



Penrice Soda Holdings Limited

A.C.N 109 193 419

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PENRICE SODA HOLDINGS LIMITED

CHAIRMAN'S ADDRESS TO 2009 ANNUAL GENERAL MEETING

Since I addressed Penrice's 2008 Annual General Meeting, all of us are well aware of the changes that the world has experienced in some shape or form, due of course to the changing global financial conditions.

The impact has been felt by the smallest and the largest entities in the world, with many having to take stock of their positions, and then dramatically change their strategies, and re-shape their investment goals.

The need for such sweeping changes across the globe has in turn flowed through to investors and shareholders – many of whom have seen returns drastically reduced with wide-ranging implications.

Penrice was obviously affected by these severe changes to world economic and financial conditions, especially, for instance, with such a large proportion of our sales revenue into export markets which, over the past 12 months, have been subject to currency fluctuations.

At Penrice, your Board and management were able to successfully chart a course through the uncertain financial mire – thanks largely to the "Way Forward Plan" that we set in place in 2007, ahead of the global financial crisis.

The entire Penrice team is to be congratulated on sticking to its guns and not being sidetracked away from our strategy in such difficult times. Believe us, establishing such a Way Forward Plan is one thing – implementing the Plan is another thing, especially when it is being undertaken in tough, unprecedented world market conditions.

It has therefore not only been pleasing to see the successful implementation of our Plan - almost a year ahead of schedule - but also to see evidence in the Company's financial performance, that the strategy is working. We reported a 20% increase in sales revenue to \$162.3 million and a 36% improvement to \$27.0 million in underlying earnings before interest, tax, depreciation and amortization (EBITDA) for the year ended 30 June 2009. Our underlying net profit after tax was \$9.0 million, an increase of 36% over the previous year's underlying net profit. Our statutory net profit after tax was \$7.1 million, 3% lower than the previous year due to the inclusion of an unrealised hedging loss.

It has been well documented that, as part of installing the Way Forward Plan, Penrice has undergone a period of intense re-investment across its key operations, towards generating long-term, sustainable shareholder returns.

Shareholders are also aware that, because of the unfavourable market conditions over the past two years, the larger component of that capital expenditure has been funded by debt and cash flow and has pushed the Company's gearing to the upper end of our targeted 50% to 60% range.

It was because of the demands on cash flow for essential investment in compliance, maintenance and growth that your Board deemed it prudent that no dividend be paid in respect of the 2008-2009 financial year.

Directors and management have responded to shareholder feedback and concerns, by remaining active in considering the most appropriate ways to restructure Penrice's balance sheet to have it in the right shape for current business conditions and the prospect of exciting future growth projects. This has included raising additional funds during the past financial year and, more recently, obtaining the support of the Company's long-time banking syndicate for larger and extended finance facilities.

In recent months, we have also flagged a desire to 're-balance' our capital structure by way of an equity raising – and our ability to achieve this goal has been enhanced by the improving economic and market conditions, especially in Australia.

The equity raising announced earlier this week will raise a total of \$28.1 million through a non-renounceable pro-rata entitlement offer of \$21.3 million at 70 cents per share, a top-up facility to facilitate applications for additional shares by retail shareholders, and a share placement of \$6.8 million (up to 15% limit) to institutional and sophisticated investors at 85 cents per share.

Importantly, the capital raising is primarily a rights issue and therefore provides every Penrice shareholder with the opportunity to invest with minimal dilution.

The other important and most pleasing aspects of this equity raising – including a share placement raising \$6.8 million and a \$21.3 million rights issue – are that it has been so well received by investors and has been fully underwritten.

It is also significant that such an equity raising broadens Penrice's capital base and widens the number of institutions on the share register. This in turn allows for a more stable register and an increased level of equity market research on the Company, with the objective of expanding market interest in our shares.

Net funds raised will be used primarily to pay down debt, to fund working capital, and potentially, up to \$8 million to fund a further expansion of the sodium bicarbonate plant, which, if approved, would be expected to commence later in 2010.

A key factor in the capital raising is that it has enabled the Board to update two very important policies – gearing and dividend. We have now established a new gearing target range of 40%-to-50% which is appropriate under current market conditions. Penrice's gearing is expected to improve significantly to around 41% after completion of the equity raising, compared with gearing of 58% at the end of the past financial year.

Your Company's future dividend policy is to target distribution of profits on a 40-to-50% payout ratio, which in the view of the Directors, properly balances Penrice's need for capital requirements and to maintain its debt reduction strategy.

The response to the share placement and the underwritten rights issue is most pleasing and further highlights investors' continued support for the Company and that they share in its positive outlook. Your Directors are confident that the new capital raised will position Penrice well, further enhancing its improved operational performance and providing the potential for a sodium bicarbonate expansion.

Over the past three years, your Board has implemented a significant program to revitalise the Company and its operations to position it for sustainable growth. This action has seen Penrice refresh its management team, expand, modernise and upgrade its operating assets under the Way Forward Plan and now, as a result of the successful capital raising, recapitalise the Company's balance sheet.

Having completed this capital raising - the last significant milestone in the renewal of the Company – it is an appropriate time for me to retire from your Board with the knowledge that the Company is well positioned for the future.

It is with great pleasure that I announce that Directors have agreed unanimously for David Trebeck to assume the Chairmanship of your Company.

In that context, it is pleasing that on behalf of my fellow Penrice Directors, I am able to reaffirm the profit guidance for the Company's underlying profit after tax for the financial year ended 30 June 2010 to exceed the improved 2009 underlying profit after tax of \$9 million, subject to any unexpected global economic conditions.

I am also pleased to advise that the Board expects to recommence the payment of dividends for the 2009-10 financial year, based on the aforementioned target payout ratio of 40%-to-50% of the Company's net profit after tax.

As I said earlier, looking ahead, the future is bright for Penrice across its key operations. I will shortly hand over to your Managing Director and Chief Executive Officer, Guy Roberts, to provide you with a look at Penrice's operations, how they are being managed to reap the best results for shareholders and where they are heading in the future.

But in a nutshell:-

- Soda Ash demand is robust and Australian glass markets – our main area of supply - have weathered the GFC well, and we are looking forward to growth.
- As you may have surmised from our announcement about a further possible expansion, demand for sodium bicarbonate is excellent and we are already currently selling out our previous bicarb plant expansion.
- Our Angaston quarry operations in the Barossa Valley are heading for another stronger contribution in the current financial year and our important work with the local community is again a priority.

It is also important that shareholders are updated on the Company's position regarding such important matters as emissions trading. Penrice's operations are energy intensive, using a range of energy sources - including gas, electricity and steam – in producing soda ash and sodium bicarbonate.

The Company is a significant greenhouse gas emitter and has identified that it is subject to the national Greenhouse and Energy Reporting Scheme (NGERS) and will be captured by the Australian Government's expected Carbon Pollution Reduction Scheme (CPRS). Your Company's compliance with these regulations or the introduction of further or more onerous obligations in respect of these regulations and resultant reporting requirements may have an affect on Penrice's financial performance.

Under the Government's proposed CPRS, Penrice has been accepted as an Energy Intensive Trade Exposed Entity at 90 per cent - the highest level of permit allocation. If the scheme is enacted, Penrice expects that the financial impact of the scheme is not likely to be material.

However, your Board also notes that the expected CPRS is Government policy, is not law and is subject to change and that change could unfavourably affect Penrice's financial performance.

Three years ago, the Penrice Board chose Guy Roberts as the person to lead this Company to a brighter future, with improved returns to shareholders. Since his appointment, Guy has worked tirelessly to set in train the people and the strategy to achieve the results asked of him. The progress currently being achieved by Guy and the management team he has assembled at Penrice paints a very bright future for the Company and its shareholders. On behalf of my co-Directors and our shareholders, my thanks go to Guy for his unbending efforts and performance in the past year, often against the odds, and his ongoing dedication to taking this Company to greater achievements and improved returns to shareholders.

The Board is also most appreciative of the commitment of its 300-plus employees and the "team" effort they continue to deliver on behalf of us all.

Thank you for your time ladies and gentlemen and it's over to your Managing Director and Chief Executive Officer, Guy Roberts.

Thanks Guy.

John Heard AM
Chairman



Penrice Soda

**Guy Roberts –
Managing Director & CEO**

AGM Presentation

29 October 2009

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Outline

- FY09 business performance and highlights
- Strategy
- FY10 profit drivers and outlook
- Capital Raising

Highlights



- ✓ FY09 – Significant improvement in underlying financial performance
 - Underlying earnings (EBITDA) up 36% to A\$27.0M
 - Underlying profit after tax up 36% to A\$9.0M
- ✓ Investment in **Way Forward Plan** completed a year ahead of schedule
- ✓ **Way Forward Plan** initiatives added A\$5M to EBITDA in FY09 and with a further \$4M to EBITDA by FY11
- ✓ Debt refinancing completed
- ✓ Capital raising commenced

...improved financial, operating platform

Financials



Year ended June 30 A\$M	2009	2008	% YoY
Sales	162.3	135.1	20%
Gross profit	69.0	57.3	20%
Underlying EBITDA*	27.0	19.8	36%
Underlying EBIT*	19.6	14.3	37%
Underlying net profit after tax*	9.0	6.6	36%
Reported profit after tax	7.1	7.3	(3%)
Underlying EPS*	18.1	14.6	24%
RONA*	12.4%	11.1%	12%

* excludes unrealised hedge gain/(loss)

- **Way Forward Plan** investment in mine and plant upgrades & expansion already contributing to revenue growth
- Reported profit impacted by unrealised hedge losses of A\$1.9M – reversing in FY10

...benefits of Way Forward Plan already being realised



Financial Position

- **Investment in Way Forward Plan completed**
 - \$25M invested in chemicals capex and \$25M in mine inventory to FY09
 - Generating a \$9M overall lift in EBITDA by FY11
- **Debt refinancing completed**
 - Senior debt facilities of \$84M extended by 2 years to March 2012, including new \$5M working capital facility
 - Senior debt has peaked – programmed debt repayments to commence from mid 2010 from cash flows
- **Equity funding**
 - SPP, Placement and DRP raised \$9M in difficult market in November 2008
 - New capital raising commenced primarily to reduce debt

...strongly positioned for future



Currency Risk and Hedging

Currency Risk

- Penrice imports soda ash in USD and exports soda ash and sodium bicarbonate in USD
- Net USD revenue stream of about \$USD20M from surplus of export sales of sodium bicarbonate to 28 countries

Hedging

- Hedging policy in place which attempts to reduce the risk of strengthening AUD
- For FY10, hedging program means for each 1c movement in the USD/AUD exchange rate
 - Up to 89c - an impact to NPAT of about \$130k
 - above 89c – an impact to NPAT of about \$30k

...prudent hedging policies

Strategy

Chemicals

Soda ash – To defend & extend pre-eminent domestic market franchise

- soda ash demand flat in FY10 but forecast to grow in glass and mineral processing segments in medium term
- major legacy soda ash contract to be repriced in FY10

Sodium bicarbonate – To expand in fast growing premium export markets

- expect to sell out expanded sodium bicarbonate capacity of 100,000 tpa by FY11
- Further expansion to 125,000 tpa is being evaluated



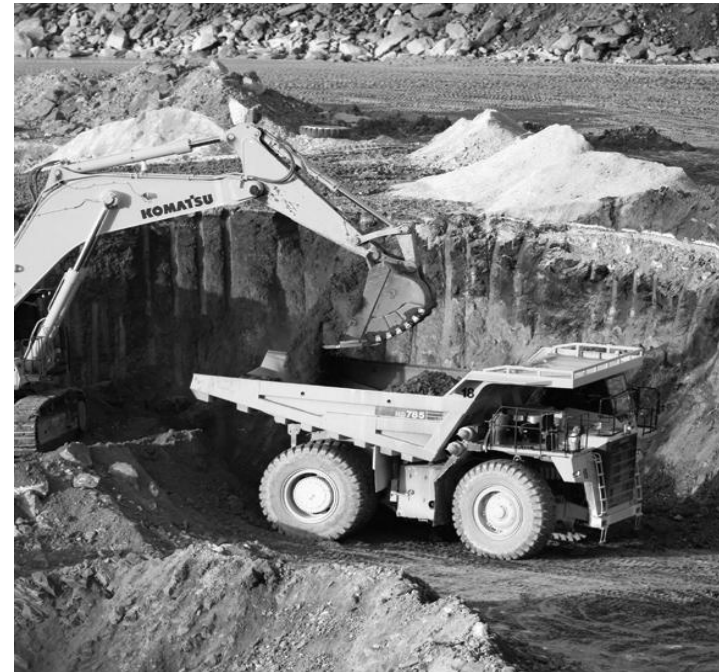
...focus on growth, improving returns

Strategy



Quarry & Minerals – To expand business with three income streams being lime products, aggregate & schist

- Expected sales of aggregates and schist to reduce inventory over 5 years
- Extraction of aggregates and schist to reduce substantially in FY10 and beyond with resultant lower production cash costs and reduced inventory build
- Major opportunity to supply aggregates and schist to announced South Australian infrastructure projects such as Northern Connector and Ridley Salt Field development



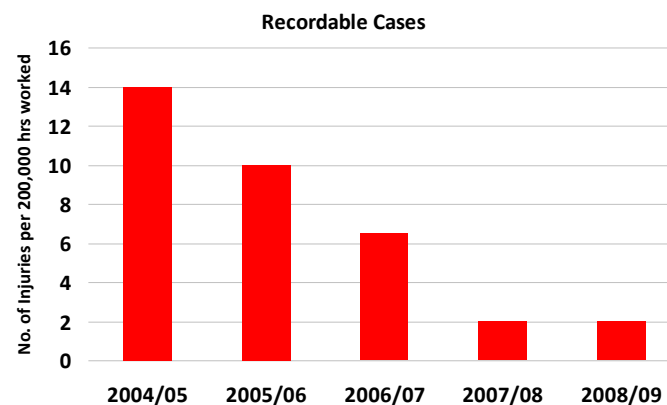
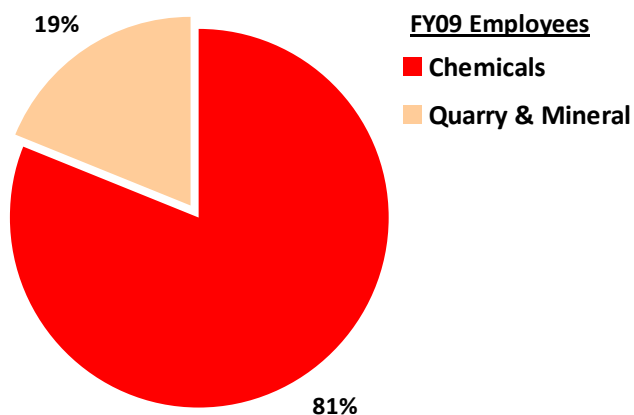
...lower cash costs, inventory reduction

Safety Achievements



Toward the Penrice vision...

- Reduced injuries
- upgraded safety management system
- increased plant investment
- new systems and procedures
- more visible, active leadership



...“no injuries to anyone ever”



- Licence to operate maintained
- Substantial investment in reducing our footprint
 - Improvement at Angaston Mine around visual amenity, drag out, noise and dust reductions
 - Improvements at Osborne manufacturing operations to reduce Ammonia load to the Port River, reduce town water use and dredge historical solids legacy from the Port River
- Community Engagement process established at Angaston, working together to minimise the impact of our operations
- Indicative achievement of highest permit allocation (90%) as an Energy Intensive Trade Exposed entity under the Federal Governments Carbon Pollution Reduction Scheme

...working to reduce environment/community impact



Profit drivers – FY10 and beyond

- **Q1 FY10 performance on budget and ahead of last year**
- **Increase in sodium bicarbonate production capacity from 75,000 tpa to 100,000 tpa**
 - Forecast to deliver \$13M pa increased sales and \$4M pa EBITDA by FY11
 - Potential for further expansion to 125,000 tpa
- **Major contracts**
 - Northern Expressway contract in full swing – 700k tonnes of aggregates supplying one of SA's largest road building contracts ever
 - Uplift to earnings expected from new contracts with major customers
 - Amcor contract recently renewed, effective 1 January 2010
 - Owens-Illinois contract to be renewed, effective 1 January 2010
- **Strong demand**
 - Further sodium bicarbonate sales in fast-growing premium export markets
 - Continued growth in civil and land fill markets for aggregates and schist

...demand growth, improved contract terms



Expansion of sodium bicarbonate

Opportunity

- Proposal being developed for \$8M expansion of the sodium bicarbonate plant from 100,000 to 125,000 tpa for sanction later in FY10
- Sodium bicarbonate sales have grown over the last 10 years from approximately 22,000 to 83,000 tpa in FY09
- Current strong demand supports further expansion
- Additional volumes expected to be sold into premium export markets, in particular, Asia, Africa and Europe

...investment case supported by demand strength



Outlook

Quarry & Mining

- Reduced overburden extraction rates reduces cash mining costs
- Continued strong sales into buoyant road projects
- Targeting landfill projects

Chemicals

- Soda ash - Steady sales in domestic market relative to other regions
- Sodium bicarbonate - Increased sales, selling out expansion volume into growing demand
- Coal seam gas waste water salts extraction opportunities in Queensland

Corporate

- Focus on cash generation and debt reduction and strengthening balance sheet
- Subject to global economic conditions, increased sales and better margins lead to underlying profit for FY10 exceeding pcg
- Dividend payment expected to resume for FY10, in line with improved performance and after successful capital raising

...profitable, long-term organic growth



Fully underwritten equity raising

- Fully underwritten raising of \$28.1M, including well supported \$6.8M placement and participation by several new institutional investors
- Use of funds
 - Reduced gearing levels, strengthens balance sheet and reduced interest costs
 - Pro forma net debt initially reduced by \$26.1M from \$86.6M to \$60.5M
 - Pro forma gearing (net debt / net debt + equity) reduced from 58% to 41%
 - Better working capital management
 - Up to \$8M to facilitate expansion of the sodium bicarbonate plant

...strengthened balance sheet will support growth