30 October 2012

Chairman's Address to Annual General Meeting Penrice Soda Holdings Ltd, 30 October 2012

Last week I received some feedback from a shareholder along the following lines:

> "Why would any thinking shareholder support the re-election of any of the company's directors who have overseen a share price that has dropped from over $1.70 to $0.05 in a relatively short space of time? Other companies have weathered the GFC without their share price imploding. Over the past four years we have heard a series of excuses for poor performance and promises of 'next year it will be better'. In fact each year has been worse than the preceding year."

I replied with some explanation. Setting aside factual quibbles – such as the impact of capital raisings on the share price comparison, the fact that the share price was last at $1.70 well before the GFC (and indeed before I joined the board in October 2007), or that many companies (especially manufacturers) have indeed failed, or their share prices have imploded, following the GFC – I will in the course of this address seek to respond comprehensively to this proposition.

Shareholder frustrations acknowledged

In my chairman's statement in the 2012 annual report, I tried to be transparent in describing the situation confronting Penrice and our plans to redress it. I was clearly not successful in convincing the shareholder whom I have just quoted, and, judging by their voting intentions, some other shareholders as well.

Therefore I will elaborate those arguments in the hope that our shareholders will at least give us credit for understanding the business and acknowledge that we are trying as hard as we can to improve the position. I would be extremely disappointed if some shareholders are merely indulging in a simplistic 'shoot the messenger' response. I can understand the frustration, but I cannot accept that this is the appropriate way to improve matters.
It goes without saying that the directors and the company's senior managers are extremely disappointed with the company's recent performance, especially in 2012. We have incurred operating losses, exclusively in the soda ash business, and in turn have had to impair the balance sheet to the point where net equity, taking into account debt, has reduced to a low level.

Future can be optimistic – reflecting three sound business units

Nevertheless, we – directors and management – continue to have faith in the company and its future prospects. We do so genuinely, with increasing confidence that improved performance will become apparent. I accept that the shareholder quoted above will say that I have been making similar claims for several years. Regardless, this remains my view of the future.
Not only that, our banks, who are privy to all the company's monthly reports, future projections and board papers, have continued to support us, recently extending our term debt facility until 2017.

The reason is clear: Penrice has three businesses – the sodium bicarbonate business, the innovative company-developed technology for removing salts from coal seam gas water streams (which we call our 'selective salt recovery' technology), and the quarry, where present performance is sound and future prospects are encouraging.

The overwhelming problem confronting the company is its traditional soda ash manufacturing business, to which I will return shortly.

First, back to the banks. The banks continue to support the company, in the face of rising debt levels and unsatisfactory trading results, because they understand that the three sources of future potential are real and are substantial. They also recognise that the best team to keep the company operating is the incumbent management team who, better than anyone else, understand the company, its operations and its customers.

We have been operating with negative cash flow for some time and it has indeed been challenging. I do not suggest that the banks are happy with our performance: like everyone else, they are not. But, they are realistic and balanced in their judgements. Their continued support is appreciated – and is valuable to shareholders.

The **sodium bicarbonate** business is operating at nameplate capacity and achieving hurdle rates of return on a fully cost allocated basis. We produce a quality product that is much more than a price-driven commodity. We export to around 30 mainly Asian countries, with these exports accounting for 70% of output. We have been able to adjust export prices to offset exchange rate related changes.

We have evaluated a series of capital expenditure proposals that could expand the plant by around 25%, with attractive paybacks sufficient to improve the overall performance of the bicarb business. We cannot commit to these projects at present because of broader financial constraints. This business appears profitable for the foreseeable future.

The **SSR technology**, which we are endeavouring to commercialise with our JV partner, GE Power and Water, has advanced significantly during the 2012 year. The pilot plant that has been built at our Osborne chemicals location has performed in line with expectations, producing soda ash, sodium bicarbonate and salt for commercial sale from coal seam gas water derived from the Queensland fields. In doing so, it made a material positive contribution to the company's financial results for 2012. Other coal seam gas producers are also showing interest in assessing our technology, with one major company having commissioned a similar trial.
We understand that the Penrice/GE consortium is being seriously evaluated by the CSG producers in Queensland. We have been told by them that a contract for the construction and operation of a commercial plant should be signed by around mid 2013, with construction to commence shortly thereafter. Prior to that, we would expect to know whether our consortium is the preferred bidder.

Needless to say, we are keen to progress to this next phase of the project given our confidence that success will be transformative for Penrice. Shareholders should be deeply appreciative of the dedicated work of Penrice executives who have developed this innovative technology over the past six years or so.

The **quarry** at Angaston has been, as shareholders would be aware, under consideration for sale as part of the strategic review announced last year. This review process continues. We did receive some bids for the asset, but they were insufficient to warrant a transaction. The 'once in a generation' downturn in the South Australian construction sector, as it has been described, has undoubtedly influenced short term valuations, in which the deferral of the Olympic Dam expansion project has been a major component.

Meanwhile, the renewed mine plan, developed as part of the strategic review, has confirmed a future mine life of at least 25 years, and has provided insights that are already enabling us to reduce costs and improve extraction efficiency. We have also negotiated improved quantities, prices and contract duration for several external customers of the mine, having the confidence to do so on the back of the mine planning work.

In summary, the quarry business remains profitable, as costs have been adjusted in line with reduced short-term demand. More importantly, it has steadily improved its cash flow generation over the past five years, including 2012, from around -$2.5 million to +$3 million. It remains well placed to benefit from the cyclical upturn in demand when that occurs.

Finally, in relation to the strategic review, we did bring the possibility of acquiring the entire company to the attention of a number of businesses in Australia and overseas. This was consistent with a statement I made to last year's AGM that all options were on the table. We thought an owner with a deeper balance sheet may be better placed to negotiate the commodity and other cycles that exist. Nothing of sufficient attractiveness has yet been received which warrants consideration by the board.

The soda ash plant and its challenges

This brings me to the soda ash plant, which has produced inadequate profitability and cash flow for several years. We have, of course, analysed the underlying factors at work closely and continually.

Plant reliability has continued to be a problem. While improvements have been made, deferred maintenance from the time when the company was owned by private equity remains a legacy, although I accept shareholders will have little sympathy for this explanation being reiterated several years down the track.

The high exchange rate has hurt us directly and indirectly and continues to do so. Directly, the import parity price in Australian dollars against which our prices (adjusted for distribution and logistics costs) can be compared, has been falling, resulting in imported ash becoming more competitive – or, limiting our capacity to recover cost increases via price adjustments.

However, it is the indirect impact on soda ash demand that has been most damaging, especially as this has been increasing over time. The major customers of the soda ash business are the glass companies, with packaged glass the major segment. Their customers are principally the brewers – who have been facing static demand for some time in common with brewers in many developed economies – and winemakers. By their actions some of the larger winemakers seem to think it is sound business to export their product in bulk for bottling at a cheaper price overseas.

While I understand the acute retail price pressures they face in overseas markets such as the United Kingdom, I struggle with the concept of bulk wine exports being compatible with the quality oriented value proposition long promoted by the Australian wine industry. But it is now a reality and may not be reversed even if the dollar were to fall back in value somewhat. Along with more empty bottles being imported and more wine being imported in bottles – both partly in response to exchange rate movements – it is contributing to reduced demand for the products of our glass customers.

The soda ash business's second largest customer segment historically – the detergent industry – is even further down the path of reduced demand due to declining international competitiveness. The decision by two of our three detergent customers to relocate their operations overseas is probably a permanent shift, which a retraction of recent exchange rate movements may not reverse.

Where the problems of the soda ash business become acute is considering its high fixed cost component. We cannot easily turn the plant down several notches as demand weakens, as we have been able to do at the quarry given its higher percentage of variable costs. Instead, we are forced to run the plant as fully as possible, selling any 'surplus' product to more marginal markets. In turn this exacerbates the overall profitability and cash flow challenge.

Shareholders will undoubtedly say: OK we understand all this, what are you doing to correct or offset it?

As the managing director will demonstrate shortly, there is a positive message to emerge from the 2012 results. In terms of factors within the company's control, the chemicals business generated an additional $7 million of EBITDA from price adjustments, just over $2 million from the SSR pilot plant, and over $1 million from other cost reductions, mainly labour costs. Unfortunately these were completely offset by reduced sales volumes due to pressures affecting our major customers, plus another $2 million in higher coke prices. The message is that management is being proactive in controlling those factors within its capacity to influence. It is very frustrating that management receives little or no net improvement for their considerable efforts.

Nevertheless, the board and management are committed to continuing this process of cost reduction and productivity improvement as the soda ash business progressively restructures in line with changes to its market demand.

Government policy unhelpful to Penrice

The challenge we face is a microcosm of that facing the wider Australian manufacturing sector as it grapples with the adjustment pressures being wrought by the success of mineral and energy expansion. As I stated in the annual report, companies do not need pontificating lectures from politicians or policy experts on the need to lift productivity and to adjust to market shifts. We know what is needed because we face this pressure day in and day out at the coal face. Also in the annual report, I commented on several areas where government policy decisions have actually been making life more difficult for Penrice – contrary to what would have been expected from Governments keen to encourage important sectors and businesses within their economies. Contrary to how Penrice has been treated, it is frustrating to observe how ready Governments have been to prop up the automotive or steel manufacturers. Indeed the more those sectors are insulated from adjustment pressure, the more the burden of adjustment falls on everyone else.

In the annual report I cited recent changes by the Commonwealth to coastal shipping arrangements, in response to pressure from the Maritime Union. I also mentioned the most recent adjustment to the carbon tax – linking future changes to the European Union's scheme. In the new era of the Asian Century, this change seems truly bizarre.

More specifically and closer to home, I referred to the South Australian Government's ill-thought out decision to upgrade the Gawler rail line without any consideration being given to its impact on Penrice. The direct and indirect cost from this 7 month disruption to our business was around $5 million, a major reason why our performance last year was so dire.

We have made several considered and I believe responsible approaches to the Government for recompense for this decision. We receive feedback that our representations are receiving high level consideration, but nothing tangible emerges. Indeed, we just hear silence.

I would welcome support for these approaches from our frustrated shareholders or employees. I regard the absence of an effective response by the Government as completely unacceptable, as it conveys the unavoidable inference that the future of such an important and venerable South Australian company as Penrice is of little concern for the Government, despite for example its recent success in developing the highly innovative SSR technology described earlier.

The business of this AGM

I would now like to comment on the business of this AGM – principally the re-election of John Hirst as a director, and the adoption of the remuneration report. It is clear that some shareholders have sufficiently lost patience with us that they intend to vote against any and every resolution almost without further thought.

As I have said, I understand the extent and depth of shareholders' frustrations, but all actions have consequences. I hope that in making their decisions, shareholders are confident that the consequences of their decisions are positive. Otherwise it might be a case of 'be careful what you wish for'.

In the case of John Hirst, I must say that he is a most valuable director and colleague. His vast experience as a former managing director of a large and successful international chemical company, his ability to identify and focus on the important aspects of strategy, and his forensic skills to interrogate the detail of proposals when necessary, are valuable attributes of board deliberations and are valuable to management. Without hesitation, I advocate his re-election as a director of the company.

At last year's AGM the resolution for the adoption of the remuneration report failed to achieve the 75% support required. Accordingly, that constituted a 'first strike' under the so-called two strikes policy. If the same resolution again fails to achieve a 75% support today, then a consequential resolution is to be considered. If that further resolution is carried, it would require the convening of an extraordinary general meeting within 90 days at which the position of all non executive directors would be considered.

It is worth recalling that the remuneration report adoption process was implemented to provide shareholders with greater power to restrain what might be considered to be excessive remuneration arrangements, principally for senior executives.

Following last year's vote, John Hirst, as chairman of the Remuneration Committee, and I communicated with the company's larger shareholders to ascertain what thinking lay behind the vote, given that specific arguments had not been provided at the AGM or in any representations to the company. I regret that we received little constructive response or suggestions from this endeavour.

As a result, I have concluded that any vote against the remuneration report is analogous to a lightning rod to which all shareholder disaffection can be directed regardless of its nature, rather than reflecting concerns with excessive remuneration of the type for which the two strikes policy was enacted.

As to some specifics of remuneration, members of the senior executive team have received no increases to their base salaries (apart from role changes or promotions) for more than two years.

The remuneration report in the annual report states that executives are eligible for both short and long term incentive payments subject to specific hurdles being achieved. I should emphasise that Penrice's senior executives have a substantial amount of their total potential remuneration at risk, as described on p21 of the annual report.

The STI provides for cash incentives which are linked to a range of targets, predominantly financial. For the 2012 year, partial STI payments were made in response to the achievement of some of the components, such as negotiating price adjustments in the relevant product markets, labour cost reductions and improved efficiencies, and in the case of Roy Doveton, the successful installation and operation of the SSR pilot plant. The STI component for overall financial results was not achieved.

Because of the company's financial performance, no LTI payments have been made for several years, which given it has an equity component, also means that executives have forfeited the opportunity to be granted shares in the company. Shareholders who are critical of executives for not having 'sufficient skin in the game' should acknowledge this consequence of the LTI scheme not vesting performance rights.

The board needs to maintain a balance of motivating and retaining our key management personnel, with shareholder expectations for remuneration. It is the board's considered view that maintaining momentum and consistency as far as possible with the existing management team is in the best interests of shareholders. We are dealing with well qualified and experienced professionals who are mobile and in demand.

It has been tough at Penrice for a considerable time, and it is draining for senior executives to continue in this mode for several years. Our team remains committed to securing a turnaround, in large part with no change to base remuneration and frequently with added responsibilities. The size of the executive team – and its cost – has reduced over the past two years. The board set specific and challenging cost and pricing targets for the 2012 year, and was comfortable paying STI's to the extent that those targets were achieved.

As for non executive directors, the level of directors' fees has remained unchanged. Total directors' fees paid have reduced in line with the reduced number of directors over the past couple of years, despite an increased workload.

The decision of whether to adopt the remuneration report, and if not, whether to seek an EGM in order to consider the position of all non executive directors, is for shareholders to make. That is part of the commercial democracy under which we operate.

Naturally, I advocate the adoption of the remuneration report, for the various reasons given above and in the annual report. In part I do so because of potential risks to the stability of the company which an alternative course of action may unleash. This is more important than the cost, inconvenience and distraction of the process, which nevertheless is also a relevant consideration.

Conclusion

While I am not proud of Penrice's financial performance during the 2012 year, I am proud of the diligence and efforts made by its senior executives and indeed the entire workforce, from the CEO down. Two examples of many are indicative – an improved safety performance to a level never previously achieved, and the work performed to secure the successful SSR pilot plant construction and operation.

I look forward to tangible results emerging from the various assessments currently underway within the company designed to redress the competitiveness challenges facing us. I look forward particularly to improved financial performance from the company that can begin to justify the trust which has been shown by our loyal group of shareholders over a considerable period of time.

We will soon know the results of the shareholder voting on the resolutions before this meeting. There has been considerable pre-meeting voting by proxy. If it is the decision of shareholders not to adopt the remuneration report and then to proceed to an EGM to consider the position of all non executive directors, so be it.

Shareholders may be assured that in that event I will take every opportunity to explain why a decision to spill existing directors will be disadvantageous for the company and therefore its shareholders.

We have already successfully withstood one attempt, through an EGM, to remove two directors, while another threat to convene an EGM for similar purposes was withdrawn following last year's decisive vote for the re-election of directors. The future of Penrice is too important to be decided by frustrations over past performance that do not adequately reflect future opportunities and realities. This is the challenge we face in communicating openly with our shareholders, and I am confident in their common sense to judge the position correctly when provided with the facts.

I now hand over to the company's managing director and CEO, Guy Roberts, and invite him to speak to his report.

Thank you for your attention.

David Trebeck
Chairman
30 October 2012.

Penrice Soda Holdings

2012 Annual General Meeting

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2012 Annual General Meeting

Guy Roberts, MD & CEO

30 October 2012

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Contents

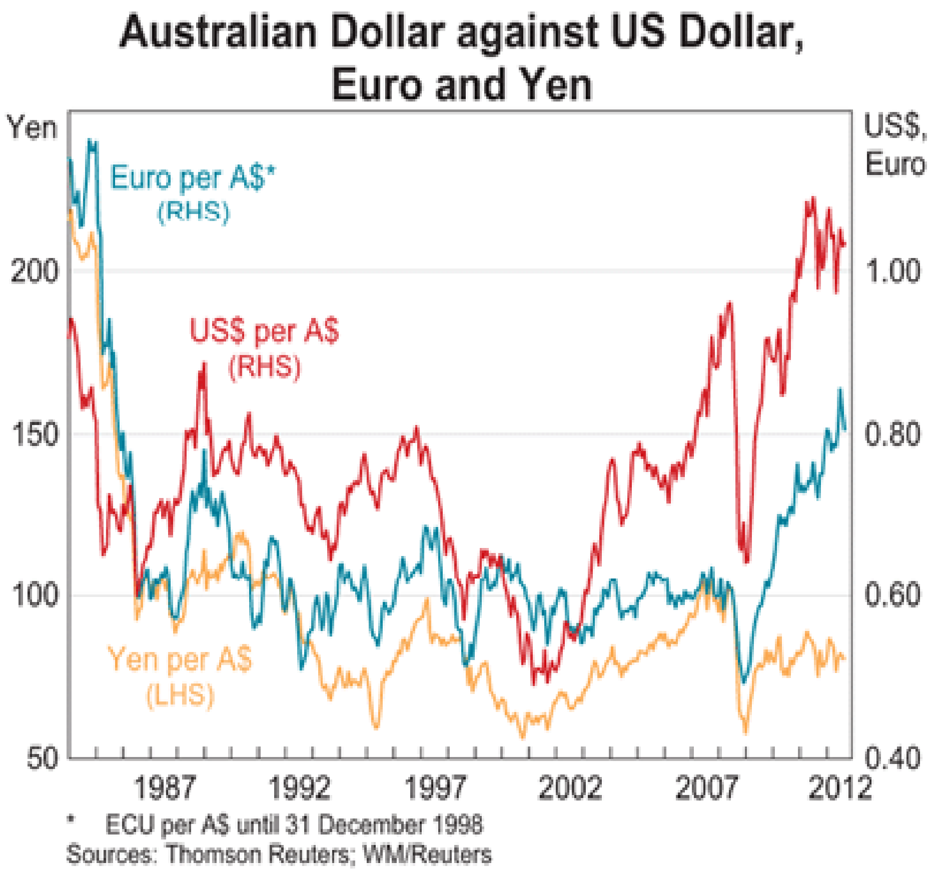
FY2012 overview

- ✘ Statutory loss of $63.6M, including mainly charges of $45.3M, which reflect outlook for continuing tough trading conditions for the soda ash business with Australian manufacturing customers and for the quarry business in SA construction sector
- ✘ Normalised profit (EBITDA) of $11.0M, down 30% in tough trading conditions for soda ash and the quarry businesses
- ✘ No dividend declared while cash flow negative
- ✓ Continued profitable growth in sodium bicarbonate in Asian markets
- ✓ New Selective Salts Recovery business earns maiden EBIT of $2.1M
- ✓ Maximum available carbon tax assistance obtained and liability reduced by 94.5% with Energy Intensive Trade Exposed (EITE) status
- ✓ Strategic review launched to improve earnings, reduce gearing
- ✓ Term debt facility extended to 2017 with interest postponed

…results reflect tough trading conditions

FY2012 in review

Chemicals

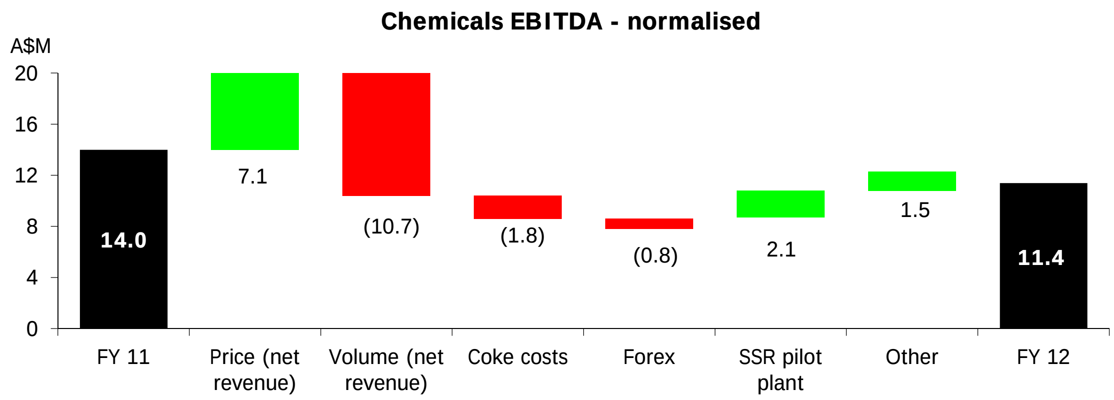


- Unprecedented strength in AUD against USD – up 3% in FY2012 against FY2011
- Hurting all Australian manufacturers alike, especially Penrice customers in glass, detergents, aluminium
- Reduction in FY2012 earnings versus USD 5 year average of $0.80c is approximately $15M
    - Export revenue down $8M
    - Domestic customer pricing and demand down $7M

…results reflect unprecedented strength of AUD

FY2012 in review

Chemicals



- ✗ Soda ash revenue down due to falling demand from AUD$ impact on glass, detergent, aluminium customers, including 3 glass plant closures (Owens-Illinois) and 2 detergent plant closures (PZ Cussons, Reckitts)
- ✗ Fuel costs spiked with Hard Coking Coal up, now down 30% off peak
- ✓ Price increases in domestic and export, export revenues up 11%
- ✓ SSR business contributes profit of $2.1M with growth potential
- ✓ Fixed costs held at FY2011 level by workforce cost reductions of $2.0M

…"self help" upside of $10.7M offset by demand decline

FY2012 in review

Soda ash

- Sales volumes down 14% reflecting impact of high AUD –
  - downturn in glass, with less beer consumption, less bottled wine exports and increased imported bottles
  - downturn in detergents with increased imported dergents
- higher coke fuel prices ($1.8M) at double 5 year average
- ✓ New one year supply contract with export mining customer
- ✓ Price increases throughout domestic and exports market of $7.1M
- ✓ Labour cost reduction of $2.0M
- ✓ Plant performance improved with 2 kilns relined

...soda ash makes loss requiring action

FY2012 in review

Sodium bicarbonate

- ✓ Export net revenues increased strongly (11%) despite appreciation of AUD on higher prices and more profitable customer mix towards food and pharmaceutical customers
- ✓ Business now recovered in price increases and better customer mix in excess of the 30% plus appreciation of the AUD over the last 3 years
- ✓ All quality accreditations maintained for production and packaging plant
- ✓ Production and packaging plant is operating at in excess of nameplate capacity and can be expanded further, however more capital is required

...successful, profitable business with growth potential

FY2012 in review

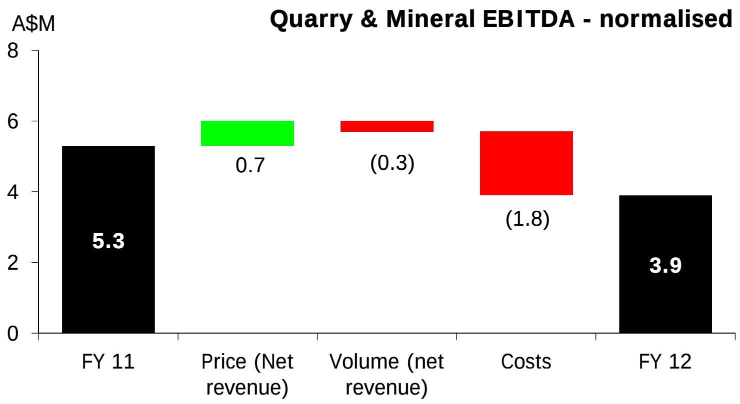
Selective Salts Recovery (SSR)

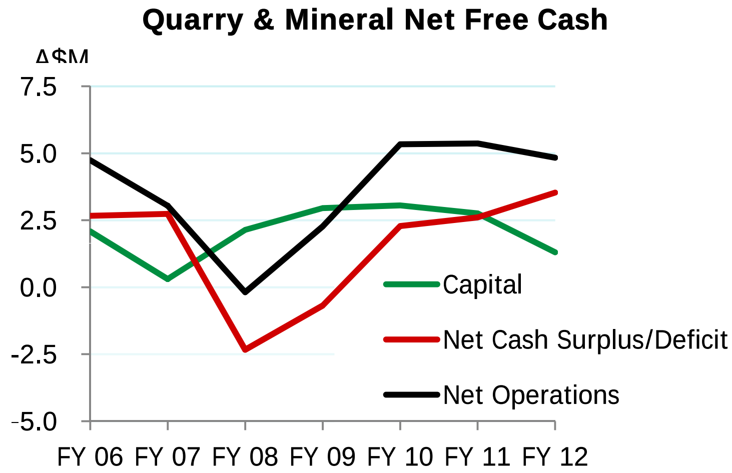
- ✓ Penrice in a Consortium with GE Power and Water, a leading global technology and equipment vendor in water treatment
- ✓ Built and operated a large scale pilot plant for QGC demonstrating Penrice's unique SSR technology
- ✓ SSR technology was proved and made sodium carbonate, sodium bicarbonate and salt from coal seam gas (CSG) water
- ✓ Several trials for other CSG players
- ✓ SSR now profitable on standalone basis at $2.1M EBIT and cash

…SSR now proved and profitable

FY2012 in review

Quarry & Mineral

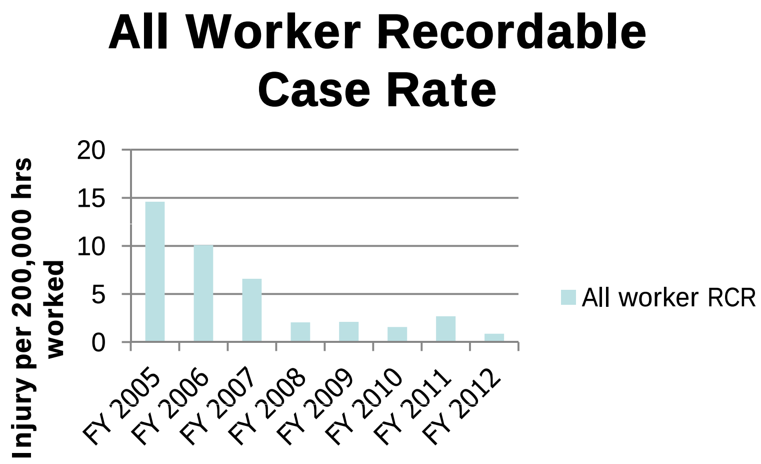




- ✓ Net sales revenue increased, despite onset of a severe building and construction sector downturn, worst in 25 years
- ✓ Sales of industrial minerals up and market share gained in civil products, albeit at reduced margins reflecting increased competition
- ✓ New Reserves Statement demonstrates 25 year economic mine life
- ✓ Underlying cash improved by $0.9M to $3.5M, excluding drilling campaign
- ✗ Higher extraction costs, mainly equipment financing costs

FY2012 in review

Safety



- ✓ Recordable case rate in FY12 reduced to 0.91, lowest ever
- ✓ More active engagement of all staff and contractors
- ✓ New systems & procedures

Sustainability

- ✗ Energy use per tonne of product increased, reflecting rail closure impact on production output
- ✓ Water consumption up but still at 20% of 2005 levels
- ✓ Waste & environmental licence targets met
- ✓ Carbon tax liability reduced by 94.5% with EITE status

… lowest injury rate ever

Market update & outlook

Chemicals

- ✗ Demand for soda ash remains at historically lower levels on continuing weakness in glass manufacturing and construction sectors
- ✗ Continued overall negative influence on soda ash earnings from strong AUD, with increased import competition
- ✓ Contracted price increases for soda ash and sodium bicarbonate
- ✓ Continuing strong export demand for sodium bicarbonate
- ✓ Lower soda ash production costs with reduced coke fuel prices
- ✓ Calsilt recycling trials at Gillman site progressing well, with calsilt being demonstrated as a suitable landfill blend under EPA approvals

…mixed conditions, soda ash demand very weak and for sodium bicarbonate strong demand

Market update & outlook

Quarry & Mineral

- ✘ Demand for quarry products from SA construction sector is well down and likely to remain weak – outlook is uncertain
- ✓ Successfully supplying Urban Superway JV for South Road Superway, largest road project in SA
- ✓ Other industrial market segments on track
- ✓ New mine plan on back of new Reserves Statement improves extraction efficiencies and lowers costs of extraction
- ✓ Business is profitable with much improved cash performance over 5 year average and is well positioned for construction activity recovery

...well planned, efficient mine weathering the downturn well

Market update & outlook

Balance sheet

- ✗ Further drawdown of working capital facilities in FY2012 to accommodate trading losses and unplanned Gawler rail line closure costs and production impacts on soda ash plant of $5M
- ✗ SA government unprepared to assist Penrice with rail line closure costs and a further submission has been made, awaiting response
- ✓ Banking syndicate continues to support the company with a new 5 year term debt facility, with the flexibility to postpone interest payments in recognition of tough trading conditions

Cash Flow

- Trading losses continue, with soda ash loss making. Sodium bicarbonate and SSR both profitable
- Forecast for H1 is to achieve cash breakeven, which is subject to no further deterioration in trading conditions

...continued support of banking syndicate

Strategic review

- Objective is to reduce term **debt** and improve **earnings** performance
- **Debt** reduction by planned sale of Quarry & Mineral business continues albeit at a slower pace reflecting generally difficult economic conditions and national construction sector downturn
- Interest was solicited from potential buyers for the whole company from within Australia and overseas. Limited interest given difficult economic circumstances and no offers materialised.
- Other options are being developed and progressed to reduce debt
- **Earnings** improvements implemented in FY2012 -
  - Price increases above contracts produced $2M EBIT FY2012
  - Labour cost cuts produced $2M EBIT FY2012
  - Lower coke costs, saving $1M H2FY2012
  - New Reserves Statement and Mine Plan supporting 25 year economic mine life and improved efficiency

...focus on improving earnings, deleveraging

Strategic review

Developed a new **Penrice Growth Plan** based on are -

✓ **Maintaining market leadership** (delivers better returns)

- Number One supplier of soda ash in Australia
- Number One supplier of sodium bicarbonate in Australia and leading supplier in Asia
- Number Two supplier of quarry products in SA

✓ **Growing close to our core** (minimises execution risks) and **leveraging our innovative technology** (delivers better margins)

- SSR technology

...focus on cash generating opportunities

Strategic review

Penrice Growth Plan – Quarry & Mineral

✓ **Quarry & Mineral** business is profitable and in Angaston mine, it has a valuable long life economic asset, has greatly improved efficiency and cash generation and with a new mine plan will continue to do so. It is leveraged to the recovery in construction

- Three new strategies –
  - **Organic growth** in sales in all four growing markets, limesand for lime, limesand for other industrial uses, aggregates for concrete, civil products for roads and subdivisions
  - **Reduce costs** of production and raise productivity
  - **Reduce landfill extraction** now set at 500,000 tonnes pa maximum for the life of new 25 year mine plan

...focus on capital-light, organic growth

Strategic review

Penrice Growth Plan - Chemicals

- **Soda Ash** business is not sufficiently profitable and requires fixing
- In the short term –
  - Contracted price increases will improve profitability
  - Plant operating better with two recent kiln relines
  - Coke cost savings from reduction in HCC will reduce fuel costs
- **Restructure options** are being developed to investigate more profitable ways to operate in Australia in the medium term
  - Restructuring supply contracts
  - Restructuring supply chain
  - Leveraging cheaper soda ash imports
  - De-rating the soda ash plant to match declining demand
  - Productivity gains, improving on $3M improvement in FY2012

...focus on restructuring of soda ash

Strategic review

Penrice Growth Plan - Chemicals

✓ **Sodium Bicarbonate** business in FY2012 generates profits with further potential, earning the right to grow

- In the short term, **grow margins** in Asian export markets by shifting sales mix to higher priced markets
- Longer term, **3 phase expansion** of sodium bicarbonate plant of 25,000 tonnes to 125,000 tonnes pa over 2 year period expected to deliver $4M EBIT uplift on $8M invested capital
    - packaging line costs $3M for $1.5M pa profit uplift
    - fine milling plant costs $2M for $1.0M pa profit uplift
    - Plant capacity expansion costs $3M for $1.5M pa profit uplift
    - Uses soda ash, therefore less reliance on soda ash demand
    - Consumes CO2 – carbon friendly initiative

…focus on capital-light, cash generative expansion

Strategic review

Penrice Growth Plan - Chemicals

✓ **SSR** business in FY2012 is profitable generating positive cash flow

- Pilot plant proved utility of Penrice's technology, generated profit in FY 2012 and could lead to game changing outcome
- Working with Consortium Partners, finalise the technology to win the Commercial SSR Plant for QGC in CY2013
- Continue to pilot with other CSG manufacturers with a goal to secure a second large piloting opportunity in CY2013

...focus on winning commercial SSR plant

Summary

- ✓ **Quarry** is a well planned and efficient operation, leveraged to the eventual recovery in construction in SA
- ✗ **Soda ash** needs fixing and plan is to restructure into a profitable model
- ✓ Strong demand for premium grade **sodium bicarbonate** exports to Asian markets gives profitable growth potential with plant expansion
- ✓ **Selective Salts Recovery** from CSG water is potentially company transforming, providing access to fee income from leveraging Penrice technology in operating and marketing roles
- ✓ **Debt reduction options** will be pursued actively

...positioning for long term improvement