)**	(28.7)
Diluted earnings per share based on operating profit after income tax (cents)	**(69.6)**	(28.7)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**91,361,523**	91,361,523
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	**91,361,523**	91,361,523
Earnings used in calculating basic and diluted earnings per share ($000)	**(63,552)**	(26,206)

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

	June 2012	June 2011
Weighted average number of ordinary shares on issue for basic earnings per share	**91,361,523**	91,361,523
Executive share options and performance rights	**–**	-
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	**91,361,523**	91,361,523

There are 5,428,113 (FY11: 2,472,296) executive share options excluded from the calculation of diluted earnings per share because they are antidilutive for the 2012 period presented. These executive share options could potentially dilute basic earnings per share in the future.

NOTE 9: NET TANGIBLE ASSETS PER SECURITY

	2012	2011
Net tangible asset backing per ordinary security (cents)	**($0.01)**	$0.65

NOTE 10: NOTES TO THE CASH FLOW STATEMENT

	Consolidated	
	2012 $000	2011 $000
(a) CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	2,977	5,163
Reconciliation to cash flow statement		
For the purposes of the cash flow statement cash and cash equivalents comprise the following at 30 June:		
Cash at bank	2,977	5,163
	2,977	5,163
(b) RECONCILIATION OF NET PROFIT AFTER INCOME TAX TO CASH FLOWS FROM OPERATIONS		
Net profit after income tax	(63,552)	(26,206)
Depreciation/Amortisation	10,188	9,603
Net loss on sale of non–current assets	11	(86)
Net fair value change in derivatives	47	(67)
Impairment expense	45,338	26,000
Stock write-off	1,238	-
Derecognition of net tax assets	2,572	-
Bad debt write-off/Increase in doubtful debt provision	449	-
Share based payment expense	106	(155)
Non-cash defined benefit fund expense /(gain)	1,131	(514)
Amortised borrowing costs	1,251	310
Others	175	253
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	(2,329)	5,193
(Increase) in inventories (excluding impairment)	(3,817)	(2,263)
Decrease/(increase) in deferred tax assets	-	(6,842)
Decrease/(increase) in other assets	1,756	(1,930)
(Increase) in income tax receivable	(458)	(112)
(Decrease)/increase in trade creditors and accruals	(306)	613
(Decrease)/increase in deferred tax liabilities	-	1,241
(Decrease) in other provisions	82	(23)
Net cash inflow from operating activities	(6,118)	5,015

NOTE 10: NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(c) AT 30 JUNE, THE FOLLOWING FINANCE FACILITIES HAD BEEN NEGOTIATED AND WERE AVAILABLE

	Note	2012 $000	2011 $000
Total facilities:			
– bank loan current	19	8,000	8,800
– bank loan non-current		89,800	70,000
		97,800	78,800
Facilities used at reporting date:			
– bank loan		95,800	78,800
Facilities unused at reporting date:			
– bank loan		2,000	-
		97,800	78,800

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.

As at 30 June 2012, Penrice had reached agreement with its financiers on a debt restructure as announced to the ASX on Monday 2 July 2012. This restructured facility allows for

- $10 million working capital facility,
- $20 million facility maturing July 2014, and
- $67.8 million facility maturing in July 2017.

The $67.8 million facility allows Penrice to capitalise interest.

As at 30 June the bank facilities of $97.8m are drawn to $95.8m.

For more information on banking arrangements, please see Note 21.

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated 2012 $000	2011 $000
Trade debtors, net	**17,044**	15,479
Non trade amounts owing by:		
Unrelated parties	**1,274**	1,259
Total current trade and other receivables	**18,318**	16,738

(a) ALLOWANCE FOR IMPAIRMENT LOSS

Trade receivables are non-interest bearing and are generally on 30–62 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A provision for impairment losses has been recognised for the year (2011: $7k).

Net of provision for impairment loss, the ageing of trade receivables is:

	Total $000	0–30 Days $000	31–60 Days $000	61–90 Days $000	+91 Days $000
2012 Consolidated	17,057	15,551	328	188	990
Less provision for impairment	(13)	-	-	-	(13)
	17,044	**15,551**	**328**	**188**	**977**
2011 Consolidated	15,486	15,084	260	32	110
Less provision for impairment	(7)	–	–	–	(7)
	15,479	15,084	260	32	103

Those amounts that are considered impaired and have been provided for. Those amounts in 60-91+ days ageing category are considered past due but not impaired.

(b) FAIR VALUE AND CREDIT RISK

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security.

(c) FOREIGN EXCHANGE AND INTEREST RATE RISK

Details regarding foreign exchange and interest rate exposure are disclosed in Note 3.

NOTE 12: INVENTORIES

	Consolidated	
	2012	2011
	$000	$000
Raw Materials		
Raw Materials (at cost)	**1,567**	3,045
Finished Goods		
Chemical (at cost)	**8,712**	7,736
Chemical (at net realisable value)	**192**	158
Quarry & Mineral – Limestone (at cost)	**4,602**	4,489
Quarry & Mineral – Aggregates (at cost)	**5,220**	4,396
Quarry & Mineral – Landfill (at net realisable value)	**178**	200
Production spares & consumable goods		
Quarry & Mineral (at cost) (1)	**616**	1,184
Chemical (at net realisable value) (3)	**4,857**	4,953
Total current inventories	**25,944**	26,161
Non-current inventories		
Quarry & Mineral – Aggregates (at cost)	**15,887**	15,431
Quarry & Mineral – Landfill (at net realisable value) (2)	**3,379**	9,457
Total non-current inventories	**19,266**	24,888
Total inventories	**45,210**	51,049

(1) Includes impairment charge of $0.6m, refer to Note 2(d).

(2) Includes impairment charge of $6.1m, refer to Note 2(d).

(3) Includes impairment charge of $2.0m, refer to Note 2(d).

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. The directors have reviewed the classification of landfill and aggregate inventory. Following this consideration, the directors have reclassified that portion of aggregates and landfill inventory that will not be realised in the next twelve months as non-current, representing $15.9 million for aggregate and $3.4 million for landfill. The prior year comparatives have also been restated, resulting in $15.4million of aggregate and $9.5 million of landfill being classified as non-current.

Inventory recognised as an expense for the year totalled $124,866k (2011: $115,044k). Included in this amount is $699k (2011: $1,124k) in relation to the difference between the cost of extracting landfill and its carrying value.

NOTE 13: DERIVATIVES

	Consolidated 2012			Consolidated 2011
Current	**Interest rate swaps**	**Foreign exchange contracts**	**Total**	**2011**
	$000	**$000**	**$000**	**$000**
Current (1–12 months)	(162)	-	(162)	686
Total current derivatives	(162)	-	(162)	686

Non-current	**Interest rate swaps**	**Foreign exchange contracts**	**Total**	**2011**
	$000	**$000**	**$000**	**$000**
Non-current (1 year+)	-	-	-	(62)
Total non-current derivatives	-	-	-	(62)

Interest Rate Swaps

The Group has entered into interest rate swaps, to swap floating rate interest to fixed rate interest.

At 30 June 2012, the notional amount of the interest rate swap contracts was $10m (2011: $52.3m) at a weighted average fixed rate of 5.75% (2011: 6.04%). The interest payable and receivable on the swap contract is settled net on a quarterly basis until expiry.

The notional amount of interest rate swap contracts classified as current was $7.5m (2011: $27.1m) with these contracts having various start and end dates. The weighted average balances and fixed rates for these contracts are shown in the table below.

	Period	**Notional Value AUD $000**	**Weighted Average Interest Rate %**
Fixed interest rate contracts	1 Jul 12 – 31 Dec 12	10,000	5.75
Fixed interest rate contracts	1 Jan 13 – 30 Jun 13	5,000	5.75
Average current notional value		7,500	

Foreign Exchange Contracts

The Group enters into foreign exchange contracts to manage its USD revenue exposures from its export chemical business. These are economic cash flow hedges.

At 30 June 2012 we had no foreign exchange contracts in place. At 30 June 2011 we had contracts with a notional amount of USD $3.8m in place.

Interest rate risk

Information regarding interest rate risk exposure is set out in Note 3.

Foreign exchange risk

Information regarding foreign exchange risk exposure is set out in Note 3.

Credit risk

Credit risk arises from the potential failure of counter parties to meet their obligations at maturity of contracts. This can arise on derivative financial instruments with unrealised gains. Management has established limits to ensure that, at any time, the fair value of favourable contracts outstanding with any individual counter party is recoverable. The Groups' derivative contracts are placed with its incumbent banks, NAB and Westpac

NOTE 14: OTHER ASSETS

	Consolidated	
	2012	2011
Current	$000	$000
Prepayments	461	2,579
Total other current assets	461	2,579

NOTE 15: PROPERTY, PLANT & EQUIPMENT

Year ended 30 June 2012	Consolidated			
	Land & Improvements at Cost $000	Buildings at Cost $000	Plant & Equipment at Cost $000	Total $000
Gross Carrying amount				
Balance as at 1 July 2011	7,085	16,069	176,700	**199,854**
Additions	3,659	534	5,898	**10,091**
Disposals	-	-	(598)	**(598)**
Balance as at 30 June 2012	**10,744**	**16,603**	**182,000**	**209,347**
Accumulated Depreciation				
Balance as at 1 July 2011	(52)	(2,914)	(97,448)	**(100,414)**
Disposals	-	-	587	**587**
Impairment	-	-	(30,331)	**(30,331)**
Depreciation expense	(281)	(553)	(8,736)	**(9,570)**
Balance as at 30 June 2012	**(333)**	**(3,467)**	**(135,928)**	**(139,728)**
Net Book Value				
As at 1 July 2011	7,033	13,155	79,252	**99,440**
As at 30 June 2012	**10,411**	**13,136**	**46,072**	**69,619**

Plant and equipment with a carrying value of $908K (FY11: $1,266k) are pledged as securities for the finance lease liability.

First mortgages over land and buildings have been granted as security on bank loans.

Included in plant and equipment at 30 June 2012 is an amount of $1,419k (FY11: $9,470k) related to expenditure for plant in the course of construction.

Plant and equipment with a gross carrying amount of $50,366k (2011: $46,914k) has been fully depreciated at 30 June 2012, but remains in use at the reporting date.

NOTE 15: PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Year ended 30 June 2011	Consolidated			
	Land & 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	437	439	13,109	**13,985**
Reclassification transfer	181	–	(181)	**–**
Transfer from intangibles	45	–	–	**45**
Disposals	–	–	(121)	**(121)**
Balance as at 30 June 2011	**7,085**	**16,069**	**176,700**	**199,854**
Accumulated Depreciation				
Balance as at 1 July 2010	(44)	(2,418)	(88,896)	**(91,358)**
Disposals	–	–	79	**79**
Depreciation Expense	(8)	(496)	(8,631)	**(9,135)**
Balance as at 30 June 2011	**(52)**	**(2,914)**	**(97,448)**	**(100,414)**
Net Book Value				
As at 1 July 2010	6,378	13,212	74,997	**94,587**
As at 30 June 2011	**7,033**	**13,155**	**79,252**	**99,440**

NOTE 16: INTANGIBLES

Year ended 30 June 2012	Consolidated				
	Goodwill $000	Exploration and evaluation costs $000	Mine Development Costs $000	Other $000	Total $000
Gross Carrying amount					
Balance as at 1 July 2011	6,291	266	2,586	523	**9,666**
Additions	-	-	-	552	**552**
Balance at 30 June 2012	**6,291**	**266**	**2,586**	**1,075**	**10,218**
Accumulated Amortisation and Impairment					
Balance as at 1 July 2011	-	(266)	(408)	(304)	(978)
Impairment (1)	**(6,291)**	**-**	**-**	**-**	(6,291)
Amortisation	-	-	(258)	(357)	(615)
Balance at 30 June 2012	**(6,291)**	**(266)**	**(666)**	**(661)**	**(7,884)**
Net Book Value					
As at 1 July 2011	6,291	-	2,178	219	**8,688**
As at 30 June 2012	**-**	**-**	**1,920**	**414**	**2,334**

Note: (1) Mine Business goodwill of $6,291k has been written off as a result of impairment testing of this cash generating unit.

Year ended 30 June 2011	Consolidated				
	Goodwill $000	Exploration and evaluation costs $000	Mine Development Costs $000	Other $000	Total $000
Gross Carrying amount					
Balance as at 1 July 2010	18,008	315	2,586	523	21,432
Transfer to Plant, Property & Equipment	–	(45)	–	–	(45)
Write offs	–	(4)	–	–	(4)
Balance at 30 June 2011	**18,008**	**266**	**2,586**	**523**	21,383
Accumulated Amortisation and Impairment					
Balance as at 1 July 2010	–	(266)	(150)	(94)	(510)
Impairment	(11,717)	–	–	–	(11,717)
Amortisation	–	–	(258)	(210)	(468)
Balance at 30 June 2011	**(11,717)**	**(266)**	**(408)**	**(304)**	(12,695)
Net Book Value					
As at 1 July 2010	18,008	49	2,436	429	20,922
As at 30 June 2011	6,291	–	2,178	219	8,688

NOTE 16: INTANGIBLES (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to two individual cash generating units, which are reportable segments for impairment testing as follows:

- Osborne production facility; and
- Angaston mine.

The goodwill relating to the Osborne production facility was impaired at 30 June 2011 and written off.

The recoverable amount of the Angaston mine cash generating units has been determined based on a value-in-use of calculation using cash flow projections based on the financial budget for the year ended 30 June 2013 and forecasts for the subsequent four-year period. A pre-tax discount rate applied to cash flow projections is 12.5% (2011: 12.0%) key drivers and assumptions are disclosed in note 2d.

The recoverable amount of both cash generating units has been determined based on a value-in-use of calculation using cash flow projections based on the financial budget for the year ended 30 June 2012 and forecasts for the subsequent four-year

The Directors have determined that impairment exists and Chemical business goodwill has been written-off.

	Consolidated	
	2012 $000	2011 $000
Carrying amount of goodwill allocated to each business unit		
Angaston mine	-	6,291
Total goodwill	-	6,291

NOTE 17: OTHER LIABILITIES

	Consolidated	
Non-current	2012 $000	2011 $000
Defined benefit fund liability	**3,346**	692
Total other non-current liabilities	**3,346**	692

Details of the defined benefit fund are included in Note 27.

NOTE 18: TRADE AND OTHER PAYABLES

	Consolidated	
Current	2012 $000	2011 $000
Trade creditors	**15,611**	16,921
Non trade creditors and other payables	**14,004**	12,882
Total current trade and other payables	**29,615**	29,803

Trade creditors are non-interest bearing and are normally settled on 30–62 day terms.

(a) FAIR VALUE

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) INTEREST RATE, FOREIGN EXCHANGE AND LIQUIDITY RISK

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 3.

NOTE 19: INTEREST BEARING LIABILITIES

Current	Consolidated 2012 $000	Consolidated 2011 $000
Secured:		
Bank Loan (1)	8,000	8,800
Finance lease liabilities (2)	325	318
	8,325	9,118
Unsecured:		
Other	333	1,597
Total current interest bearing liabilities	8,658	10,715

(1) 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.

(2) Securities provided for finance leases are disclosed under Note 21.

As at 30 June 2012, Penrice had reached agreement with its financiers on a debt restructure as announced to the ASX on Monday 2 July 2012. The restructured facility agreement, which was executed on 3 August 2012, allows for

- $10 million working capital facility,
- $20 million facility maturing July 2014, and
- $67.8 million facility maturing in July 2017.

The $67.8 million facility allows Penrice to capitalise interest.

As at 30 June the bank facilities of $97.8m are drawn to $95.8m.

NOTE 20: PROVISIONS

Current	Consolidated 2012 $000	Consolidated 2011 $000
Employee benefits	5,656	5,624
Other	15	15
Total current provisions	5,671	5,639

NOTE 21: INTEREST BEARING LIABILITIES

	Consolidated	
	2012	2011
Non-current	$000	$000
Finance lease liabilities (1)	**275**	512
Bank loan (2)	**87,597**	69,530
Total non-current interest bearing liabilities	**87,872**	70,042

(1) The finance leases have an average lease term of 3.9 years (2011: 3.3 years) at an average interest rate of 9.7% (2011: 9%) with fixed residual values at the end of the leases based on Australian Taxation Office minimum residuals. The Group is obligated to pay out these residual values at the end of the lease terms. There are no restrictions imposed by these lease agreements.

(2) 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.

As at 30 June 2012, Penrice had reached agreement with its financiers on a debt restructure as announced to the ASX on Monday 2 July 2012. The restructured facility agreement, which was executed on 3 August 2012, allows for

- $10 million working capital facility,
- $20 million facility maturing July 2014, and
- $67.8 million facility maturing in July 2017.

The $67.8 million facility allows Penrice to capitalise interest.

As at 30 June the bank facilities of $97.8m are drawn to $95.8m.

Fair values

The carrying amount of the Group's current and non-current interest bearing liabilities approximate their fair value. The floating rate bills are predominantly 90 day BBSY bills and at balance date the interest rate ranged from 6.5% to 10.65% (includes 90 day BBSY rate plus bank margin).

Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in Note 3.

Assets pledged as security

The lease liability is secured by a charge over the leased assets. The carrying amount of these plant and equipment assets is $908k (2011: $1,266k).

The bank loan is secured by a fixed and floating charge over the assets of the Group. Refer Note 15.

NOTE 22: PROVISIONS

	Consolidated	
	2012	2011
Non-current	$000	$000
Employee benefits	580	563
Dredging	871	871
Remediation	992	815
Total non-current provisions	2,443	2,249
Movements in provisions		
Wharf Dredging		
Carrying amount at the beginning of the period	871	871
Amounts utilised during the period	-	-
Carrying amount at the end of the period	871	871
Remediation		
Carrying amount at the beginning of the period	815	208
Amounts utilised during the period	-	-
Amounts charged during the period	177	607
Carrying amount at the end of the period	992	815

Wharf Dredging
The group has an agreement with both the S.A. Government and the operator of the Port River, Flinders Ports Pty Limited, in relation to the dredging of the Port River. The agreement requires Penrice to dredge the material over a 10 year period. Penrice has maintained a provision to dredge this material over a 10 year period.

Remediation Provision
The remediation provision relates to the activities of the Osborne manufacturing plant operations and the Angaston mine operation.

NOTE 23: CONTRIBUTED EQUITY

	Consolidated	
	2012	2011
	$000	$000
Contributed equity		
Ordinary shares fully paid	**80,236**	80,236
	80,236	80,236

In accordance with changes to the Corporations law effective 1 July 1998, the shares issued do have a par value and there is no limit on the authorised share capital of the Group.

	Year Ended 30 June 2012		Year ended 30 June 2011	
	Shares	$000	Shares	$000
Balance at the start of the year	**91,361,523**	**80,236**	91,361,523	80,074
Costs of October 2009 equity raising net of deferred tax	**–**	**-**	-	162
Balance at the end of the year	**91,361,523**	**80,236**	91,361,523	80,236

Capital management

When managing capital, the Group's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Group also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The Group continually reviews the capital structure to take advantage of favourable costs of capital or high returns on assets. As a result of the difficult market conditions experienced in recent times, there has been an inability to pay dividends. The Board is currently conducting a strategic review that may impact the Group's capital structure, with the highest priority being to sell assets to reduce debt.

During the 2012 financial year, the Board paid dividends of $Nil (2011: $Nil).

The Penrice Soda Holdings Dividend Reinvestment Plan commenced on 16 April 2008 and remains in operation. Shares are allocated under the Plan at the issue price which is the average market price during the pricing period, less any discount (if any) determined by the Board, rounded to the nearest cent. The Plan was utilised for the 2008 final dividend, paid on 24 October 2008 and as a result 421,499 shares were issued upon reinvestment of dividends. No dividends have been paid subsequent to this date and therefore the dividend reinvestment plan has not been utilised since that time.

The Board monitors capital through various measures, including the gearing ratio [net debt/(net debt+total equity)]. The gearing ratios based on continuing operations at 30 June 2012 and 2011 were as follows:

NOTE 23: CONTRIBUTED EQUITY (CONTINUED)

	Consolidated	
	2012 $000	2011 $000
Total borrowings (1)	**96,530**	80,757
Less cash and cash equivalents	**(2,977)**	(5,163)
Net debt	**93,553**	75,594
Total equity	**1,720**	67,823
Total net debt + equity	**95,273**	143,417
Gearing ratio [Net debt/(Net debt+total equity)]	**98%**	53%

(1) Borrowings include short and long term borrowings and include finance lease liabilities.

The gearing ratio as at 30 June 2012 of 98% is outside the Board's desired range. The reasons for the increased gearing have been documented elsewhere in this report and the Board is conducting a strategic review of the Group's operations to improve operating performance and reduce debt and gearing to more normal credit metrics.

NOTE 24: RETAINED EARNINGS AND RESERVES

	Consolidated	
	2012 $000	2011 $000
(a) MOVEMENTS IN RETAINED EARNINGS:		
Retained earnings at the beginning of the period	**(13,039)**	13,994
Net (loss)/profit for the period	**(63,552)**	(26,206)
Actuarial (losses) on defined benefit fund recognised directly through retained earnings	**(2,140)**	(827)
Retained earnings at the end of the period	**(78,731)**	(13,039)
(b) MOVEMENTS IN SHARE BASED PAYMENTS RESERVE:		
Balance at start of period	**189**	34
Share-based payment expense for the period	**106**	155
Balance at end of period	**295**	189
(c) MOVEMENTS IN CASH FLOW HEDGE RESERVE:		
Balance at start of period	**437**	(1,086)
Derivatives fair value movement for the period		
-Foreign exchange	**(623)**	1,281
-Interest rate	**106**	242
Balance at end of period	**(80)**	437

The share based payments reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 28 for further details.

The consolidated Group designates derivatives as hedges of the exposure to variability in cash flows attributable to a recognised asset or liability or highly probable forecast transaction. The effective part of any gain or loss on the derivatives financial instrument is recognised directly in equity in the hedging reserve. Refer 2j) for further information.

NOTE 25: ECONOMIC DEPENDENCY

Subsidiary companies have long term customer supply agreements with three major corporates for the supply of soda ash and colour blending product for use in glass production, as well as limestone sand from the Quarry.

The major inputs for the production of soda ash are steam, salt, limestone, coke and water. Penrice sources its steam pursuant to a fixed price take-or-pay contract that expires in 2018 and salt under a fixed price contract that runs to 2019 with Penrice having options to extend the salt contract to 2033.

NOTE 26: REMUNERATION OF AUDITORS

	Consolidated	
	2012	**2011**
	$	$
Amounts received or due and receivable by Ernst & Young for:		
Audit or review of the financial statements	**216,397**	214,791
Other services:		
– Taxation	**118,576**	123,196
– Other	**-**	59,967
Total remuneration of auditors	**334,973**	397,954

NOTE 27: EMPLOYEE ENTITLEMENTS

	Consolidated	
	2012	**2011**
The number of full-time equivalents employed as at 30 June are:	**243**	259

Employees are eligible to receive benefits from the Penrice Retirement Trust ("the Fund"). A benefit is payable on retirement, death, disablement or leaving service, in accordance with the Fund's Trust Deed and Rules. The Fund is a resident regulated superannuation fund that complies with superannuation laws.

The Fund provides lump sum benefits, calculated either on a defined benefit basis (qualifying employees commenced prior to 1 December 1997) or on an accumulation basis. Defined benefits reflect a member's period of Fund membership and final average salary. Members of the Fund contribute, in general, at a rate that is from 1% to 7% of salary.

Penrice contributes to the Fund in accordance with the recommendation of the actuary.

Mercer Human Resource Consulting Pty Ltd carried out an actuarial investigation of the Fund as at 30 June 2009.
The June 2012 actuarial estimates below were performed for the purposes of AASB119 - "Employee Benefits" disclosures and were provided by Mercer Human Resource Consulting Pty Ltd.

Employer contributions to the Group's defined benefit plan are based on recommendations by the Funds actuary.
The method used at the last review to determine the employer contribution recommendations was the "projected accrual benefit" funding method.

NOTE 27: EMPLOYEE ENTITLEMENTS (CONTINUED)

The following tables summarise the components of net benefit expense recognised in the Income Statement and the Fund status recognised in the Statement of Financial Position.

PENRICE RETIREMENT TRUST	Consolidated 2012 $000	Consolidated 2011 $000
(a) NET BENEFIT EXPENSE		
Service cost	**603**	597
Interest cost	**781**	821
Expected return on assets	**(1,170)**	(1,225)
Superannuation expense	**214**	193
(b) NET DEFINED BENEFIT ASSET/(LIABILITY) INCLUDED IN THE STATEMENT OF FINANCIAL POSITION		
Fair value of plan assets	**15,927**	17,511
Present value of defined benefit obligation	**19,273**	18,203
Total net defined benefit liability recognised on the Statement of Financial Position (Note 17)	**3,346**	692
(c) CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		
Opening defined benefit obligation	**18,203**	18,151
Current service cost	**603**	597
Interest cost	**781**	821
Contributions by plan participants	**358**	429
Actuarial gains	**1,705**	992
Benefits paid	**(2,150)**	(2,731)
Taxes, premiums and expenses paid	**(227)**	(207)
Transfers in closing defined benefit obligation	**-**	151
Closing defined benefit obligation	**19,273**	18,203

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.

The service cost and expected return on plan assets components of superannuation expense are recognised in the other expenses line within the Income Statement. Interest cost is recognised within borrowing costs in the Income Statement.

NOTE 27: EMPLOYEE ENTITLEMENTS (CONTINUED)

	Consolidated	
	2012	2011
	$000	$000
(d) CHANGES IN THE FAIR VALUE OF THE PLAN ASSETS		
Opening fair value of plan assets	**17,511**	18,126
Expected return on plan assets	**1,170**	1,225
Actuarial gains/(losses)	**(1,352)**	(189)
Employer contributions	**617**	707
Contributions by plan participants	**358**	429
Benefits paid	**(2,150)**	(2,731)
Taxes, premiums and expenses paid	**(227)**	(207)
Transfers in	**-**	151
Closing fair value of plan assets	**15,927**	17,511

(e) THE PERCENTAGE INVESTED IN EACH CLASS OF ASSET•	**%**	%
Australian equity	**26**	27
International equity	**29**	29
Fixed income	**18**	13
Property	**16**	10
Cash	**5**	10
Alternatives/Other	**6**	11

• Asset allocation as at 30 June 2012 is not available, 30 April 2012 asset allocation was used.

(f) AMOUNTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME	2012 $000	2011 $000
Actuarial (losses) recognised in the year in the Statement of comprehensive income	**(3,057)**	(1,181)
Cumulative actuarial (losses) recognised in the Statement of Comprehensive income	**(5,524)**	(2,467)

	2012 $000	2011 $000	2010 $000	2009 $000	2008 $000
(g) HISTORICAL INFORMATION FOR THE CURRENT AND PREVIOUS PERIODS					
Present value of defined benefit obligation	**19,273**	18,203	18,151	17,572	19,179
Fair value of plan assets	**15,927**	17,511	18,126	17,058	19,648
Deficit/(surplus) in plan	**3,346**	692	25	514	(469)
Experience adjustments (gain)/loss - Plan assets	**1,352**	189	(503)	3,843	3,469
Experience adjustments (gain)/loss - Plan liabilities	**(275)**	730	653	(2,760)	(2,807)

	2012 $000	2011 $000
(h) PRINCIPAL ACTUARIAL ASSUMPTIONS	**%**	**%**
Discount rate	**2.5% pa**	4.6% pa
Expected rate of return on plan assets	**7.0% pa**	7.0% pa
Expected salary increase rate	**2.0% pa in 2012/13, 4.0% pa thereafter**	3.0% pa in 2011/12, 4.0% pa thereafter

NOTE 27: EMPLOYEE ENTITLEMENTS (CONTINUED)

(i) FAIR VALUE OF PLAN ASSETS
The fair value of Plan assets includes no amounts relating to:

- any of the Group's own financial instruments; or
- any property occupied by, or other assets used by, the Group.

(j) ACTUAL RETURN ON PLAN ASSETS

	Consolidated	
	2012 $000	2011 $000
	(182)	1,036

(k) EXPECTED RATE OF RETURN ON PLAN ASSETS
The expected return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes.

The returns used for each asset class are net of investment tax and investment fees and asset based fees.

(l) EXPECTED CONTRIBUTIONS
The Group expects to contribute $685k to the defined benefit superannuation fund in 2012/13.

NOTE 28: SHARE-BASED PAYMENT PLANS

The share-based payment plans are described below. There have been no cancellations or modifications to the existing plan since 2010.

Share based payments were expensed during FY2012 for the FY2010, FY2011 and FY2012 plans.

(a) RECOGNISED SHARE-BASED PAYMENT EXPENSES
The expense recognised for employee services received during the year is shown in the table below:

	Consolidated	
	2012 $000	2011 $000
Expense arising from equity-settled share-based payment transactions	**106**	155
Total expense arising from share-based payment transactions	**106**	155

(b) TYPES OF SHARE BASED PAYMENT PLANS
Performance Rights Plan (PRP)
The performance rights plan is designed to align participants' interests with those of shareholders by rewarding them for increasing the value of the Group's shares.

Penrice's PRP is a long term incentive scheme with a performance period of three years made up of two equal tranches.

One tranche of the PRP is subject to a relative Total Shareholder Return (TSR) hurdle, where Penrice's TSR performance is ranked relative to companies in a comparator group consisting of the smallest 50 companies other than Penrice in the ASX Small Industrials Index. The hurdle is tested initially at the end of the 3 year Performance Period and if required is then subject to retesting at the end of the fourth year following the grant.

NOTE 28: SHARE-BASED PAYMENT PLANS (CONTINUED)

The second tranche of the PRP is subject to an absolute EPS growth hurdle, measuring the average EPS growth over the performance period. This tranche also requires a threshold of positive TSR at the testing date before vesting conditions can apply. Penrice performance rights, for the 3 year performance period commencing 1 July 2011 have been granted to 8 eligible employees.

Summary of Performance Criteria for the three Year Performance period

In assessing whether the relative TSR hurdle has been met, the Group receives independent data from an external advisor, who provides both the Group's TSR and that of the pre-selected peer group.

The vesting scale for the TSR tranche is as follows:

Relative TSR	% of Rights in Grant to Vest
≤40th percentile	0%
>40th percentile and <50th percentile	Pro rata
50th percentile	50%
>50th percentile and <80th percentile	Pro rata
≥80th percentile	100%

As the performance hurdle of the TSR tranche is related to the share price of Penrice, it is deemed to be a market based performance hurdle and therefore in accordance with AASB2 *Share-based Payment*, allowance has been made for the impact of this hurdle in determining the award's fair value and the amount of share based payment expensed uses this grant date fair value.

The performance criteria for the EPS component of the PRP plan is as follows:

Absolute EPS Growth Vesting Scale

Absolute EPS Growth*	% of Rights in Grant to Vest
3% pa	0%
>3% & <6% pa	Pro rata
6% pa	50%
>6% & <9%pa	Pro rata
≥9% pa	100%

*The absolute EPS growth hurdle is the average EPS growth for the 3 year performance period of the respective tranche.

As the performance hurdle of the EPS growth tranche is not directly related to the share price of Penrice, it is deemed to be an internal (or non market based) performance hurdle and therefore in accordance with *AASB2 Share-based Payment*, allowance cannot be made for the impact of this hurdle in determining the award's fair value. The impact of the EPS performance hurdle is instead taken into account during the expensing process.

Under *AASB2 Share-based Payment* estimates can be made for the number of SBP's expected to vest, however the total expense must be trued up when the actual number of SBP's vesting is known.

The amount taken up in FY12 for this plan under *AASB2 Share-based Payment* is $105,960 (FY11 $154,887) which has been accounted for as a personnel cost in the income statement.

NOTE 28: SHARE-BASED PAYMENT PLANS (CONTINUED)

(c) SUMMARIES OF RIGHTS GRANTED UNDER PRP ARRANGEMENTS

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in performance rights granted during the year:

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
PRP				
Outstanding at the beginning of the year	**2,791,141**	**-**	1,049,923	-
Cancelled during the year	**-**	**-**	-	-
Granted during the year	**3,880,900**	**-**	1,913,073	-
Forfeited/lapsed during the year	**(1,243,928)**	**-**	-	-
Exercised during the year	**-**	**-**	(171,855)	-
Expired during the year	**-**	**-**	-	-
Outstanding at the end of the year	**5,428,113**	**-**	2,791,141	-
Exercisable at the end of the year	**-**		-	

The outstanding balance as at 30 June 2012 is represented by 5,428,113 (2011: 2,791,141) performance rights over ordinary shares with an exercise price of $nil each, exercisable upon meeting the performance hurdles noted above.

(d) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2011 is:

PRP	Performance Rights	Weighted Ave Contractual life Years
FY10	371,480	1
FY11	**1,665,979**	2
FY12	**3,390,654**	3
Total	**5,428,113**	

(e) WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of rights granted during 2012 was $0.09 (2011:$0.23) for TSR tranche and $0.09 (2011:$0.24) for EPS growth tranche.

(f) PERFORMANCE RIGHTS PRICING MODEL

The Penrice performance rights plan has been valued independently using Black Scholes methodology to produce Monte-Carlo simulations.

The Black Scholes model is a valuation model, that takes into account current security price at grant date, exercise price (if applicable), time to expiration, risk free rate and security price volatility. It calculates the expense to Penrice at the grant date, and then can be used to "mark to market" the expense at subsequent reporting periods as likelihood of vesting (for non-market based hurdles) and employee turnover is considered. The Monte-Carlo simulation model allows for the incorporation of the market based performance hurdles that must be met before the SBP vests to the holder. The Monte-Carlo simulation is used to determine the fair value of the TSR element. In accordance with the rules of the PRP, the model simulates the Group's TSR and compares it against the peer group over the three year performance period of each grant.

NOTE 28: SHARE-BASED PAYMENT PLANS (CONTINUED)

Option pricing model: Performance Rights Pricing

	Performance Rights 2012	Performance Rights 2011	Performance Rights 2010
Dividend yield (pa)	0%	0% year 1, 5% subsequent yrs	0% year 1, 5% subsequent yrs
Expected volatility (pa)	65%	51%	46%
Risk-free interest rate (pa)	3.32%	4.36%	4.54%
Rights exercise price ($)	-	–	–
Weighted average share price at measurement date ($)	0.125	0.335	0.885
Expected life of right (years)	2.46	2.83	2.42
Model used	Monte-Carlo	Monte-Carlo	Monte-Carlo
Fair value of rights granted ($)	Relative TSR $0.092; EPS $0.094	Relative TSR $0.232; $0.241	Relative TSR $0.615; $0.670

NOTE 29: COMMITMENTS AND CONTINGENT LIABILITIES

	Consolidated 2012 $000	Consolidated 2011 $000
(a) CAPITAL EXPENDITURE CONTRACTED FOR IS PAYABLE AS FOLLOWS:		
Not later than one year	528	317
(b) FINANCE LEASE EXPENDITURE CONTRACTED FOR IS PAYABLE AS FOLLOWS:		
Not later than one year	400	436
Later than one year but not later than five years	258	529
	658	965
Less: Future finance charges	(58)	(135)
Net finance lease liability	600	830
(c) OTHER COMMITTED EXPENDITURE		
Reconciled to:		
Current liability (Note 19)	356	318
Non-current liability (Note 21)	244	512
Total other committed expenditure	600	830
(d) OPERATING LEASE EXPENDITURE CONTRACTED FOR IS PAYABLE AS FOLLOWS:		
Not later than one year	4,612	4,760
Later than one year but not later than five years	5,230	13,859
Total operating lease expenditure	9,842	18,619

The Group utilises a series of power by the hour (PBH) rental agreements for large capacity trucks and loaders used at the Angaston mine. Each agreement runs until either a maximum time period, or a specified number of operating hours has been reached. The remaining contracted time periods range from 3 months to 4 years, or, 1,800 to 18,000 operating hours. The agreements contain minimum annual hourly rental charges, which total the amounts shown above as committed operating lease expenditure. The minimum commitments are comparable to the amounts expended in the current year under the agreement.

The parent entity and all controlled entities in the Group are parties to various guarantees and indemnities pursuant to the Group's banking facilities.

The Group has entered into financial bank guarantees with third parties arising in the normal course of business totalling $767,600 (2011: $507,600).

For Employee Contract Commitments refer to Note 31.

NOTE 30: RELATED PARTY DISCLOSURES

The following were controlled entities at 30 June 2012. The financial years of all controlled entities are the same as that of the parent entity.

Name of Controlled Entity	Country of Incorporation	Class of Shares	Book value of Investment 2012	% of Shares held in 2012	Book value of Investment 2011	% of Shares held 2011
Penrice Pty Ltd	Australia	Ordinary	$1	100	$1	100
PSP SPV Pty Ltd	Australia	Ordinary	$58,470,413	100	$58,470,413	100
Penrice Finance Pty Ltd	Australia	Ordinary	$23,187,037	100	$23,187,037	100
Penrice Holdings Pty Ltd	Australia	Ordinary	$32,882,321	100	$32,882,321	100
Penrice Soda Products Pty Ltd	Australia	Ordinary	$2	100	$2	100

ULTIMATE PARENT

Penrice Soda Holdings Ltd is the ultimate Australian parent Group, which owns Penrice Pty Limited directly and the other companies indirectly.

WHOLLY-OWNED GROUP TRANSACTIONS

Loans

Loans made by Penrice Soda Holdings Limited to its subsidiaries have no set repayment date, and as such have been classified as current receivables. Interest is not charged on the amount outstanding.

Dividends

Penrice Soda Holdings Limited did not receive a dividend during the period (2011: $Nil) from Penrice Pty Limited, a wholly owned subsidiary.

Key management personnel (KMP)

Details relating to KMP, including remuneration paid, are included in Note 31.

Employees

Contributions to superannuation funds on behalf of employees are disclosed in Note 4.

NOTE 31: KEY MANAGEMENT PERSONNEL

(a) DETAILS OF DIRECTORS AND SPECIFIED EXECUTIVES WHO ARE DEEMED TO BE THE KEY MANAGEMENT PERSONNEL OF THE COMPANY:

Specified Directors	
D Trebeck, Chairman	Chairman (Non Executive)
G Roberts	Managing Director and Chief Executive Officer
A Fletcher	Director (Non Executive)
B Gibson (Retired 31 August 2011)	Director (Non Executive)
J Hirst	Director (Non Executive)
D Groves (Resigned 23 March 2012)	Director (Non Executive)

Specified Executives	
F Lupoi	Chief Financial Officer and Group Secretary
D Mackle	General Manager, Group Operations
D Wright (resigned 18 November 2011)	General Manager, Quarry & Mineral
B Smith	General Manager, Group Business
A Cannon (resigned 28 February 2012)	General Manager, Supply Chain
R Doveton	General Manager, Capital Projects
M Brokenshire	General Manager, Human Resources

(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Compensation by category	Consolidated	
	2012 $000	2011 $000
Short term benefits	**2,240**	2,247
Termination benefits	**73**	-
Post employment benefits	**257**	275
Long term benefits	**62**	29
Share based payments	**103**	151
Total Compensation	**2,735**	2,702

No compensation is borne by the parent entity.

NOTE 31: KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) COMPENSATION PERFORMANCE RIGHTS

Compensation performance rights

Compensation performance rights – granted and issued during the year ended 30 June 2012

	1 Jul 11 Perf Rights	Granted as remuneration Perf Rights	Vested Perf Rights	Net Change Other	30 Jun 12 Perf Rights
Directors					
G Roberts	1,212,642	1,636,249	-	(193,970)	**2,654,921**
Executives					
F Lupoi	596,019	805,538	-	(95,006)	**1,306,551**
D Mackle	218,752	346,130	-	(34,836)	**530,046**
D Wright (resigned 18 November 2011)	188,499	284,456	-	(472,955)	**-**
B Smith	91,828	217,118	-	-	**308,946**
A Cannon (resigned 28 February 2012)	150,512	205,790	-	(356,302)	**-**
R Doveton	138,714	183,606	-	(23,086)	**299,234**
M Brokenshire	150,984	202,014	-	(24,583)	**328,415**
	2,747,950	**3,880,901**	**-**	**(1,200,738)**	**5,428,113**

None of the performance rights are exercisable until 1 July 2012.

Compensation performance rights – granted and issued during the year ended 30 June 2011

	1 Jul 10 Perf Rights	Granted as remuneration Perf Rights	Vested Perf Rights	Net Change Other	30 Jun 11 Perf Rights
Directors					
G Roberts	485,362	824,703	(97,423)	-	1,212,642
Executives					
F Lupoi	190,011	406,008	-	-	596,019
D Mackle	69,671	149,081	-	-	218,752
D Wright	56,819	143,371	(11,691)	-	188,499
B Smith	-	91,828	-		91,828
A Cannon	59,130	103,722	(12,340)	-	150,512
R Doveton	58,416	92,541	(12,243)	-	138,714
M Brokenshire	61,830	101,819	(12,665)	-	150,984
	981,239	1,913,073	(146,362)	-	2,747,950

NOTE 31: KEY MANAGEMENT PERSONNEL (CONTINUED)

(d) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2012

	Balance at 1 July 11	Acquired / (sold) during the year	Balance at 30 June 12 or at cessation of employment
Directors*			
D Trebeck	715,989	-	715,989
A Fletcher	168,349	-	168,349
J Hirst	87,608	-	87,608
B Gibson (resigned 31 August 2012)	62,931	-	62,931
D Groves (resigned 23 March 2012)	1,195,028	-	1,195,028
Executives*			
G Roberts	105,063	-	105,063
F Lupoi	26,850	-	26,850
D Mackle	-	-	-
D Wright (resigned 18 November 2011)	12,391	-	12,391
B Smith	-	-	-
A Cannon (resigned 28 February 2012)	38,407	-	38,407
R Doveton	86,540	-	86,540
M Brokenshire	24,984	-	24,984

* Includes direct, indirect and related party

30 June 2011

	Balance at 1 July 10	Acquired / (sold) during the year	Balance at 30 June 11 or at cessation of employment
Directors*			
D Trebeck	415,989	300,000	715,989
A Fletcher	118,349	50,000	168,349
J Hirst	37,608	50,000	87,608
B Gibson	62,931	–	62,931
D Groves (appointed 20 December 2010)	1,095,028^	100,000	1,195,028
Executives*			
G Roberts	7,640	97,423	105,063
F Lupoi	26,850	–	26,850
D Mackle	–	–	–
D Wright	700	11,691	12,391
B Smith	–	–	–
A Cannon	26,067	12,340	38,407
R Doveton	74,790	11,750	86,540
M Brokenshire	12,550	12,434	24,984

* Includes direct, indirect and related party
^ Balance at date of appointment 20 December 2010

NOTE 32: PARENT ENTITY INFORMATION

	2012 $000	2011 $000
Current assets	568	891
Non-current assets	78,148	76,489
Total assets	78,752	77,380
Current liabilities	(162)	(267)
Total liabilities	(162)	(267)
Net assets	78,590	77,113
Issued capital	80,162	80,162
Cashflow hedge reserve	(80)	437
Share based payments reserve	294	189
Retained earnings	(1,786)	(3,675)
Total Shareholder's equity	78,590	77,113
Profit or (loss) of the Parent entity	(2,396)	4,032
Total other comprehensive income/(loss) of the parent entity	(517)	1,523
	(2,913)	5,555

For details of guarantees entered into by the parent entity in relation to its subsidiaries refer to Note 29.

NOTE 33: EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant events after the balance date.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Penrice Soda Holdings Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the Financial Statements and notes also comply with International Reporting Standards as disclosed in Note 2.

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2012.

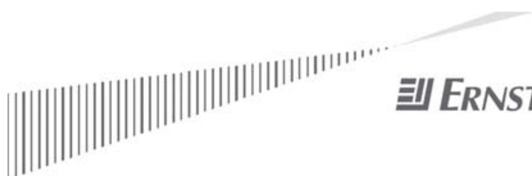
On behalf of the Board

David B. Trebeck
Chairman

Guy R. Roberts
Managing Director & Chief Executive Officer

Adelaide, 28 September 2012

INDEPENDENT AUDITOR'S REPORT



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Independent auditor's report to the members of Penrice Soda Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Penrice Soda Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Auditor's Opinion

In our opinion:

a. the financial report of Penrice Soda Holdings Limited is in accordance with the Corporations Act 2001, including:

Auditor's Opinion

In our opinion:

i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 29 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

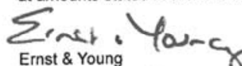
In our opinion, the Remuneration Report of Penrice Soda Holdings Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Uncertainty Regarding Going Concern

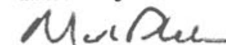
As set out in Note 2, the Group continued to incur trading losses and cash outflows from operations. Subsequent to year end, trading conditions remain difficult and below expectations. This continues to place pressure on financial resources, and ongoing lender support is required. Subsequent to year end, additional funding support has been required. At the date of this report, further funding has been negotiated, but remains subject to documentation. The Group's revised financing arrangement, as negotiated by its financiers prior to 30 June 2012 and executed on 3 August 2012, also includes requirements to meet certain covenants, tested on a quarterly basis. Any significant deterioration from current expectations may compromise compliance with these covenants.

The Group has previously announced a strategic review program, with a dual view of improving the operating performance of the Group and deleveraging to return the group to more normal gearing ratios. The strategic review is ongoing and includes the possible sale of the quarry and mine operations and associated deleveraging. Successful implementation of the strategic review and restoring the Group's financial position to a longer term sustainable debt profile is critical to the ability of the Group to continue as a going concern.

As a result of the issues set out above, there is material uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.



Ernst & Young



Mark Phelps
Partner
Adelaide
28 September 2012

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under Professional Standards Legislation

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules not disclosed elsewhere in this report is set out below. The information is current at 4 September 2012.

DISTRIBUTION OF EQUITY SECURITY HOLDERS

Ordinary share capital

- 91,361,523 fully paid ordinary shares are held by 3,211 shareholders
- All issued ordinary shares carry one vote per share and carry the rights to dividends

The number of shareholders, by size of holding, in each class is:

1 to 1,000	429
1,001 to 5,000	970
5,001 to 10,000	583
10,001 to 100,000	1,093
100,001 and Over	136
Total	**3,211**

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,562.

SUBSTANTIAL SHAREHOLDERS

By way of notice dated 23 February 2012 London City Equities Limited and its related parties and bodies corporate together, as a substantial shareholder, gave notification of it ceasing to be a substantial shareholder.

ON MARKET BUY BACK

There is no current on market buy back.

TWENTY LARGEST HOLDERS OF QUOTED SECURITIES AS AT 4 SEPTEMBER 2012

Ordinary Shareholders	Number of ordinary shares held	Percentage of capital held
HSBC Custody Nominees (Australia) Limited	4,946,378	5.41%
London City Equities Limited	3,233,138	3.54%
Mr Victor John Plummer	2,500,000	2.74%
Brian Gregory Wright & Wendy Joy Wright	2,461,000	2.69%
Phillip Securities Pte Ltd	1,846,526	2.02%
ABN Amro Clearing Sydney Nominees Pty Ltd	1,733,031	1.90%
Ms Patricia Gladys Wright	1,487,500	1.63%
Abeille Investments Pty Limited	1,401,153	1.53%
Mr Ian David Forrest & Mrs James Gareth Forrest	900,000	0.99%
Mr Dirk Keizer & Mrs Lena Keizer	820,000	0.90%
Citicorp Nominees Pty Limited	765,999	0.84%
Mrs Diana Jeannette Trebeck & Mr David Bruce Trebeck	715,989	0.78%
Mr Ian David Forrest	650,000	0.71%
Abeille Investments Pty Ltd	629,268	0.69%
Winpar Holdings Limited	600,000	0.66%
Mr Alistair Peter Wright	590,597	0.65%
Lakemba Pty Ltd	514,261	0.56%
Nandi Holdings (Cootamundra) Pty Ltd	500,000	0.55%
Mr David John Nancarrow	500,000	0.55%
Neil Douglas Waites	470,000	0.51%
Big Red LLC	461,732	0.51%
Total	**27,726,572**	**30.35%**

FINANCIAL HISTORY

Year Ended ($ Million unless otherwise stated)	June 2012	June 2011	June 2010	June 2009	June 2008
Profit and Loss					
Sales revenue	149.4	152.9	160.4	162.3	135.1
Normalised earnings before interest, tax, depreciation and amortisation *	11.0	15.7	23.3	27.0	19.8
Depreciation, amortisation	(10.2)	(9.6)	(8.8)	(7.4)	(5.5)
Normalised earnings before interest and tax *	0.8	6.1	14.5	19.6	14.3
Net interest expense	(10.3)	(8.7)	(8.2)	(8.6)	(5.9)
Normalised net profit before tax*	(9.5)	(2.6)	6.3	11.0	8.4
Tax Expense*	2.8	1.2	(1.0)	(2.0)	(1.8)
Normalised net profit after tax*	(6.7)	(1.4)	5.3	9.0	6.6
After tax unrealised gain/(loss) on hedges	-	-	1.0	(1.9)	0.7
After tax significant items	(56.9)	(24.8)	-	-	-
Net profit after tax	(63.6)	(26.2)	6.3	7.1	7.3
Group Balance Sheet					
Cash	3.0	5.2	5.4	0.7	4.3
Trade and other receivables	18.3	16.7	22.0	24.7	19.0
Current Inventories**	25.9	26.1	63.0	56.0	38.4
Other current assets	1.1	3.4	0.7	3.0	3.7
Non-Current Inventories**	19.3	24.9	-	-	-
Property, plant and equipment	69.6	99.4	94.6	92.8	77.1
Intangibles	2.3	8.9	20.9	18.1	18.8
Deferred tax assets	-	10.7	3.8	3.5	3.6
Other non-current assets	-	-	-	-	0.5
Total assets	139.5	195.3	210.4	198.8	165.4
Current borrowings	8.7	10.7	2.6	2.7	1.6
Trade and other payables	29.6	29.8	29.2	32.9	24.9
Tax payable	-	-	-	1.2	2.0
Other current liabilities	5.9	5.8	6.6	5.7	4.2
Non-current borrowings	87.9	70.0	69.9	84.6	74.0
Deferred tax liabilities	-	8.1	6.9	8.3	9.0
Other non current liabilities	5.7	3.1	2.2	1.9	1.5
Total liabilities	137.8	127.5	117.4	137.3	117.2
Net assets	1.7	67.8	93.0	61.5	48.2
Contributed equity	80.2	80.2	80.1	53.6	44.3
Retained profits / other	(78.5)	(12.4)	12.9	7.9	3.8
Total shareholders funds	1.7	67.8	93.0	61.5	48.2
Share information					
Return on shareholders' funds (%)	-	-	6.8%	13.0%	15.5%
Normalised earnings per share (cents)*	(7.3)	(1.5)	6.6	18.1	14.6
Statutory earnings per share (cents)***	(69.6)	(28.7)	7.8	12.9	16.1
Total dividend per share (cents)	Nil	Nil	Nil	Nil	10.5
Interim dividend per share (cents)	Nil	Nil	Nil	Nil	5.0
Final dividend per share (cents)	Nil	Nil	Nil	Nil	5.5
Other information					
Gearing [net debt / (net debt+equity)]	98%	53%	42%	59%	59%
Interest cover [EBITDA* / net interest} times	1.1	1.8	2.8	3.1	3.4

* excludes unrealised hedge losses/gains, significant items.

** mine inventory classification changed in FY2012 whereby portion of aggregate and landfill not expected to be realised within next 12 months classified as non-current. Prior year FY2011 restated.

*** restated EPS for FY09 due to rights issues during FY10.

ASX ADDITIONAL INFORMATION

PENRICE SODA HOLDINGS LIMITED
ABN 83 109 193 419

DIRECTORS
D.B. Trebeck (Chairman)
G.R. Roberts (Managing Director & Chief Executive Officer)
A.V. Fletcher
J.W.A. Hirst

GROUP SECRETARY
M.A. Brokenshire

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

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 publicly listed group limited by shares.