

PENRICE SODA HOLDINGS LIMITED

Media Release

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PENRICE EXPECTS PROFIT GROWTH TO CONTINUE IN CURRENT YEAR - CHAIRMAN

Penrice Soda Holdings Limited (ASX: "PSH") expects further profit growth in the current financial year with its key chemicals and quarry and mineral business groups both enjoying favorable market outlooks, the Company's Chairman, Mr John Heard, AM, told shareholders at today's annual meeting in Adelaide.

Penrice also today announced details of an institutional share placement to be followed by a Share Purchase Plan (SPP) offer to eligible retail shareholders, after requesting the ASX halt trading in the Company's shares for 48 hours to allow the placement to be released to the market .

The proposed share placement - which will be co-managed by ABN Amro Morgans Limited and EL & C Baillieu Stockbroking Ltd – is targeting an \$8.5 million raising by issuing 6.8m shares at \$1.25 each, equivalent to 15% of the Company's capital.

Mr Heard told the meeting that an existing Penrice shareholder, ASX-listed London City Equities ("LCE"), had already committed to being a major participant in the share placement and is expected to emerge as a cornerstone investor with a shareholding of around 7%. LCE is also expected, if within the 15% limit, to underwrite up to \$2 million of the planned Share Purchase Plan.

Penrice - the only manufacturer in Australia of soda ash and sodium bicarbonate and with expanding and increasingly profitable quarry and mineral operations – lifted profit by 9% to \$7.3 million in the year ended 30 June 2008, on revenue that edged up to \$135 million.

Mr Heard said the improved results followed the introduction of a comprehensive three year strategy, titled Way Forward Plan, to improve growth and productivity across all of the Company's operations with the aim of increasing profitability and returns to shareholders.

"During 2007/08, the Board and management were concerned at the way in which the appreciating Australian dollar was undermining Penrice's margins and profitability," Mr Heard told shareholders today.

"The general view endorsed by the Australian major banks only a few short months ago, was that these trends would continue, with parity between the Australian and US dollar – if not more – widely seen as inevitable," he said.

"Accordingly, we deemed it prudent to hedge some exchange and interest rate risks.

“Unfortunately, what was at the time prudent insurance is currently, because of accounting standards which require the Company to account for unrealised mark to market fluctuations for interest rates and foreign exchange rates on the hedging contracts in the profit and loss statement, dragging down our bottom line results.

“Thus, while trading from operations for the year to date is solid, our first half results will be adversely affected by the accounting mark to market adjustments.

“The Company expects to report a bottom line loss for the half year as a result of the unrealised mark to market adjustments.

“However, the Penrice Board believes the second half will see any first half deficiency recovered, enabling the full year result to be better than last year.”

“That said, I am pleased to report that the Way Forward Plan, which embodies investments in additional production capacity, overdue maintenance expenditure to enhance plant reliability, initiatives to improve environmental performance and investment in constructive cultural change throughout the company, is proving valuable, having already produced tangible benefits.

“Funds from the institutional share placement and SPP announced today will enable Penrice to build on the operational improvements already achieved under the expansion and modernisation program implemented throughout the Company’s operations over the past 18 months.”

Mr Heard said Penrice, which exports a large proportion of its sodium bicarbonate in US dollars, therefore would benefit from the lower exchange rate.

“Our competitors, who import soda ash, conversely have to pay a much higher price for that product which in turn strengthens Penrice’s domestic competitive position. A recent decrease in interest rates plus forecasts for that trend to continue will also benefit the Company, although banks are being tougher in making credit available and charging higher margins for it,” he said.

“Most importantly during this current final year, Penrice expects demand for its products - soda ash, sodium bicarbonate and quarry material - to remain strong.”

Mr Guy Roberts, Penrice’s Managing Director and Chief Executive Officer, said the current 2008/09 financial year would see the Company’s continued focus on expanding its core businesses, including:

- A decision will be made regarding the potential major expansion of the soda ash plant.
- The commissioning of the newly expanded sodium bicarbonate plant will see early successes in export sales.
- Winning several new contracts to supply road and construction contracts as mining and defence related infrastructure is developed in South Australia.

“The current Australian dollar value is a welcome boost for us as our exports are sold in \$US and the \$A depreciation means we get more for our products. That is a very big positive in the opening months of the current financial year,” Mr Roberts said.

“In fact, for Penrice the lower Australian dollar has a two-fold positive affect. It not only maximises the receipts from our US dollar exports but also makes imported soda ash more expensive and assists our competitiveness.

“We will seek to raise prices to improve profitability and thereby permit further reinvestment in our business – to modernise and expand our chemicals assets and business.”

Mr Roberts said the past financial year had not only been all about improvements to Penrice’s various businesses and making them more reliable and more accountable.

“It certainly is the most important part of our future goals but we have also achieved some significant breakthroughs in diversifying the markets for Penrice’s products,” he said.

“The milestone soda ash sales to the mining industry during the past financial year – namely the Windimurra Vanadium mine in Western Australia and then giant Goro nickel mine in the South Pacific – have added a totally new dimension as far as diversity of sales is concerned for this Company.

“With both the multi-million dollar Windimurra and Goro mines due to be commissioned in the current financial year, our soda ash supplies will commence to those projects, as will our revenue from these new sales achievements.

“Our ongoing contracts and price increases for soda ash supplies to our major glass industry clients continue on a positive note and the sales outlook in this area remains positive.”

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