PENRICE SODA HOLDINGS LIMITED

ABN 83 109 193 419

Preliminary Final Report (Appendix 4D)

for the half-year ended 31 December 2013

ASX Code: PSH

Penrice Soda Holdings Limited
2013 Half-Year Condensed Financial Report

Table of Contents

Contents:

PENRICE SODA HOLDINGS LIMITED

Appendix 4D

Half-Year Report under Listing Rule 4.2A
For the period ended 31 December 2013

ABN	Previous corresponding period
83 109 193 419	31 December 2012

Results for announcement to the market

Operating Result	% change	$000
Sales revenue from operating activities	(40)%	39,854
Net loss for the period attributable to members	56%	(12,273)

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

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

	2013	2012
Earnings per share (basic) (cents)	(13.4)	(30.8)
Earnings per share (diluted) (cents)	(13.4)	(30.8)
Net tangible assets per share (cents)	(68.4)	(35.0)

Results for announcement to the market and explanation of result
For the profit commentary and any other significant information needed by an investor to make an informed assessment of Penrice's results please refer to the accompanying Penrice Soda Holdings Limited Directors' Report – 'Review and results of operations' section. This half-year report is to be read in conjunction with the June 2013 Annual Report.

PENRICE SODA HOLDINGS LIMITED

ABN 83 109 193 419

HALF-YEAR CONDENSED FINANCIAL REPORT

31 DECEMBER 2013

Corporate Information

Penrice Soda Holdings Limited
ABN 83 109 193 419

Directors
D.B. Trebeck (Chairman)
G.R. Roberts (Managing Director and Chief Executive Officer)
A.V. Fletcher

Company 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

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

Penrice Soda Holdings Limited
2013 Half-Year Condensed Financial Report

Director's Report

The Directors present their report on the consolidated entity ("the Group) consisting of Penrice Soda Holdings Limited ("the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

Directors

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

D.B. Trebeck (Chairman and Non-Executive Director)
G.R. Roberts (Managing Director and Chief Executive Officer)
A.V. Fletcher (Deputy Chairman and Non-Executive Director)

Penrice Soda Financial Results

- Reduced statutory net loss after tax of $12.2 million (including restructuring charges of $1.3 million) (FY2013: $28.2 million, including impairment and restructuring charges of $19.8 million), following closure of loss making soda ash business
- Underlying net loss after tax of $11.0 million (FY2013: $8.3 million), reduced on H2 FY2013: $13.1 million and includes one-off business restructure and transformation costs
- Net debt increased to $117.2 million from $106.3 million, mostly to fund one-off business restructure and transformation costs

Penrice Soda Business Highlights

- Business restructure completed at end of FY2013
- Transformation project to new business model of integrated limestone, lime and bicarbonate producer continues apace and is mostly complete
- EBIT loss of $6.2 million reduces compared to H2 FY2013 of $8.2 million
- Further funding of $2.0 million from TMPA to fund business transformation costs, plus an additional $3.0 million since balance date
- Major debt restructure and refinancing proposal announced to place company on more sustainable footing – improving liquidity and reducing senior debt

Penrice Chemicals

- Underlying EBIT loss of $3.7 million (FY2013 loss: $0.5 million), when compared to H2 FY2013 EBIT loss of $6.8 million, is a material improvement on previous half year, when soda ash losses arose
- New lime plant commissioned with strong customer interest and sales uptake
- Bicarbonate plant commissioned on new imported soda ash as the raw material with continuing strong demand in Asia
- Joint study commenced with Novacarb to expand bicarbonate plant and build a new bicarbonate plant in Asia

Penrice Quarry & Mineral

- Underlying EBIT loss steady at $1.0 million (FY2013: $0.9 million) despite slower building and construction activity in Adelaide and less internal sales of limestone on account of soda ash plant closure
- Mine operations fully restructured with reduced production footprint, cost base and improved efficiencies

Outlook

- EBIT forecast to improve in H2 FY2014 on increased lime and bicarbonate sales and reduced transformation costs
- Full year benefits of the business restructure on track to be delivered in FY2015
- Debt restructure and refinancing planned in H2 FY2014

Penrice Soda Holdings Limited
2013 Half-Year Condensed Financial Report

SUMMARY
Penrice Soda Holdings Limited (Penrice) (ASX: PSH) today reported an underlying net loss after tax for the half year ended 31 December 2013 of $11.0 million (FY2013: $8.3 million). Statutory net loss after tax was $12.3 million (FY2013: $28.2 million) and includes restructuring charges of $1.3 million.

There was an increase in underlying net loss compared to the prior corresponding period which was primarily in the chemicals business and due to the impact of continuing one-off business transformation costs – notably lime and bicarbonate plant commissioning costs, corresponding lower production volumes and soda ash supply chain set up costs. The result was materially improved on the previous six months, which incurred increasing losses from the soda ash manufacturing business, closed in June 2013.

Statutory operating cash flow was a net cash outflow of $4.0 million (FY2013: $0.4 million outflow) on reduced EBIT, significant items and other restructure costs.

Significant items included business restructuring costs of $1.3 million, plus there were additional one-off business transformation costs following the chemicals business restructure.

Penrice Managing Director and CEO, Guy Roberts, said “Our first half results reflect the numerous operating and sales changes underway in our continuing business transformation following the business restructure last year and include a number of one-off costs. We have strong conviction that our new business model - an integrated limestone, lime and bicarbonate producer - will deliver sustainable returns. Our lime and bicarbonate businesses are competitively positioned in very different and growing markets – lime into construction and mining markets in Australia and bicarbonate into food and medical markets in Asia.”

“The company’s EBIT loss reduced from $8.2 million to $6.2 million, despite the transformation project one-off costs.”

“The chemicals business earnings were lower with an underlying EBIT loss of $3.8 million (FY2013 loss: $0.5 million) on substantial one-off costs incurred in commissioning the bicarbonate plant on imported soda ash for the first time, commissioning the new lime plant and supply chain set up costs for new soda ash distributor, Pro Asia Pacific. Those one-off costs were higher than planned due to the breadth and complexity of the undertakings and are not expected to recur, now that all of those operations are running to plan in the second half. Notwithstanding these ongoing restructure costs, the chemicals business EBIT loss compared to H2 FY2013 was reduced by 45%.”

”The bicarbonate business had continued strong sales both domestically and in exports to Asia. The new lime plant commissioned well and lime sales uptake tracking well across a growing customer base.”

“The South Australian quarry and mineral business delivered an EBIT loss of $1.0 million (FY2013: $0.9 million) on lower sales volume, reflecting historically low levels in residential and commercial construction activity. Cost savings and production efficiencies of a new mine plan helped offset sales decline and the overall result, while disappointing, was creditable in the circumstances.”

Net debt was $117.2 million, up from $106.3 million, including for the new facilities obtained to fund the business restructure and ongoing transformation costs.

Restructure Complete and Transformation continues
The restructuring of Penrice which has involved the exiting of its soda ash business is now largely complete. There were a series of important steps taken in the first half to consolidate the business transformation;

- The limestone mine operated to its new mine plan on a reduced operating footprint, capturing all of the operating cost savings planned for FY2014
- The lime business has started well with the new lime plant commissioned and running to plan and lime sales uptake progressing well with sales to customers in South Australia, Victoria and Western Australia
- The bicarbonate plant was commissioned to run on soda ash imported from the USA for the first time and is running well on this new raw material

There were restructuring charges of $1.3 million in the first half (excludes the one-off operational business transformation costs mentioned above) covering the continuing business transformation and balance sheet restructure. There were no impairments taken during the first half. There are expected to be minimal further restructuring charges in the second half and no impairments are expected to be taken on current business forecasts.

Net Debt and Funding
Penrice's net debt as at 31 December 2013 was $117.2 million, which increased by $10.9 million as a result of new facilities with TMPA and reduction of cash of $5.6m. Penrice has total debt facilities of $106.7 million and operates within its facility covenants.

Given the company's operating loss and weak balance sheet, no dividend was declared.

"As previously advised, the company's view is that its net debt needs to be reduced, particularly given previous impairments, which have resulted in negative shareholder funds. The priority has been to first create a sustainable earnings model, without which a restructure of the balance sheet would not be possible. Having completed its business restructure, which should increase the company's earnings sustainably, the company announces a planned debt restructure and refinancing transaction which will substantially reduce its net debt and provide a working capital facility in the second half."

Subsequent Event – Debt Restructure and Refinancing
Penrice is pleased to announce that it has signed a Heads of Agreement with a proposed new senior lender for a debt restructure and refinancing transaction (Proposed Transaction) to be implemented by the end of March 2014 and which provides for;

- the new senior lender to purchase the senior debt in Penrice held by one of its two existing senior lenders,
- a restructure of Penrice's senior debt involving the forgiveness or conversion to equity of the majority of Penrice's senior debt, (the exact value and rate of conversion of which remains under negotiation), and
- the new senior lender to provide additional working capital to Penrice

The Heads of Agreement is indicative and non binding and the Proposed Transaction is subject to final negotiation, due diligence, documentation, internal approvals and the approval of Penrice's senior lenders. Penrice is in advanced discussions with its existing senior lenders regarding the Proposed Transaction and retains the support of its senior lenders for the Proposed Transaction. If the Proposed Transaction involves a debt restructure which requires Penrice shareholders' approval, a meeting of Penrice shareholders will be convened for that purpose in H2 FY2014.

OUTLOOK

Penrice completed its restructuring in FY2013, with the closure of soda ash manufacturing. In FY2014 the transformation to being an integrated limestone, lime and bicarbonate producer continues, as the company beds down a raft of operational and sales changes.

Penrice expects improved underlying earnings in FY2014, subject to economic conditions. H2 FY2014 should improve performance on the back of increased lime and bicarbonate sales and less transformation costs. FY2015 will be the first full year of earnings uplift following the restructuring and should be another material uplift on FY2014 forecast earnings, once again subject to economic conditions.

Lime
The new lime business is on track to achieve solid production volumes and sales growth in its first year of operation.

Limestone
The quarry business should improve profitability in FY2014 on the back of more efficient and productive operations, subject to economic conditions. The medium term outlook for housing construction in Adelaide is for some modest growth and there is some evidence of that improving outlook with slightly increasing activity.

Bicarbonate
Bicarbonate should remain a solid performer and since the plant is sold out, options will be pursued with Novacarb to grow the business in Asia, where the product range is in strong demand.

Penrice Soda Holdings Limited
2013 Half-Year Condensed Financial Report

RESULTS SUMMARY

Results Summary					
Half year ended A$000	**December 2013**	**June 2013**	**December 2012**	***% change H1 FY14 - H1 FY13***	***% change H1 FY14 - H2 FY13***
Sales revenue	**39,854**	**71,346**	**65,873**	**(39%)**	**(44%)**
Chemicals EBITDA*	(2,994)	(5,505)	2,862	(205%)	(46%)
Quarry & Mineral EBITDA*	(54)	1,175	185	(129%)	(105%)
Corporate centre/unallocated	(1,528)	(1,477)	(1,518)	1%	3%
Underlying EBITDA *	**(4,576)**	**(5,807)**	**1,529**	**(399%)**	**(21%)**
Depreciation	(1,640)	(2,344)	(4,471)	(63%)	(30%)
Underlying EBIT *	**(6,216)**	**(8,151)**	**(2,942)**	**111%**	**(24%)**
Net interest expense *	(4,770)	(5,329)	(5,599)	(15%)	(10%)
Underlying NPBT*	**(10,986)**	**(13,480)**	**(8,541)**	**29%**	**(18%)**
Tax *	(29)	332	254	(111%)	(109%)
Underlying NPAT*	**(11,015)**	**(13,148)**	**(8,287)**	**33%**	**(16%)**
Total significant items (after tax)	(1,258)	(8,817)	(19,841)	(94%)	(86%)
Statutory NPAT	**(12,273)**	**(21,965)**	**(28,128)**	**(56%)**	**(44%)**
Underlying earnings per share* (cents)	(12.0)	(7.3)	(9.1)	32%	64%
Statutory earnings per share (cents)	(13.5)	(69.6)	(30.8)	(56%)	(81%)
Dividend per share (cents)	Nil	Nil	Nil		
Gearing [net debt/(net debt+ equity)] %	200%	178%	136%		
Interest cover [EBITDA*/net interest] (times	-1.0	-1.1	0.3		

*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 Penrice's operations. This 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, including restrucutre costs.

The non IFRS financial information is unaudited.

GROUP

The elements of the business transformation completed over the first half include:

- Bicarbonate plant was commissioned to accept imported soda ash as its new raw material and is in full operation. Customer acceptance has been forthcoming
- New lime screening plant with storage and load out facilities is commissioned and is in full production
- Steam supply under a new contract with Osborne Cogeneration from its adjacent cogeneration plant is meeting Penrice's new operational needs
- Penrice's new Angaston mine plan is fully operational and running to plan, based on a reduced requirement for limestone from Penrice's chemical business. A new smaller and more flexible mine fleet has been introduced on a more variable cost structure
- Penrice made its first lime sales from its new plant and sales uptake is strong
- Penrice is providing a local logistics service package to Pro Asia Pacific including wharfage, transport, storage, handling and packaging.

LIMESTONE

Quarry & Mineral - underlying results					
Half year ended A$000	**December 2013**	**June 2013**	**December 2012**	***% change H1 FY14 - H1 FY13***	***% change H1 FY14 - H2 FY13***
Sales to external customers	9,780	9,339	10,137	(4%)	5%
Inter-company sales	741	2,828	2,942	(75%)	(74%)
Total sales revenue	**10,521**	**12,167**	**13,079**	**(20%)**	**(14%)**
Underlying EBITDA	**(54)**	**1,176**	**184**	**(129%)**	**(105%)**
EBITDA margin	-0.5%	9.7%	1.4%		
Underlying EBIT	**(964)**	**120**	**(873)**	10%	(903%)
EBIT margin	(9.2%)	1.0%	(6.7%)		

The quarry and mineral business booked an underlying EBIT loss of $1.0 million on reduced sales, compared with a loss of $0.9 million in FY2013. Sales volume was down on the prior year, reflecting the three year, deep cyclical decline in construction activity in South Australia. Selling unit prices were up and distribution unit rates were held in line with the prior year, but net sales revenue decreased.

The business continues to pursue productivity improvements to reduce costs, including from the new mine plan and a smaller, more flexible mine operation fleet.

The amount of limestone required to supply Penrice's chemical business has reduced by 70% due to the closure of the soda ash plant. Limestone is still required to make lime, from which carbon dioxide is sourced for the sodium bicarbonate plant. A new mine plan adopted with a new smaller operational footprint and cost base is being adhered to.

CHEMICALS

Chemicals - underlying results					
Half year ended A$000	**December 2013**	**June 2013**	**December 2012**	***% change H1 FY14 - H1 FY13***	***% change H1 FY14 - H2 FY13***
Sales revenue	**29,193**	**62,007**	**55,736**	**(48%)**	**(53%)**
Underlying EBITDA	**(2,994)**	**(5,505)**	**2,862**	**(205%)**	**(46%)**
EBITDA margin	-10.3%	-8.9%	5.1%		
Underlying EBIT	**(3,725)**	**(6,791)**	**(554)**	**572%**	**(45%)**
EBIT margin	(12.8%)	(11.0%)	(1.0%)		

Chemicals business earnings were lower with an underlying EBIT loss of $3.8 million (FY2013: $0.5 million) on substantial one-off costs incurred in commissioning the bicarbonate plant on imported soda ash for the first time, commissioning the new lime plant and supply chain set up costs for new soda ash distributor, Pro Asia Pacific. The costs includes $0.7m (FY2013: $1.9m) ongoing legacy costs associated with the management of calsilt following the closure of the soda ash plant.

Notwithstanding these ongoing restructure costs, the EBIT loss compared to H2 FY2013 was reduced by 45%.

Bicarbonate
Domestic demand was up in food and stock feed segments and exports demand in Asia continues to outpace supply.

Production was down caused by commissioning on imported soda ash. New soda ash receival facilities for sodium bicarbonate manufacture are operational. Continuity of supply and product quality is being maintained, with strong customer acceptance.

Lime
Penrice continues to operate its lime plant since the lime manufacturing produces carbon dioxide which is required in its sodium bicarbonate plant. The lime plant incorporates a new screening plant and load out facility built in FY2013 and six lime kilns, of which two are currently in operation, being those rebuilt and relined in FY2012.

First sales of quicklime were made in the first half to a growing range of customers in South Australia, Victoria and Western Australia. Quicklime, a new product in Penrice's portfolio, is used in Australia in mineral processing, chemical, building and construction industries.

Soda Ash Services
Soda Ash Services incurred a loss on increased supply chain set up costs for the inbound logistics services to be provided to Pro Asia Pacific and reduced logistics services demand due to less Pro Asia Pacific sales volumes. In the second half, Penrice expects the supply chain to run more smoothly and is examining options to restructure to eliminate losses.

Selective Salt Recovery
Penrice continues to deploy its selective salt recovery technology in the coal seam gas industry, albeit with slippage to previously expected timescales. Successful trials of its proprietary SSR technology at its Osborne pilot plant were concluded in FY2012.

CORPORATE
Corporate centre costs were steady at $1.5 million, despite a number of corporate activities and projects (FY2013: $1.5 million).

BALANCE SHEET AND CASH FLOW

Balance sheet		
A$000	**December 2013**	**June 2013**
Current Inventories	18,548	16,458
Trade debtors	11,250	18,541
Trade creditors	(35,300)	(32,621)
Total working capital	**(5,502)**	**2,378**
Net property, plant & equipment	53,255	51,594
Non Current Inventories	21,555	21,482
Intangible assets	3,748	3,458
Net other assets/liabilities	(14,536)	(19,168)
Net debt	(117,198)	(106,294)
Net assets	**(58,678)**	**(46,550)**
Equity	**(58,678)**	**(46,550)**
Gearing [net debt/(net debt+ equity)] %	**200%**	**178%**

Cash flow			
Half year ended A$000	**December 2013**	**June 2013**	**December 2012**
Net operating cash flows	(4,034)	(2,598)	(418)
Net investing cash flows	(3,640)	(2,262)	(994)
Net financing cash flows	2,108	7,612	1,456
Net increase/(decrease) in cash held	**(5,566)**	**2,752**	**44**

Following the establishment of Pro Asia Pacific in June 2013, with Penrice's soda ash customer franchise being transferred to it, debtors have reduced. With forecast increase in lime sales, debtors held will increase.

Following commissioning of the new lime plant, lime inventory was built, pending customer trials and acceptance. As this market further develops and matures, lime inventory is forecast to reduce.

Creditors have increased as a result of further carbon costs accruing ($1.4m) which included further penalties and impact of the timing of creditors and other payables. Penrice continues to work with the Clean Energy Regular (CER) to acquit its carbon liability.

The commissioning of the bicarbonate plant to accept imported soda ash as feedstock and establishment of the new lime plant has increased plant and equipment.

As previously reported, the closure of the soda ash manufacturing resulted in redundancies which has seen our employee provisions reduce significantly.

The business restructure (comprising plant and equipment modifications and personnel redundancies) was funded by an $8.0 million loan. Further funding of $2.0 million in the period has been provided by TMPA to assist the business through the business transformation and debt restructure. A further $3.0 million of funding from TMPA has also been received post balance date.

Operating cash outflow includes restructuring charges of $1.3 million plus a number of one-off business restructure and transformation costs. With the forecast growth in lime and bicarbonate sales, operating cash flow is forecast to improve in the second half.

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

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

Dated at Adelaide this 28 February 2014.

Signed in accordance with a resolution of the Directors:

David B. Trebeck
Chairman

Guy R. Roberts
Managing Director & Chief Executive Officer

DIRECTORS' DECLARATION

For the half-year ended 31 December 2013

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

(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 financial position of the consolidated entity as at 31 December 2013 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and

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

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, noting the disclosure made in Note 2(a) regarding going concern.

Dated at Adelaide this 28 February 2014.

Signed in accordance with a resolution of the Directors:

David B. Trebeck
Chairman

Guy R. Roberts
Managing Director & Chief Executive Officer

Income Statement
For the half-year ended 31 December 2013

	Note	Consolidated	
		31 December 2013 $000	31 December 2012 $000
Continuing Operations			
Sales of goods and services		**39,854**	65,873
Interest revenue		**10**	19
Other income	4(a)	**1,063**	3,574
Income		**40,927**	69,466
Cost of sales		**(30,033)**	(54,797)
Gross Profit		**10,894**	14,669
Distribution expenses		**(12,738)**	(11,648)
Other operating expenses		**(2,940)**	(4,353)
Administration expenses		**(1,528)**	(1,669)
Insurance recovery income	4(a)	**-**	1,450
Impairment expense	4(b)	**-**	(21,157)
Restructure expense		**(1,315)**	-
Exchange (losses)/gains		**106**	(75)
Borrowing costs	4(d)	**(4,780)**	(5,599)
Share of profit in joint venture	4(c)	**57**	-
(Loss) from continuing operations before income tax		**(12,244)**	(28,382)
Income tax (expense)/benefit	5	**(29)**	254
Net (loss) after income tax for the period attributable to the owners of the parent entity		**(12,273)**	(28,128)
		Cents	Cents
Basic (loss) per share	7	(13.4)	(30.8)
Diluted (loss) per share	7	(13.4)	(30.8)

Statement of Comprehensive Income
For the half-year ended 31 December 2013

	Consolidated	
	31 December 2013 $000	31 December 2012 $000
Net (loss) for the period	**(12,273)**	(28,128)
Other comprehensive income, net of tax:		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges gains/(losses) taken to equity	**-**	107
Deferred tax on cash flow hedges	**-**	(32)
Net cash flow hedge gains/(losses) taken to equity	**-**	**75**
Items that will not be reclassified subsequently to profit and loss		
Actuarial gains/(losses) recognised directly through retained earnings	**(95)**	738
Deferred tax on actuarial losses	**29**	(221)
Net actuarial gains/(losses) recognised directly through retained earnings	**(66)**	517
Total other comprehensive gains/(losses) for the period, net of tax	**(66)**	592
Total comprehensive (loss)	**(12,339)**	(27,536)

Penrice Soda Holdings Limited
2013 Half-Year Condensed Financial Report

Statement of Financial Position
As at 31 December 2013

	Note	Consolidated 31 December 2013 $000	30 June 2013 $000
Current Assets			
Cash and cash equivalents	8	**207**	5,773
Trade and other receivables		**11,250**	18,541
Inventory	9	**18,548**	16,458
Intangibles	11	**2,066**	1,567
Other current assets		**1,399**	342
Total Current Assets		**33,470**	42,681
Non Current Assets			
Inventory	9	**21,555**	21,482
Property, plant and equipment	10	**53,255**	51,594
Investment in joint venture		**57**	-
Intangibles	11	**1,682**	1,891
Total Non-Current Assets		**76,549**	74,967
Total Assets		**110,019**	117,648
Current Liabilities			
Trade and other payables		**35,300**	32,621
Deferred Income		**1,009**	562
Interest bearing liabilities	12	**40,205**	10,527
Provisions		**4,602**	8,315
Total Current Liabilities		**81,116**	52,025
Non-Current Liabilities			
Interest bearing liabilities	13	**77,200**	101,540
Provisions		**9,856**	9,998
Other non-current liabilities		**525**	635
Total Non-Current Liabilities		**87,581**	112,173
Total Liabilities		**168,697**	164,198
Net Assets		**(58,678)**	(46,550)
Equity			
Contributed equity	14	**80,400**	80,236
Share option reserve		**484**	484
Share based payments reserve		**307**	260
Cumulative losses		**(139,869)**	(127,530)
Total Equity		**(58,678)**	(46,550)

Statement of changes in equity
For the half-year ended 31 December 2013

For the half-year ended 31 December 2013	Contributed equity $000	Cash flow hedge reserve $000	Share based payments reserve $000	Share option reserve	Retained earnings $000	Total $000
At 1 July 2013	**80,236**	**-**	**260**	**484**	**(127,530)**	**(46,550)**
Loss for period	-	-	-	-	(12,273)	(12,273)
Other comprehensive income for the period	-	-	-	-	(66)	(66)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(12,339)**	**(12,339)**
Transactions with owners in their capacity as owners:						
Equity issued on convertible note	164	-	-	-	-	164
Share based payments	-	-	47	-	-	47
Balance at 31 December 2013	**80,400**	**-**	**307**	**484**	**(139,869)**	**(58,678)**
At 1 July 2012	80,236	(80)	295	-	(78,731)	1,720
Loss for period	-	-	-	-	(28,128)	(28,128)
Other comprehensive income for the period	-	75	-	-	517	592
Total comprehensive income for the period	-	75	-	-	(27,611)	(27,536)
Transactions with owners in their capacity as owners:						
Share based payments	-	-	(47)	-	-	(47)
Balance at 31 December 2012	80,236	(5)	248	-	(106,343)	(25,864)

Cash Flow Statement
For the half-year ended 31 December 2013

	Note	Consolidated 31 December 2013 $000 Inflow/ (Outflow)	31 December 2012 $000 Inflow/ (Outflow)
Cash flows from operating activities			
Receipts from customers		**49,352**	79,175
Payments to suppliers and employees		**(52,348)**	(80,630)
Interest received		**10**	19
Interest and other costs of finance paid		**(1,048)**	(2,499)
Income taxes refund received/(paid)		**-**	568
Proceeds from intangibles		**-**	1,499
Proceeds from insurance recovery		**-**	1,450
Net cash flows (used in) operating activities		**(4,034)**	(418)
Cash flows from investing activities			
Payment for property, plant and equipment		**(3,640)**	(944)
Payment for Intangibles		**-**	-
Net cash flows (used in) investing activities		**(3,640)**	(944)
Cash flows from financing activities			
Proceeds from borrowings		**2,491**	1,788
Repayment of borrowings		**(277)**	(136)
Payment of finance lease liabilities		**(106)**	(196)
Net cash flows provided by financing activities		**2108**	1,456
Net (decrease)/increase in cash held		**(5,566)**	94
Cash at beginning of the financial period		**5,773**	2,977
Cash at the end of the financial period	8	**207**	3,071

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 1: Corporate information

The consolidated financial report of Penrice Soda Holdings Limited ('the Company") and its controlled entities (together, "the Group") for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 28 February 2014.

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

Note 2: Statement of significant accounting policies

(a) Basis of preparation

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

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

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

It is recommended that this condensed half-year financial report is read in conjunction with the annual report of Penrice Soda Holdings Limited as at 30 June 2013, together with any public announcements made by Penrice Soda Holdings Limited since 30 June 2013 in accordance with the continual disclosure obligations of the ASX listing rules.

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

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

The half year financial report has been prepared on the basis that the consolidated Group can continue to meet its financial obligations as and when they fall due and can therefore continue normal activities, including the settlement of liabilities and the realisation of assets in the ordinary course of business.

The Group has continued to experience difficult market conditions and trading remains below sustainable levels, largely attributable to operating losses in the soda ash business. The Group's statutory result from operations for the period is a loss of $12.3m. Cash flow from operations was negative at ($5.6m); and the statement of financial position shows a net liability of $58.7m and net current liability of $47.6m.

The Group has previously announced an ongoing strategic review program, with dual objectives of improving the operating performance of the Group and deleveraging to return the Group to more normal credit metrics. As part of this program, the Group implemented a business restructure involving the closure of its soda ash manufacturing plant and formed of a joint venture to import and distribute soda ash to its soda ash customers, as detailed in the 30 June 2013 Annual Report.

The second component of the strategic review, is aimed at restoring the Group's financial position by moving to a reduced and more sustainable debt profile

On 28 February 2014 the Group signed a Heads of Agreement with a proposed new senior lender for a debt restructure and refinancing transaction to be implemented by the end of March 2014 and which provides for:

- the new senior lender to purchase the senior debt in Penrice held by one of its two existing senior lenders; and
- a restructure of Penrice's senior debt involving the forgiveness or conversion to equity of most of Penrice's senior debt; and
- the new senior lender to provide additional working capital to Penrice.

The Heads of Agreement is indicative and non-binding and the Proposed Transaction is subject to final negotiations, due diligence, documentation, internal approvals and the approval of Penrice's senior lenders. Penrice is in advanced discussions with its existing senior lenders regarding the Proposed Transaction and has the support of its senior lenders for the Proposed Transaction.

Whilst the transaction process remains ongoing, on the basis of the level of support demonstrated by all parties involved to this date, including existing and potential senior lenders, the Directors anticipate the transaction completing, on materially the same terms as currently agreed, within the indicated time frame. Such an event occurring is critical to the ability of the Group to continue in the longer term as a going concern.

Until the Proposed Transaction has been executed, the Group remains reliant on the support of its financiers, especially given its current and increasing level of indebtedness and maturity profile, noting senior debt facilities of $20.0m fall due and payable during August 2014. The Group was in full compliance with its financiers' facilities at 31 December 2013, but has not met an undertaking at 31 January 2014. Resolution of this matter is pending the outcome of the Proposed Transaction. As such, the directors believe that the Group continues to have the support of its financiers.

Should the Group not achieve appropriate improvement in operating performance, complete the Proposed Transaction 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 the amounts stated in this financial report.

No adjustments have been made to the financial report related to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

Carbon accounting policy
Carbon permits granted by the Australian Government are recognised as an intangible asset and deferred income when received.

The carrying amount of the carbon permit intangible asset is the amount of carbon permits held at their fair value.

Deferred income is recognised in the Income Statement as Government grant income in line with direct emission and increased steam costs being incurred (scope 1 direct emissions) and increased costs for electricity and other costs incurred to operate the Osborne plant (scope 2 and 3 indirect emissions).
Carbon costs are recognised as an operating expense in the Income Statement as direct emissions are incurred. Increased cost of electricity (scope 2 indirect emissions) and other costs incurred to operate the Osborne plant (scope 3 indirect emissions) are recognised as an operating expense in the Income Statement as incurred.

Proceeds from the sale of carbon permits are included as part of operating activities in the consolidated statement of cash flows. Any gain or loss recorded on the sale of the carbon units is recognised as a gain / loss on the sale of intangibles in the Income Statement.

When carbon permits are surrendered to settle a liability, the intangible asset is reduced and the liability is derecognised from the Statement of Financial Position.

Carbon accounting policy
The estimated impact of carbon tax on the Group's cash-generating units has been included in determining cash flow projections when assessing impairment as described in note 2(b).

The carrying amount of the liability for carbon is included within trade and other payables.

Joint venture accounting
Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

The Group's investment in its joint arrangement is accounted for as a joint venture using the equity method under AASB11.

The investment is initially recognised at cost. The carrying amount of the investment is increased or decreased to recognise the Group's share of profit/loss of the joint venture.

The Group's share of the joint venture's profit or loss is recognised in the income statement. Distributions received from the joint venture reduce the carrying amount of the investment. All transactions between the Group and the joint venture are on commercial terms.

(b) Significant accounting judgements, estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Carbon accounting
The Group estimates its emissions liability in accordance with the Clean Energy Act 2011 (Cth) and associated pronouncements, based on covered emissions arising from facilities for which the Group has operational control. The determination of covered emissions includes both measured and estimated data based on operational activities and judgement in regard to the expected liable facilities for the relevant compliance period under the legislation.

Impairment
The Group determines whether other non financial assets are impaired at least at each reporting date. 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 5 year business plan forecasts.

Key assumptions and sensitivity drivers used in the models are as follows:
- Chemical: Foreign exchange (AUD:USD), development and growth of lime business, product mix and specification.
- Quarry and Mineral: Pricing and cost increases, product demand growth.

	FY2014	**FY2015**	**FY2016***	**FY2017***	**FY2018**
FX USD/AUD	0.92	0.90	0.84	0.82	0.82

* Sourced from Bloomberg.

The Groups' impairment analysis has been updated at 31 December 2013 and the Directors have determined that no impairment charge was required for the 6 months ending 31 December 2013.

Defined benefit superannuation fund
Various actuarial assumptions are required when determining the Group's defined benefits superannuation fund obligations.

These include assumptions regarding discount rates for plan liabilities, future salary rates, expected return on plan assets in future years, contribution tax rate and administration.

The defined benefits superannuation fund has been closed to new members since 1997.

Employee benefits provisions
Provision for employee benefits include the provisions for annual leave and long services 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 the 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, period of service and expected timing of payments.

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
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of 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 manufacturers` 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.

(c) Significant accounting judgements, estimates and assumptions

The Group has applied the following standards and amendments for the first time in its annual reporting period commencing 1 July 2013:

- AASB10 *Consolidated Financial Statements*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities ,*
- AASB 11 *Joint Arrangements ,*
- AASB *13 Fair Value Measurement* and AASB 2011-8 *Amendment to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits* and AASB 2011–10 *Amendments to Australian Accounting Standards arising from AASB119*
- AASB 201-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle*
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.*

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 3: Operating Segments

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

The operating segments are identified by management based on their location and type of operation, the manner in which the product is sold and the nature of the product. The operating segments are soda ash, sodium bicarbonate and quarry & mineral. Discrete financial information about each of these operating businesses is reported to the CODM and executive management team on at least a monthly basis.

Following the business restructure effective 29 May 2013 and subsequent closure of the soda ash manufacturing plant on 30 June 2013, the group has identified two ongoing operating segments.

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 prior to the business restructure.

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

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

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

With closure of the ash manufacturing plant and cessation of soda ash manufacture, the production process of sodium bicarbonate produces quicklime. This product is being developed to market and contributes to the chemical business.

Logistic, warehousing and packaging services, using existing assets and resources of the chemical business, is provided under service contract to the Joint Venture.

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.

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Customer Concentration
With the closing of the soda ash manufacturing plant in 2013 and the transfers or the soda ash customers to the joint venture, the Group does not have any material customer concentrations going forward.

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
- 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.

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

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 3: Operating Segments (continued)

Half-year ended 31 December 2013	Chemicals $000	Quarry & Mineral $000	Eliminations/ unallocated $000	Consolidated $000
Revenue				
Sales to domestic external customers	14,374	9,780		24,154
Sales to Thailand	2,143			2,143
Sales to Japan	5,161			5,161
Sales to other countries (19 countries)	8,396			8,396
Inter-segment revenues		741	(741)	-
Total segment revenue	30,074	10,521	(741)	39,854
Non-segment revenues				
Interest from unrelated entities			10	10
Other income	1,009	53	1	1,063
Total consolidated revenue	1,009	53	11	1,073
Result				
Normalised EBITDA before unallocated expenses as reported to CODM	(2,994)	(54)	11	(2,951)
Unallocated expenses	-	-	(1,529)	(1,529)
Normalised EBITDA as reported to CODM	(2,994)	(54)	(1,518)	(4,566)
Depreciation & amortisation	(731)	(909)	-	(1,640)
Normalised EBIT as reported to CODM	(3,725)	(963)	(1,518)	(6,206)
Borrowing costs				(4,780)
Normalised profit before tax as reported to CODM				(10,986)
Income tax (expense) / credit				(29)
Normalised net profit after tax as reported to CODM				(11,015)
Restructure costs				(1,315)
Share in Joint Venture				57
Profit from continuing operations after income tax				**(12,273)**
Segment assets as at 31 December 2013 are as follows:				
Property, Plant & Equipment	34,311	18,944		53,255
Working Capital	(14,405)	7.894		(6,511)
Inventory – non current	-	21,555		21,555
Intangibles	2,217	1,531		3,748
	22,123	49,924		72,047

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 3: Operating Segments (continued)

Half-year ended 31 December 2012	Chemicals $000	Quarry & Mineral $000	Eliminations/ unallocated $000	Consolidated $000
Revenue				
Sales to domestic external customers	39,207	10,137	-	49,344
Sales to Thailand	1,465	-	-	1,465
Sales to Japan	5,579	-	-	5,579
Sales to other countries (19 countries)	9,485	-	-	9,485
Inter-segment revenues	-	2,942	(2,942)	-
Total segment revenue	55,736	13,079	(2,942)	65,873
Non-segment revenues				
Interest from unrelated entities	-	-	19	19
Other income	-	-	60	60
Total consolidated revenue				65,952
Result				
Normalised EBITDA before unallocated expenses as reported to CODM	2,862	184	16	3,061
Unallocated expenses	-	-	(1,532)	(1,532)
Normalised EBITDA as reported to CODM	2,862	184	(1,517)	1,529
Depreciation & amortisation	(3,414)	(1,057)	-	(4,471)
Normalised EBIT as reported to CODM	(552)	(873)	(1,517)	(2,942)
Borrowing costs				(5,599)
Normalised profit before tax as reported to CODM				(8,541)
Income tax (expense) / credit				254
Normalised net profit after tax as reported to CODM				(8,287)
Impairment – chemical business				(21,157)
Insurance recovery				1,450
Restructure costs				(134)
Profit from continuing operations after income tax				(28,128)
Segment assets as at 31 December 2012 are as follows:				
Property, Plant & Equipment	27,760	20,049		47,809
Working Capital	14,331	10,936		25,267
Inventory – non current		20,588		20,588
Intangibles	3,716	2,356		6,072
	45,807	53,929		99,736

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 4: Income Statement items

	Consolidated	
	2013 $000	2012 $000
(a) Other income		
Government grant income	**1,009**	3,514
Insurance recovery income	**-**	1,450
Other income items	**54**	60
Total income	**1,063**	5,024

Government grant income is from receipt of carbon permits
Insurance settlement relates to the forced shutdown of Penrice's Osborne plant in October 2010

(b) Impairment		
Chemical – Property, Plant & Equipment	**-**	18,311
Chemical – Inventory	**-**	2,846
Total impairment charge	**-**	21,157

Impairment charge in Chemical CGU represents the write-off of remaining book value of the Company's soda ash plant following business restructure and closure of soda ash plant.

(c) Share of Profit in Joint Venture	**57**	-

Penrice Soda Holdings Pty Ltd holds a 33% interest in a joint venture which commenced operations on 29 May 2013. The joint venture's loss at 31 December was $0.3m of which 33% was booked against the $0.14m investment by Penrice Soda Holding Pty Ltd.

(d) Borrowing Costs		
Interest paid or payable	**4,667**	4,587
Amortisation of loan facility fees	**99**	578
Finance charges related to leases	**11**	22
Other borrowing costs	**3**	412
Total borrowing costs	**4,780**	5,599

Other borrowing costs include the non cash interest charge for the defined benefit pension scheme of $3k (2013 $222k) as prescribed by AASB119. Interest paid or payable includes $3,302k (2013 $2,907k) of interest capitalised under senior debt facilities.

.

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 5: Income tax

	Consolidated	
	31 December 2013 $000	31 December 2012 $000
Tax expense reconciliation		
(Loss) from continuing operations	**(12,273)**	(28,382)
Prima facie tax benefit thereon at 30%	**3,682**	8,515
Tax effect on losses and timing difference not brought to account	**(3,711)**	(8,261)
Non temporary differences	**-**	-
Research & Development tax benefit	**-**	-
Income tax (expense)/benefit	**(29)**	254

As at 30 June 2013, 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.

Note 6: Dividends

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

Dividend Reinvestment Plan (DRP)

The Penrice Soda Holdings Dividend Reinvestment Plan commenced on 16 April 2008 and remains in operation. No interim dividend for the 2014 financial year has been declared and thus the DRP will not be utilised at this time.

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 7: Earnings per Share

	December 2013	December 2012
Basic earnings per share based on operating profit after income tax (cents) Diluted earnings per share based on operating profit after income tax (cents)	**(13.4)** **(13.4)**	(30.8) (30.8)
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)	**(12,273)**	(28,128)

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

	December 2013	December 2012
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 3,591,517 (FY13: 3,591,517) executive share options excluded from the calculation of diluted earnings per share because they are anti-dilutive for the Half-year FY2014 period presented. These executive share options could potentially dilute basic earnings per share in the future.

Note 8: Cash reconciliation

	Consolidated	
	31 December 2013 $000	30 June 2013 $000
Cash and cash equivalents	**207**	5,773

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 9: Inventories

	Consolidated 31 December 2013 $000	30 June 2013 $000
Raw Materials (at cost)	**1,672**	3,050
Finished Goods		
Chemical (at cost)	**4,224**	1,044
Chemical (at net realisable value)	**-**	-
Mine – Limestone (at cost)	**4,792**	5,080
Quarry & Mineral – Aggregates (at cost)	**4,240**	4,193
Quarry & Mineral – Landfill (at net realisable value)		-
Production spares & consumable goods		
Mine (at cost)	**372**	337
Chemical (at net realisable value)	**3,248**	2,754
Total current inventories	**18,548**	16,458
Non-current inventories		
Quarry & Mineral – Aggregates (at cost)	**17,999**	17,925
Quarry & Mineral – Landfill (at net realisable value)	**3,557**	3,557
Total non-current inventories	**21,555**	21,482
Total inventories	**40,103**	37,940

Aggregates and landfill inventory that will not be realised in the next twelve months is classified as non-current inventory.

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

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

	31 December 2013			
	Consolidated			
	Land and Improvements at Cost $000	**Buildings at Cost $000**	**Plant & Equipment at Cost $000**	**Total $000**
Gross Carrying amount				
Balance as at 1 July 2013	**10,537**	**16,603**	**189,166**	**216,306**
Additions	-	-	3,640	3,640
Disposals	-	-	(548)	(548)
Balance as at 31 December 2013	**10,537**	**16,603**	**192,258**	**219,398**
Accumulated Depreciation				
Balance as at 1 July 2013	(3,340)	(7,261)	(154,111)	(164,712)
Depreciation Expense	(6)	(141)	(1,284)	(1,431)
Balance as at 31 December 2013	**(3,346)**	**(7,402)**	**(155,395)**	**(166,143)**
Net Book Value				
As at 1 July 2013	7,198	9,342	35,055	51,594
As at 31 December 2013	**7,191**	**9,201**	**36,863**	**53,255**

Plant and equipment with a carrying value of $235k (FY13 $291k) are pledged as securities for the finance lease liability.

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

Included in plant and equipment at 31 December 2013 is an amount of 2,765k (FY13 $2,514k) related to expenditure for plant in the course of construction.

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

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

	30 June 2013			
	Consolidated			
	Land and Improvements at Cost $000	Buildings at Cost $000	Plant & Equipment at Cost $000	Total $000
Gross Carrying amount				
Balance as at 1 July 2012	10,744	16,603	182,000	209,347
Additions	-	-	7,173	7,173
Disposals	(207)	-	(7)	(214)
Balance as at 30 June 2013	**10,537**	**16,603**	**189,166**	**216,306**
Accumulated Depreciation/Impairment				
Balance as at 1 July 2012	(333)	(3,467)	(135,928)	(139,728)
Impairment*	(2,856)	(3,376)	(12,380)	(18,612)
Depreciation Expense	(151)	(418)	(5,803)	(6,372)
Balance as at 30 June 2013	**(3,340)**	**(7,261)**	**(154,111)**	**(164,712)**
Net Book Value				
As at 1 July 2012	10,411	13,136	46,072	69,619
As at 30 June 2013	7,197	9,342	35,055	51,594

* Impairment charge has been applied to Chemical Business CGU.

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 11: Intangibles

Current	Consolidated	
Half year ended 31 December 2013	Carbon Units $000	Total $000
Gross Carrying amount		
Balance as at 1 July 2013	1,567	1,567
Additions	2,018	2,018
Disposals	(1,519)	(1,519)
Balance at 31 December 2013	**2,066**	**2,066**
Net Book Value		
As at 1 July 2013	1,567	1,567
As at 31 December 2013	**2,066**	**2,066**

Non-current	Consolidated				
Half year ended 31 December 2013	Goodwill $000	Exploration and evaluation costs $000	Development Costs $000	Other $000	Total $000
Gross Carrying amount					
Balance as at 1 July 2013	6,291	266	2,586	1,075	10,218
Additions			-	-	
Balance at 31 December 2013	**6,291**	**266**	**2,586**	**1,075**	**10,218**
Accumulated Amortisation					
Balance as at 1 July 2013	(6,291)	(266)	(925)	(845)	(8,327)
Amortisation	-	-	(130)	(79)	(209)
Balance at 31 December 2013	**(6,291)**	**(266)**	**(1,055)**	**(924)**	**(8,536)**
Net Book Value					
As at 1 July 2013	-	-	1,661	230	1,891
As at 31 December 2013	**-**	**-**	**1,531**	**151**	**1,682**

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 11: Intangibles (cont.)

Current	Consolidated	
Half year ended 30 June 2013	Carbon Units $000	Total $000
Gross Carrying amount		
Balance as at 1 July 2012	-	-
Additions	7,028	7,028
Disposals	(5,461)	(5,461)
Balance at 30 June 2013	**1,567**	**1,567**

	Consolidated				
Half year ended 30 June 2013	Goodwill $000	Exploration and evaluation costs $000	Development Costs $000	Other $000	Total $000
Gross Carrying amount					
Balance as at 1 July 2012	6,291	266	2,586	1,075	10,218
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 30 June 2013	6,291	266	2,586	1,075	10,218
Accumulated Amortisation					
Balance as at 1 July 2012	(6,291)	(266)	(666)	(661)	(7,884)
Impairment	-	-	-	-	-
Amortisation	-	-	(259)	(184)	(443)
Balance at 30 June 2013	(6,291)	(266)	(925)	(845)	(8,327)
Net Book Value					
As at 1 July 2012	-	-	1,920	414	2,334
As at 30 June 2013	-	-	1,661	230	1,891

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 12: Interest bearing liabilities (current)

	Consolidated 31 December 2013 $000	30 June 2013 $000
Secured:		
Bank loan	**39,569**	10,000
Finance lease liabilities	**151**	257
	39,720	10,257
Unsecured:	**485**	270
Total current interest bearing liabilities	**40,205**	10,527

Note 13: Interest bearing liabilities (non-current)

	Consolidated 31 December 2013 $000	30 June 2013 $000
Bank loan	**67,337**	93,524
Finance lease liabilities	**27**	16
Non bank loans	**9,836**	8,000
Total non-current interest bearing liabilities	**77,200**	101,540

Penrice utilises floating rate bills for its debt funding with interest at 90 days BBSY bills plus bank margins.

In June 2013, the Group received a non bank loan of $8,000k. The loan is at commercial terms and repayable from the Group's share of the joint venture distributions over a four year period.

In December 2013, the Group secured $2,000k of funding under an unsecured convertible note, repayable in full after three years.

The proposed debt restructuring transaction, as referred to in Note 2(a), indicates the fair value of the Group's senior interest bearing liabilities may materially differ from their carrying values at 31 December 2013. As the negotiations of the proposed transaction remain ongoing, it is not possible to reliably estimate the fair value of these liabilities.

Note 14: Contributed Equity

	Half-year ended 31 December 2013		Year ended 30 June 2013	
	Shares	**$000**	Shares	$000
Balance at the start of the period	**91,361,523**	**80,236**	91,361,523	80,236
Equity component of convertible note		**164**		
Balance at the end of the period	**91,361,523**	**80,400**	91,361,523	80,236

Notes to the Condensed Financial Report
For the half-year ended 31 December 2013

Note 15: Commitments

There are no material changes in commitments since that disclosed in the 2013 annual financial report.

Note 16: Events occurring after balance date

On 28 February 2014 the Group signed a Heads of Agreement with a proposed new senior lender for a debt restructure and refinancing transaction to be implemented by the end of March 2014 and which provides for:

- the new senior lender to purchase the senior debt in Penrice held by one of its two existing senior lenders; and
- a restructure of Penrice’s senior debt involving the forgiveness or conversion to equity of most of Penrice’s senior debt; and
- the new senior lender to provide additional working capital to Penrice.

Further details refer Note 2(a)