

Chairman's Address to Penrice Annual General Meeting, 12 November 2013

In the company's recent annual report, I described the factors bearing on Penrice's business and what we have done in response. Additional detail was provided in the managing director's report, as well as in prior ASX releases.

Over the past year, we have successfully implemented a far-reaching change to the business, by closing the loss-making soda ash plant and shifting to an import model via a joint venture, Pro Asia Pacific, in which Penrice's share is 33 percent.

Today, I would like to update shareholders and summarise recent developments.

After the initial absorption of up-front costs, the joint venture is trading profitably. Penrice is also providing a range of logistics services to it, associated with the stevedoring, warehousing, packaging and distribution of the imported soda ash.

Most, but not all, customers have transferred to the JV. However, aggregate soda ash demand remains soft for many of the reasons that caused Penrice's manufacturing operation to become unprofitable. Our decision to close the plant has unquestionably been the correct one.

Penrice will book its share of the PAP profit, but in cash terms the profit will initially be used to repay an \$8 million loan from our JV partner before being distributed to Penrice. This loan was required to fund redundancies consequent upon the closure of the soda ash plant, and modifications to the sodium bicarbonate plant to enable it to receive imported ash.

The bicarbonate plant experienced some commissioning challenges in adapting to a slightly different chemical composition of imported natural soda ash. An unexpected foaming problem took several weeks to be assessed and rectified, during which time there was reduced production, sales and cashflow. This has now been resolved and bicarbonate production is back to nameplate capacity.

Bicarbonate earnings remain as expected, and the company is endeavouring where possible to adjust sales to higher value opportunities on both domestic and export markets.

The quarry business has significantly reduced and variabilised its cost base so that costs can now be flexed more easily in line with fluctuating demand. The investment made by the company in recent years to improve mine planning and resource identification enables us to extract the required limestone and related products more efficiently than before, with minimal levels of overburden extraction.

Reflecting the continuing weakness of the South Australian housing and construction sector, quarry product demand remains well below historic levels. We can at least say demand does not appear to be deteriorating further and there are tentative signs of a recovery emerging. The business is well-placed to benefit from a recovery in demand.

There is nothing further to report at present regarding the company's proprietary selective salts recovery technology, which is being made available to the coal seam gas sector for the removal of salts in coal seam gas water streams. The major companies have been reassessing investment timetables in line with changing global supply and demand conditions, and the impact on viability of

cost blow-outs in Australia. Penrice remains hopeful of securing business in this sector and will provide further information to shareholders as soon as appropriate.

The development of Penrice's lime business has been a positive aspect of the soda ash restructure. At present we are producing lime from the burning of limestone in just two of six kilns. The quality of the product appears to suit a range of customer requirements. Several supply contracts have been negotiated, principally with mineral processing customers. Trials are underway with several other firms. We are increasingly confident about the potential of this business, and look forward to committing capital investment to re-line other kilns once we are in a position to do so.

In the final months of the FY13 year, the rate of cash burn at Penrice exceeded \$1 million per month. This was the result of poor domestic soda ash demand, and variable production once maintenance capex was all but terminated after the decision to close the plant had been made. The poor performance was reported in the company's FY13 annual report.

We have stated that the FY14 year will be a year of transition, with the full benefits of the restructure becoming apparent in FY15. That is still our view.

Negative cashflow continued during the first quarter of FY14, due largely to final restructuring costs. On early figures, October has been a break even month, while the company's forecast for the remainder of the financial year is for a modest, but gradually improving, monthly level of positive net free cashflow.

Shareholders will have seen, for the second successive year, the emphasis of matter in the auditor's report that, in view of the company's trading losses, cash outflows and negative net balance sheet position, there is "the existence of a material uncertainty which may cast a significant doubt about the Company's ability to continue as a going concern and whether it will realise assets and extinguish liabilities in the normal course of business".

I do not want to downplay the bluntness of that statement, but I can assure shareholders that management is working extremely hard to ensure that the company does reach the improved returns that we remain convinced are achievable. Our liquidity remains tight and is further challenged by lumpiness in individual expenditure and revenue items.

Penrice's long-term viability depends on three factors:

- achieving or exceeding company forecasts;
- developing the quicklime market and securing viable contracts that cover production; and
- negotiating a successful debt restructure and, later, recapitalisation of the business.

The first two factors are the principal day-to-day focus of management. A debt restructure is also under active consideration with our financiers and other parties. The company will report to shareholders when it is in a position to do so. As I said in my annual report statement, the board and management will have the interests of Penrice's shareholders uppermost as the negotiations take place.

We remain committed to returning the balance sheet to more normal commercial metrics. I acknowledge that we have been saying this for some time, but the prior requirement has been to

restructure the operations of the business to sound and sustainable commercial terms. We believe we are now on the right path in this regard.

In the meantime, shareholders should recognise the consistent support the company has enjoyed from its banking syndicate during the past several years of difficult trading conditions. Without that support, the company would not be trading today.

It is appropriate that I advise shareholders that during the past twelve months, Penrice successfully concluded proceedings with its former major shareholder London City Equities. LCE has now departed from the company's share register.

Finally, I again record my appreciation of the work undertaken by the Managing Director and CEO, Guy Roberts, his executive team, and indeed the entire Penrice workforce. The past twelve months have continued to be difficult but the team has remained focused on implementing the restructure and achieving improved trading performance that all shareholders so desperately want.

David Trebeck

Chairman



Penrice Soda

2013 Annual General Meeting
Guy Roberts, MD & CEO

12 November 2013

Safe Harbour



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FY2013 : A Year of Transformation



- ✘ Statutory loss of \$50.1M (FY12:\$63.6M), including \$30.3M charges from chemicals business restructure
- ✘ Underlying net loss after tax \$21.4M (FY12:\$6.7M), mostly soda ash loss
- ✘ Operating net cash outflow of \$3.0M (FY12:\$6.1M) reduced revenue offset by reduction in costs, improved working capital and bank interest deferral
- ✓ Business restructure stops soda ash loss: switch from soda ash manufacture to import/distribution JV, Pro Asia Pacific is working
- ✓ Record sales of bicarbonate
- ✓ Strategic Review: Stage 1 earnings uplift in place, Stage 2 gearing down next

...results reflect business transformation in challenging market conditions

FY2013 : A Year of Transformation



✓ Well defined strategic vision:

"To be in businesses where Penrice will extract value in those markets and industries served which are growing and create value themselves"

✓ Chemicals Business:

- Closed loss making **soda ash** manufacture and de-risked the business. Switched to new soda ash import/distribution JV, **Pro Asia Pacific**, which should have more reliable, less risky earnings
- Switched to imported soda ash feedstock for profitable **bicarbonate** business under a long term, competitive soda ash purchase contract, to support its leading position in supplying fast growing food, personal care and pharmaceutical markets in Asia
- Commenced **lime** manufacture with emerging position supplying growing resources and other markets in Australia

...transforming to a more balanced portfolio serving growing markets



- ✓ **Quarry & Mineral Business:**
 - Supplying Penrice's growing lime business
 - Supply quarry products into building and construction markets - from cement through to road base – leveraged to a forecast upturn in the building cycle

...transforming to a more balanced portfolio serving growing markets

FY2013 : A Year of Transformation



- ✓ **Well defined competitive strengths:**
“each business has to be able to compete strongly”
- ✓ **Chemicals Business:**
 - **Pro Asia Pacific:** world scale procurement and supply chain (300ktpa capacity), leading local Australian distribution network and established customer service excellence
 - **Bicarbonate:** well located world scale production (100ktpa capacity), innovative process technology, quality accreditation, leading Asian distribution network and customer franchise
 - **Lime:** well located Australian scale production (270ktpa capacity), leading local Australian distribution network
- ✓ **Quarry & Mineral Business:**
 - Largest and well located limestone mine in South Australia, leading local South Australian distribution network and customer franchise

...transforming to businesses with competitive strengths 7

FY2013 : A Year of Transformation



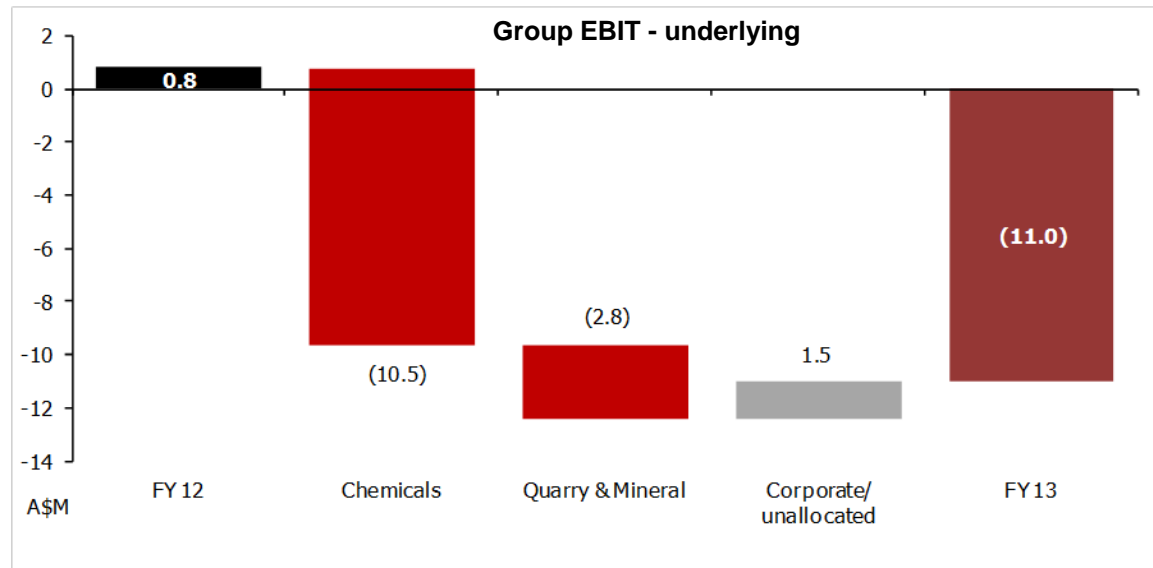
- ✓ High % of sales in businesses among market leaders
 - Leading supplier of soda ash in Australia
 - Leading supplier of premium bicarbonate in Australia and Asia
 - Emerging supplier of lime in Australia
 - Leading supplier of limestone in SA
- ✓ High % of sales in fast growing markets
 - Bicarbonate demand growing at > Asian GDP
 - Lime demand growing at > Australian GDP
 - Limestone demand is cyclical, forecast to be in upcycle
- ✓ Balanced portfolio of activities
 - Less exposure to Australian manufacturing
 - More exposure to Asian growth with bicarbonate expansion potential
 - More exposure to Australian mining with lime sales

...transforming to Penrice having compelling strengths 8



FY2013 Results: Delivering the Restructure

Group

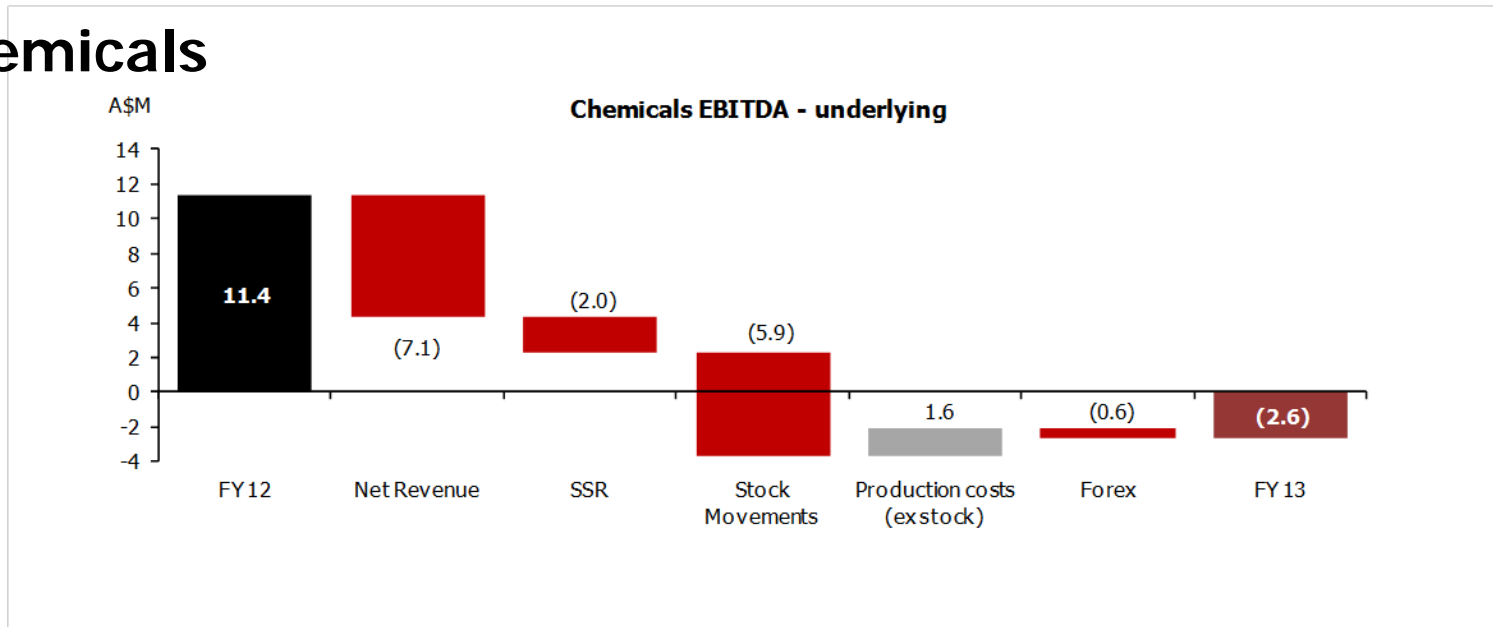


- ✘ Chemicals business profit down on lower soda ash prices, less domestic demand, lower priced export sales and quitting inventory
- ✘ Quarry & Mineral net sales revenue down on decline in quarry products sales volume, due to severe cyclical downturn in construction
- ✓ Corporate cost downs

... "burning platform" leads to restructure



Chemicals



- ✘ Soda ash business profit down on lower domestic prices, less domestic demand, lower priced export sales and quitting inventory
- ✓ Sodium bicarbonate profit up on increased sales volumes and prices

... "burning platform" leads to restructure



FY2013 Results: Delivering the Restructure

Soda ash

- ✘ Sales volumes flat and prices/margins down
 - continued downturn domestic demand in glass and detergents
 - offsetting export sales at lower prices in soft regional market
- ✘ Soda ash plant output down on reduced maintenance prior to closure
- ✓ Plant closed and switch to import/distribution JV model completed with Penrice owning 33% and board representation
- ✓ Pro Asia Pacific fully operational
- ✓ Penrice logistics services for Pro Asia Pacific fully operational, comprising stevedoring, warehousing, packaging and transport in NSW, Victoria and South Australia

...soda ash is the burning platform



FY2013 Results: Delivering the Restructure

Bicarbonate

- ✓ Sales volume up 3% to record 102k tonnes on robust domestic and export demand
- ✓ Prices up and improved sales mix sales revenue up 7%, even appreciation of the AUD
- ✓ Bicarbonate plant now switched to operating on imported soda ash raw material feed at budgeted rates
- ✓ All quality accreditations maintained for production and packaging plant, which is the largest in Asia
- ✓ Plant expansion is now simpler and less capital intensive than under previous plant configuration

...successful, profitable business with growth potential 12



FY2013 Results: Delivering the Restructure

Lime

- ✓ Existing lime production previously used to make soda ash is still required to produce by-product carbon dioxide for bicarbonate production
- ✓ Existing lime plant has new quicklime screening plant, storage and load out facilities and is fully operational
- ✓ Lime production budgeted in FY2014 on a 2 kiln operation: 6 kilns are available to supply the lime market and support expansion of sodium bicarbonate plant
- ✓ Cornerstone lime customers secured and first quicklime sales commenced in July 2013
- ✓ All quality accreditations in place for new plant

...platform for profitable growth

FY2013 Results: Delivering the Restructure

Selective Salts Recovery (SSR)

- ✓ Penrice in two consortia to develop its SSR technology in wastewater treatment in the CSG industry in NSW and Queensland
- ✓ Delay to CSG industry timescales: possible wastewater treatment need is now 2016
- ✓ Built and operated a large scale pilot plant for QGC demonstrating Penrice's unique SSR technology (pictured at right): SSR technology proved and made sodium carbonate (soda ash), sodium bicarbonate and salt from CSG wastewater
- ✓ No capex required and small profit budgeted in FY2014

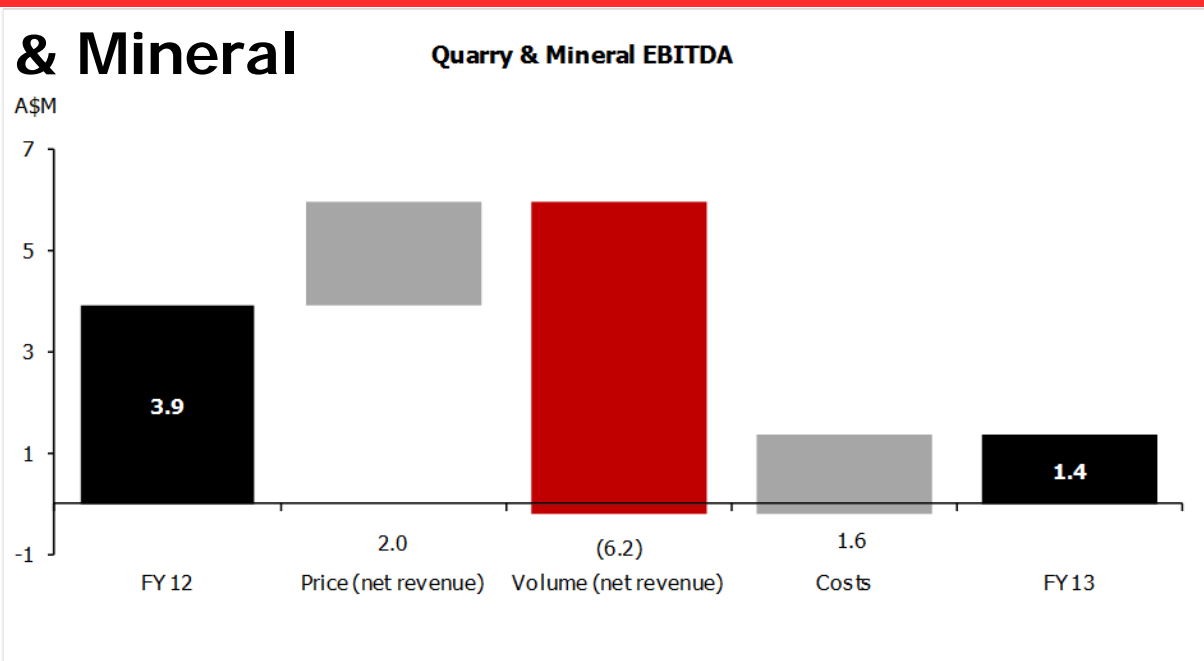


...SSR now proven to work



FY2013 Results: Delivering the Restructure

Quarry & Mineral



- ✘ Net sales revenue down 21% on 25% decline in quarry products sales volume, due to severe building and construction sector cyclical downturn
- ✓ Unit selling prices up and freight unit rates held
- ✓ Production costs reduced by 7% on cost reductions, productivity gains
- ✓ Business restructure means 70% less limestone extracted: mine replanned and operations restructured in H2 on a smaller and more efficient footprint
- ✓ H2 underlying EBITDA of \$1.4M was up \$1.2M on H1 of \$0.2M



FY2013 Results: Delivering the Restructure

Balance sheet

- ✘ Impairment charges of \$21.2M and restructuring charges of \$8.8M in restructured soda ash business
- ✘ Interest bearing debt increased to \$112.1M from \$96.5M including deferred interest of \$6.3M and loan funds of \$8M to meet restructure costs
- ✓ Banking syndicate continues to support the company with a \$69M, five year term debt facility, with the flexibility to defer interest payments in recognition of tough trading conditions

Cash Flow

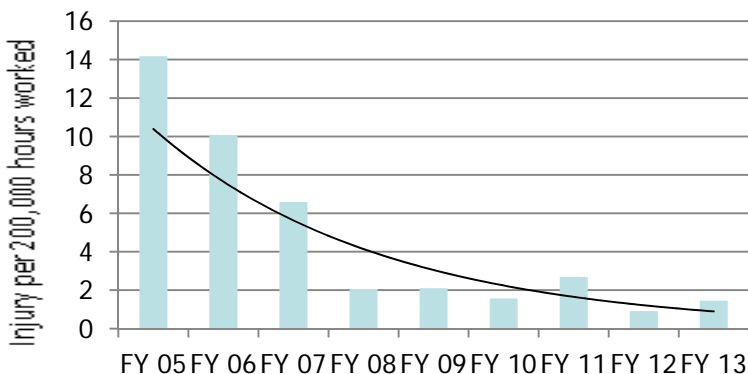
- ✓ Capex reduced to \$3.3M, which is new sustainable level for the go forward business from \$10.6M in FY2013
- ✓ Improved operating cash flow (despite lower revenues), from cost reductions, working capital reductions of \$8.6M and deferred bank interest of \$6.3M

...continued support of banking syndicate



FY2013 Results: Delivering the Restructure

Safety



- ✓ Recordable case rate in FY2013 reduced to 1.45, reflecting industry best practise.
- ✓ More visible, active leadership from all staff and contractors
- ✓ New systems & procedures
- ✓ Strong focus on behavioural safety

Sustainability

- ✓ Closure of soda ash plant has significantly reduced energy, emissions and water.
- ✓ Fossil fuel consumption reduced by 80% on FY2013.
- ✓ Carbon emission reduced by 75% on FY2013.
- ✓ Reticulated water consumption reduced by 75% on FY2013.
- ✓ Ammonia in outfall reduced from 668t in FY2013 to 0.
- ✓ Reduction in co-product solids generation by 98%.
- ✓ Eligible for carbon assistance as a lime producer.

... industry best practise



Strategic review

- ✓ Objective is to improve **earnings** performance and reduce term **debt**
- ✓ **Stage 1: Earnings Uplift** to be achieved in FY2014 by the business transformation implemented in FY2013
- ✓ **Stage 2: Debt Reduction** is the priority in FY2014 to reduce unsustainable high levels of senior, term debt
 - The company is in confidential and incomplete discussions with its banking syndicate and other parties about the possible restructure of its senior debt, with a view to reducing senior debt, recapitalising the company and putting it on more sustainable footing
 - Further updates will be given when appropriate to do so

...focus on improving earnings, deleveraging



Strategic review

A new **Penrice Growth Plan to grow earnings** based on -

✓ **A company with a well defined strategic vision**

“To be in businesses where Penrice will extract value in those markets and industries served which are growing and create value themselves”

✓ **Each business unit has well defined competitive strengths**

“each business has to be able to compete strongly”

✓ **A company with compelling strengths**

- High % of sales in businesses among market leaders
- High % of sales in fast growing markets
- Balanced portfolio of activities
- A culture of sustainability, innovation & operational excellence

...focus on cash generating opportunities



Strategic review

Penrice Growth Plan - Chemicals

- ✓ **Soda Ash** manufacturing was unprofitable and is now closed
- ✓ Restructured soda ash business model is lower risk, flexible cost structure with Penrice having 33% share in Pro Asia Pacific;
 - Maintains market leadership supplying soda ash in Australia, leveraging sourcing and supply chain strengths
 - Earns fees for Penrice in providing logistics services
 - Long term, high quality, reliable feedstock supply for Penrice's bicarbonate plant

... soda ash restructured for profitability



Strategic review

Penrice Growth Plan - Chemicals

- ✓ **Bicarbonate** business in FY2014 is the market leader in growing premium Asian markets. It generates good profits with further potential, earning the right to grow
- ✓ In the short term, **grow margins** in Asian export markets by shifting product sales mix to premium applications
- ✓ Long term: **plant expansion opportunity** for bicarbonate plant of 50,000 tonnes to 150,000 tonnes pa constructed over 2 years is expected to deliver significant EBIT uplift on approximately \$10M capital cost
 - Requires funding and options are being evaluated
 - Leverages existing plant for low capital and operating costs
 - For supply to existing premium customers and existing growing markets

...focus on capital-light, cash generative expansion 21



Strategic review

Penrice Growth Plan - Chemicals

- ✓ **Lime** business commences in FY2014 leveraging 270,000 tonnes pa plant previously used to make soda ash. It is one of largest lime plants in Australia, centrally located for distribution into Australia's 2.7M+ tonne growing lime market
- ✓ In the short term, **grow sales** in eastern Australian markets by meeting customers' needs
 - resources , construction and manufacturing
- ✓ Long term: **growth opportunity** for lime business is expected to deliver significant EBIT uplift from approximately \$6M capital cost of plant uprate to full rates
 - Requires funding and options are being evaluated
 - Leverages existing lime plant for low capital cost

...focus on capital-light, cash generative expansion 22



Strategic review

Penrice Growth Plan - Chemicals

- ✓ **SSR** business has been delayed and awaits industry progress
 - Pilot plant proved utility of Penrice's technology, generated profit in FY2012 and FY2013 and could lead to game changing outcome
 - Working with consortium partners to win commercial SSR Plant
 - Continue to pilot with CSG manufacturers with a goal to secure a second large piloting opportunity in CY2014



...focus on winning commercial SSR plant



Strategic review

Penrice Growth Plan – Quarry & Mineral

- ✓ **Quarry & Mineral** has a valuable long life economic asset and improved efficiency. It is leveraged to the recovery in construction cycle and is integrated into Penrice's bicarbonate and new lime businesses
 - **Organic growth** in sales in its four growing markets-
 - limestone for Penrice lime and bicarbonate manufacture,
 - limesand for other industrial uses,
 - aggregates for concrete,
 - civil products for housing and roads
 - **Reduce production costs** of extraction and processing
 - **Reduce overburden extraction** now set at 500,000 tonnes pa maximum for the life of new 25 year mine plan

...focus on capital-light, organic growth



Market update & outlook

Chemicals

- ✘ **Quarter 1** cash earnings lower budget due mainly to finalising restructure;
 - Delayed commissioning of bicarbonate plant on new soda ash raw material: now resolved and achieving planned production quality and plant operating rates
 - Delay in start up of commissioning of lime plant: now resolved and achieving planned production quality and operating rates
 - Increased costs in setting up supply chain for logistics services for Pro Asia Pacific, including managing inbound logistics of initial soda ash bulk shipments into Australia and reduced logistics services volumes

*...chemicals, post restructure is derisked and on track
for increased earnings*



Market update & outlook

Chemicals

- ✘ **Quarter 1** liquidity behind budget due mainly to;
 - Lower than budgeted chemicals earnings
 - Increased capital expenditure to finish and commission bicarbonate and lime plant modifications
 - Unfavourable working capital movement in interparty transactions with Pro Asia Pacific
 - Liquidity is tight and we are working closely with our business partners as forecast cash flows improve in H2

*...chemicals, post restructure is derisked and on track
for increased earnings*



Market update & outlook

Chemicals

- ✓ Pro Asia Pacific trading satisfactorily in Quarter 1 and Penrice soda ash logistics services operations performing well
- ✓ Robust domestic and export demand for bicarbonate continues and sales are satisfactory. At end of Quarter 1, bicarbonate plant is operating at plan on quality, volume and cost
- ✓ Lime sales have commenced and at the end of Quarter 1, the new lime plant operating to plan on quality, volume and cost

*...chemicals, post restructure is derisked and on track
for increased earnings*



Market update & outlook

Chemicals

FY2014 outlook is for increased EBIT and cash flow compared to FY2013, sufficient to generate positive cash flow in H2 FY2014, subject to market demand

- Lime sales are expected to increase ahead of budget, based on initial sales volume uptake, level of customer interest and product acceptance, with trials in progress
- Bicarbonate sales are expected to track to budget, with robust demand in domestic and export markets. Quarter 1 earnings downside is forecast not be recovered in FY2014
- Soda ash services are forecast to be profitable but unfavourable to budget with Pro Asia Pacific forecasting less demand for logistics services

***...chemicals, post restructure is derisked and on track
for increased earnings***



Market update & outlook

Quarry & Mineral

- ✓ **Quarter 1** cash earnings on budget with cost reductions delivered in line with reduced extraction and production efficiencies
- ✗ Demand for quarry products from building and construction sector remains weak, but is stabilising with signs of increased activity. Outlook is for modest growth in housing, the major market segment
- ✓ Still supplying South Road Superway and other industrial market segments on track
- ✓ New mine plan with Reserves Statement improves extraction efficiencies and lowers costs of extraction
- ✓ **FY2014 outlook** is for increased EBIT and operating cash flow compared to FY2013, sufficient to generate positive free cash flow, subject to market demand

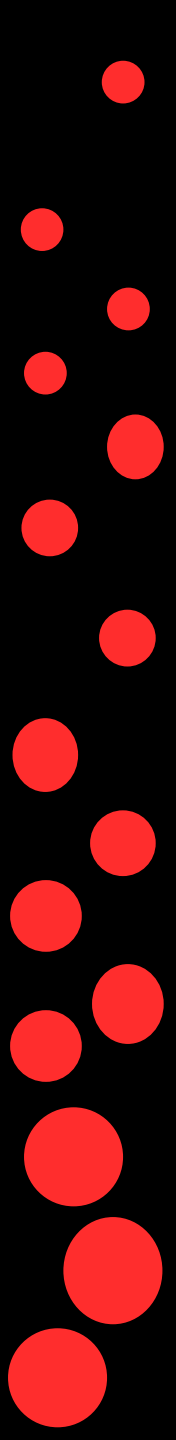
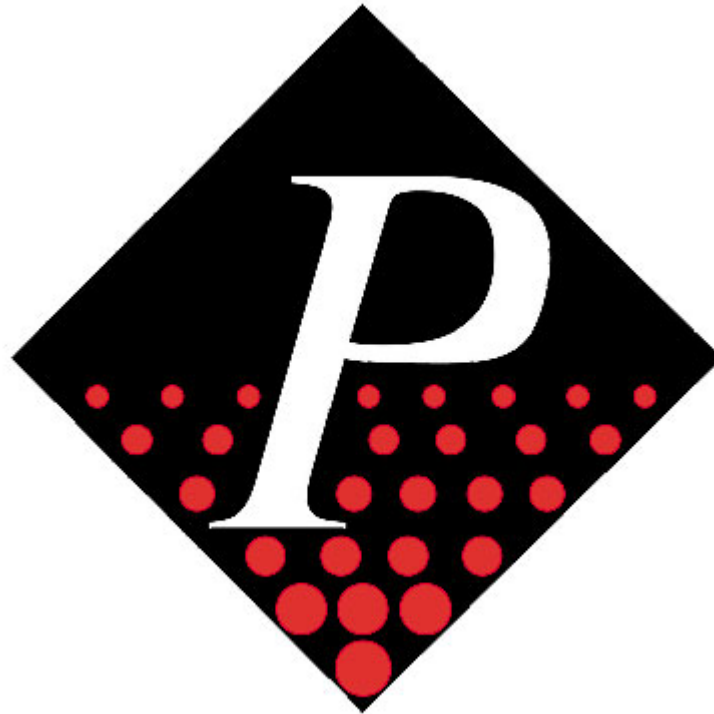
...well planned, efficient mine weathering the downturn well post restructure



Summary

Group

- ✓ Chemicals business transformation is on track: business de-risked and soda ash losses of last FY have been stopped and with potential upsides in bicarbonate and lime businesses
- ✓ PQM on a more efficient footing, leveraged to construction upcycle and growth of the chemicals business
- ✓ FY2014 is a transition year, bedding down a raft of sales and operational changes and the Group is tracking well to its plan,
- ✓ After an under budget Quarter 1, Penrice still expects materially improved earnings in FY2014, subject to economic conditions
- ✓ FY2015 will be the first full year of earnings uplift following the business transformation of FY2013, with a forecast upside to FY2014
- ✗ Debt is excessive and debt reduction is a priority



Resolution 2



The Company received the following proxies in respect of the Re-election of David Trebeck

For	22,199,116	87.24%
Against	1,536,512	6.04%
Open	1,711,747	6.73%
Abstain	67,000	

Resolution 3



The Company received the following proxies in respect of the Adoption of the Remuneration Report

For	20,588,479	84.28%
Against	2,663,196	10.90%
Open	1,177,548	4.82%
Abstain	223,800	