

Termination of salt supply agreement – Penrice perspective

Adelaide, Australia 27 June 2013: Penrice Soda Holdings Limited (**Penrice**) (**ASX: PSH**)

The announcement of agreement between Ridley Corporation Ltd (**Ridley**) (**ASX:RIC**) and Penrice in relation to the termination of the take or pay salt contract between the two companies (see separate ASX joint announcement dated 27 June 2013) represents a further and important step forward by Penrice in regard to its new soda ash joint venture.

Penrice Managing Director and CEO, Guy Roberts, said that he appreciates the constructive way Ridley has approached the negotiations following Penrice's decision to cease soda ash manufacturing and, with it, the need for salt supply, a decision necessitated by several factors including the direct and indirect impact of exchange rate movements, structural shifts in customer demand, plant reliability and regulatory issues including the impact of the carbon tax. The agreement has received in principle support from Penrice's banking syndicate but is subject to final bank sign off following credit review.

"The consequences have been challenging for both companies, and the agreement reached represents a sensible commercial outcome", Mr Roberts said.

Penrice's soda ash plant will cease production at the end of June, while the Pro Asia Pacific joint venture has commenced supplying all Penrice soda ash customers in Australia from the beginning of June.

The agreement by Penrice to provide commercial benefits to Ridley of at least \$500,000 per annum for 10 years reflects Ridley's understanding of Penrice's current cash position, and compares with the minimum annual payment obligation under the salt contract of around \$12 million.

The decision by Penrice to grant Ridley an option over 4.5 million tonnes of landfill at its Angaston mine will, if exercised, free up storage space at the mine site. If this product proves cost effective to Ridley on a delivered basis, it may assist Ridley accelerate plans for the development of the Dry Creek site relative to what might otherwise have been possible.

As part of the agreement, Penrice has granted Ridley an option, exercisable over a five year period, to be issued 16,122,621 ordinary shares in Penrice, representing 15% of the current issued capital in Penrice. The strike price for the options is 7 cents per share, being approximately 100% of the Volume Weighted Average Price (**VWAP**) of Penrice shares for the ten business days leading up to and including 27 June 2013. Importantly, Ridley has agreed not to exercise any blocking vote of these shares should a future change of control be in prospect, but rather to support a recommendation to shareholders made by the Penrice board.

"As a result, the existence of the option will not inhibit any possible change of control discussions, while the exercise of the option will contribute additional capital to Penrice", Mr Roberts concluded.

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