Penrice Soda

Market Update – 8 July 2009

Way Forward Plan – building sustainable value for shareholders

Contents

IMPORTANT NOTICE

Financial information in this Update that refers to "FY09" represents preliminary unaudited estimates of financial information for the 12 months ended or as at 30 June 2009. This financial information is preliminary in nature, is unaudited and therefore is subject to change and these changes may be material

Introduction

Way Forward Plan delivering results

☑ **FY09 – Significant improvement in underlying financial performance**

- Sales up over 18% on prior year to $160M+
- Underlying EBIT* up over 18% on prior year to $17M+
- Underlying profit* after tax up over 28% on prior year to $8.5M+
- Reported profit after tax between $6.5 - 7.4M after $2M unrealised hedge loss

☑ **Investment in *Way Forward Plan* now complete and ahead of schedule**

- Investment in capex and inventory driven by operational imperatives
- $25M invested in capex and $25M in inventory over 2 years to FY09 generating incremental EBITDA of $5M pa in FY09 and further $4M pa by FY11
- Cash demand forecast to be $27M lower in FY10 – capex reduces by $12M to $10M in FY10 and inventory build reduces by $15M to $3m in FY10

☑ **Debt refinancing completed**

- Debt facilities extended by 2 years to March 2012, including new $5M working capital facility
- Debt has peaked – programmed debt repayments to commence from mid 2010 from operating cash flows

**Underlying EBIT and profit exclude unrealised hedge gains and/or losses*

Introduction

Way Forward Plan – A blueprint for growth and profits

- Board and Executive Team strengthened in 2007 with 2 new Directors (John Hirst and David Trebeck) appointed following the retirement of one Director and the commencement of new Managing Director and CEO, Guy Roberts
- Under the stewardship of the Board, the ***Way Forward Plan*** was developed in 2007 by Guy Roberts and his newly appointed Executive Team after an extensive review of Penrice strategy and operations
- The ***Way Forward Plan*** chartered a course for the profitable, long-term, organic growth of each of Penrice's 2 core businesses, **chemicals and quarry & mineral** and detailed the investment required in its operations
- Announced in August 2007, the plan was to be implemented over 3 years from FY08 to FY10. The initial investment required was comprised of:
  - $15M additional capital over 3 years to upgrade the **soda ash** plant
  - $15M capital to expand the **sodium bicarbonate** plant
  - $25M net **mine** development costs
- The delivery of the plan completed in FY09 to secure improved returns more quickly – a year ahead of schedule. A new plan will be developed to continue the improvement focus

Consolidated results

Benefits of Way Forward Plan being realised

$M	FY08	Unaudited FY09E[1]	% mvt
Sales	135.1	160+	>18%
Underlying EBITDA[2]	19.8	24+	>21%
Underlying EBIT[2]	14.3	17+	>18%
Underlying profit after tax[2]	6.6	8.5+	>29%
Reported profit after tax	7.3	6.5-7.4	

Notes:

1. *FY09 estimated results are unaudited and are therefore subject to normal year end adjustments*
2. *Underlying earnings before interest, tax, deprecation and amortisation ('EBITDA'), underlying earnings before interest and tax ('EBIT') and underlying profit after tax excludes unrealised hedge gains and losses*

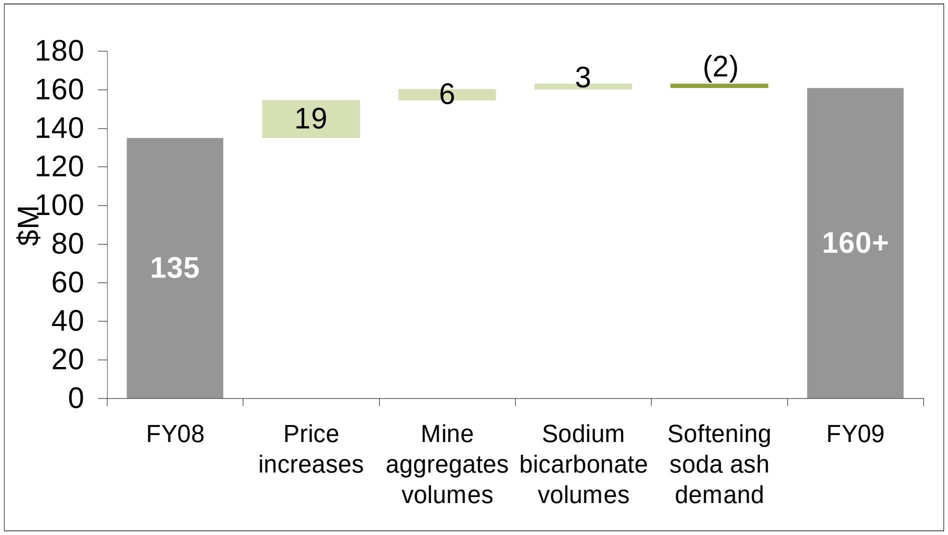
- ☑ Osborne soda ash plant upgrades, sodium bicarbonate plant expansion and chemical product price increases, delivering benefits in FY09 with further benefits realised in FY10 and beyond
- ☑ Angaston mine expansion yields increased revenues in FY09 as well as securing a key resource
- ☑ Productivity gains offsetting raw material cost increases

- ☒ Reported profit after tax affected by unrealised hedge losses of $2M
- ☒ Increased interest and depreciation costs due to *Way Forward Plan* investment
- ☒ Increased one-off costs – Angaston mine Community Consultative Group, Carbon Pollution Reduction Scheme ('CPRS') EITE permits, refinancing costs and upcoming General Meeting costs

Consolidated results

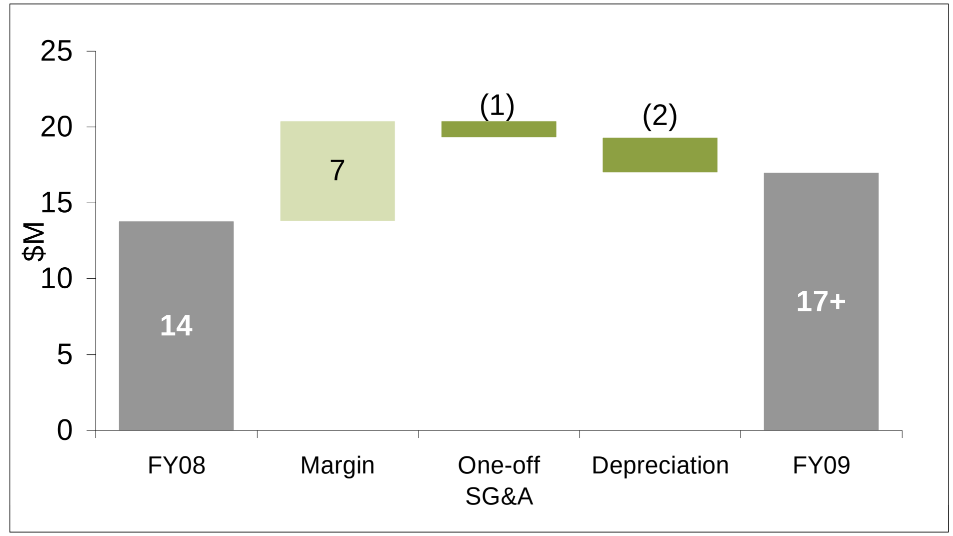
Sales and underlying EBIT growing

Sales



- ☑ Substantial increase in sales in 2H09
- ☑ Chemicals price increases
- ☑ Increased sales from sodium bicarbonate plant expansion
- ☑ Higher sale of mine aggregates to civil and construction
- ☒ Unexpected loss of soda ash business in mineral processors segment and recent slowdown in glass segment demand

Underlying EBIT



- ☑ Volume growth brings underlying EBIT increase
- ☑ Margins improved on the back of price increases
- ☒ Cost rises in key raw materials - coke and ammonia
- ☒ Further improvement in soda ash return necessary to meet minimum hurdle rates

The *Way Forward Plan*

A blueprint for sustainable growth and profits

Strategy	Way Forward Plan	Benefits
Chemicals - Soda Ash: Defend and extend Penrice's pre-eminent position in the Australian market	**Soda Ash:** ☑ $10M additional capital over 2 years (FY08 and FY09) ☑ Increased output to 285ktpa ☑ Expected sale of entire production from upgraded plant	**Soda Ash:** ☑ $2M pa increase in EBITDA achieved in FY09
Chemicals - Sodium Bicarbonate: Expand in fast growing premium export markets	**Sodium Bicarbonate:** ☑ $15M additional capital for expansion (FY08 and FY09) ☑ Increased output from 75ktpa to 100ktpa ☑ Significant market and sales development undertaken, sell out capacity by FY11	**Sodium Bicarbonate:** ☑ Increase of $13M pa in revenue and $4M pa in EBITDA expected in FY11, a year earlier than targeted
Quarry & Mineral: Secure key raw material for Chemicals and develop civil and landfill markets	**Quarry & Mineral:** ☑ $25M essential mine development costs (FY08 to FY09) ☑ Limestone security for Chemicals ☑ Expanded profitable business selling aggregates and now schist	**Quarry & Mineral:** ☑ Sales of $5M pa and EBITDA of $3M pa in civil and construction markets

Inventory and capital expenditure

Up-front investment required for Way Forward Plan

- ☑ **Significant investment (in both inventory and capex) required under the *Way Forward Plan* driven by operational imperatives and to establish a platform for long-term growth**

- ☑ ***Way Forward Plan* capex completed – $25M invested in FY08 and FY09 (plus investment of $25M in inventory), no additional *Way Forward Plan* capex in FY10**

- ☑ ***Way Forward Plan* investment generated incremental EBITDA of $5M pa in FY09 and further $4M pa expected by FY11**

- ☑ **Cash demand for capex and inventory forecast to be $27M lower in FY10 against FY09**

- ☑ **Future cash flows expected to fund sustenance capex and allow debt repayment program to commence from mid 2010**

Inventory and capital expenditure

Investment in the Way Forward Plan now complete

$M	FY08A			FY09E			FY10F	
	Way Forward Plan	***Other***	***Total***	***Way Forward Plan***	***Other***	***Total***	***Way Forward Plan***	***Other***
Inventory	13	5	18	12	6	18	-	approx 3
Capital expenditure	13	7	20	12	10	22	-	approx 10
Total	**26**	**12**	**38**	**24**	**16**	**40**	**-**	**approx 13**

- $50M net investment in the *Way Forward Plan* now complete and comprised of:
  - Capex of $25M on the upgrade of the soda ash plant and expansion of the sodium bicarbonate plant
  - Net mine development costs of $25M extracting overburden and converting to aggregate and schist inventory
- FY10 forecast:
  - No further investment required as part of *Way Forward Plan*
  - Capex peaked and will reduce by $12M to $10M in FY10
  - Inventory levels peaked and flatten in FY10

☑ **Investment in *Way Forward Plan* completed ahead of schedule**

☑ **$27M less cash investment required for Penrice in FY10 compared to FY09**

Inventory and capital expenditure

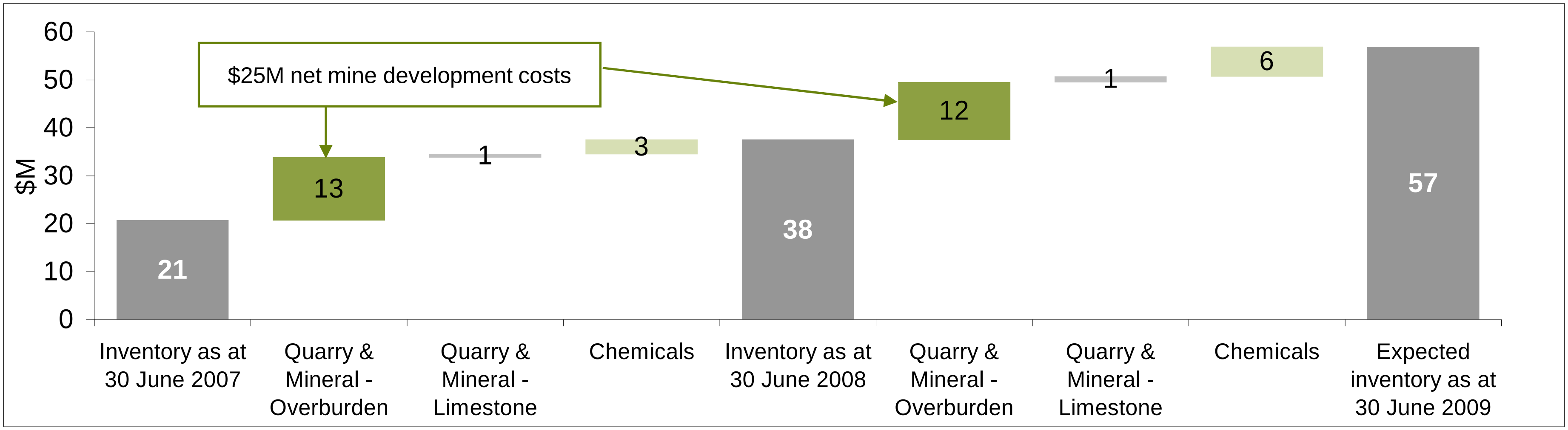
Inventory growth from Quarry & Mineral business

Quarry & Mineral	➔ Mine had to be widened before the ore body could be accessed – leading to an accelerated overburden extraction program ➔ Markets extended and created to sell mine aggregates and schist resulting from overburden removal ☑ Incremental aggregate sales of $5M pa and EBITDA of $3M pa achieved from FY07 to FY09 ☑ Saleable aggregates and schist is required to be treated as current inventory under accounting standards
Chemicals	☑ Chemicals’ finished goods inventory, forecast to be $12M at 30 June 2009, represents about one month’s sales, consistent with better practice among chemical peers

☑ **Required mine development costs converted into saleable inventory – incremental aggregate and schist sales of $5M pa and EBITDA of $3M pa achieved in FY08 and FY09**

Inventory and capital expenditure

Inventory levels peaked and expected to reduce



Quarry & Mineral

- Growth in overburden inventory driven by the need to widen Angaston mine
- Extraction of overburden peaked in FY09 and will reduce substantially in FY10 and subsequent years
- Expected sales of aggregates and schist to reduce inventory over time
- First sales of schist in FY09

Chemicals

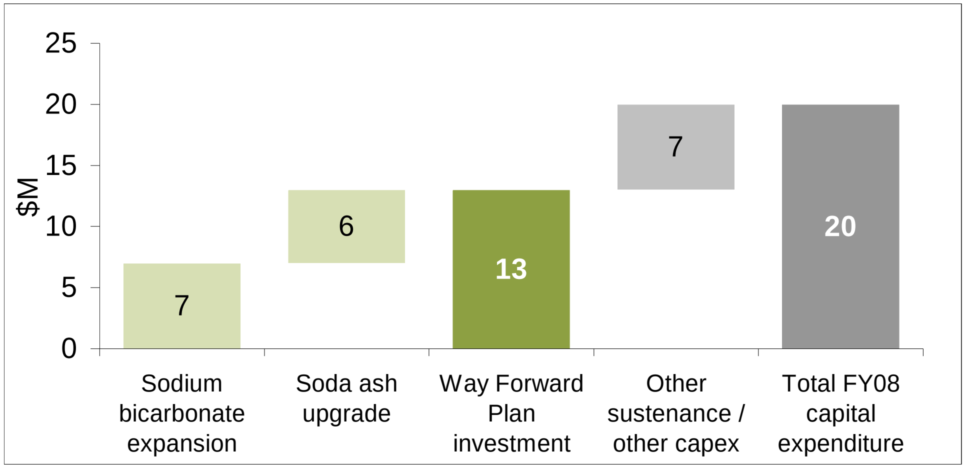
- 2 customers went into administration in FY09 – no bad debts but some stock build up due to lost sales
- Excess stock to be absorbed into FY10
- Windimurra Vanadium contract agreed October 2007, first shipment agreed in October 2008 with upfront payment, first delivery made January 2009, company placed into administration March 2009

☑ Mine development costs converted into saleable inventory of $25M

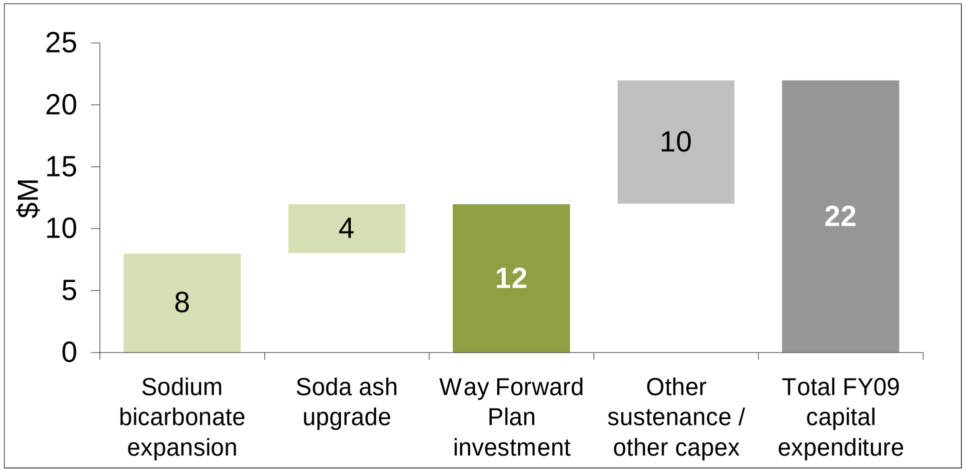
Inventory and capital expenditure

Way Forward Plan capex delivering improved earnings

FY08 Capex



FY09E Capex



- Total capex for the *Way Forward Plan* of $25M over FY08 and FY09,
- FY10 capex forecast to reduce by $12M to $10M, largely for continued preventative maintenance of the soda ash plant

- Incremental EBITDA from capex of:
  - $2M pa (by FY09) on additional investment of $10M on the soda ash plant
  - $4M pa (by FY11) on $15M investment on sodium bicarbonate expansion

☑ **Total *Way Forward Plan* capex investment of $25M in FY08 and FY09 is expected to generate additional $6M EBITDA pa by FY11**

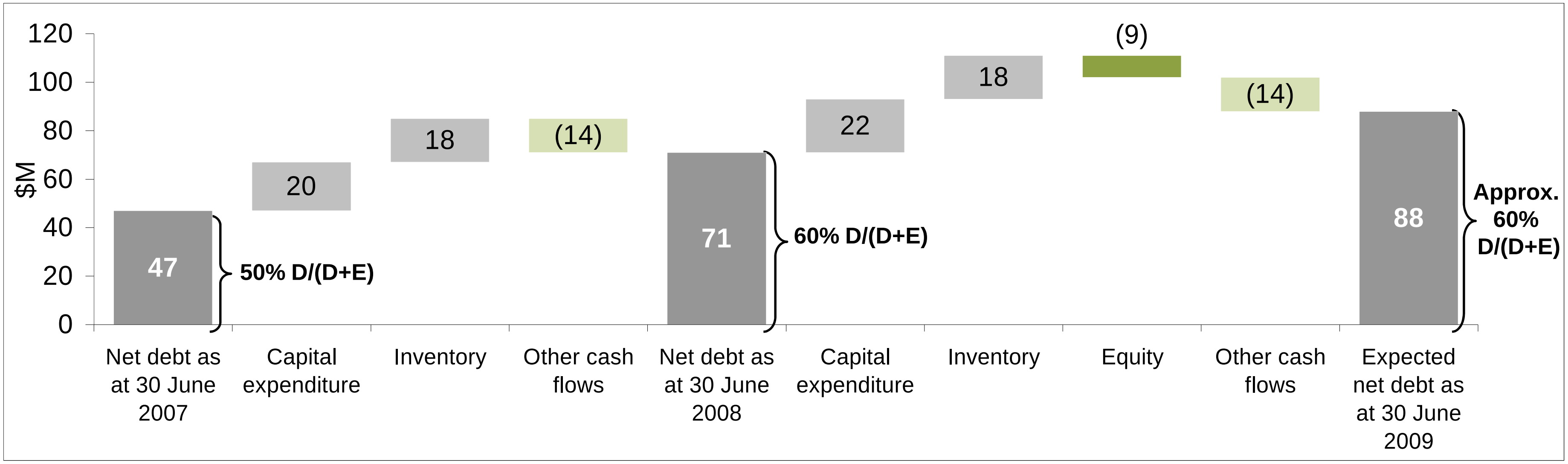
Debt and cash flow management

Debt funding secured

- ☑ **Debt funding secured, subject to standard bank requirements – syndicate banks have agreed in principle to extend the term on existing debt facilities to March 2012 and provide a new $5M working capital facility**
- ☑ **Follows extensive review of the company's performance and strategy by syndicate banks**
- ☑ **Operating cash flows expected to improve in FY10 as benefits from the *Way Forward Plan* are realised – FY10 cash flows expected to fund sustenance capex**
- ☑ **Programmed debt repayments from mid 2010 from operating cash flows**

Debt and cash flow management

Debt used to invest in Way Forward Plan



- The investment required under the *Way Forward Plan* contemplated gearing within Board endorsed gearing range of 50 to 60%
- Reduced availability of equity capital in current environment led to increased debt funding and gearing at the upper end of target range
- Programmed debt repayments from mid 2010 – gearing reduction from operating cash flows and potential further equity raising
- Debt levels peaked
- Operating cash flows to fund FY10 capex
- $1M increase to retained earnings in 2H09 from defined benefit scheme actuarial review

☑ **Investment in *Way Forward Plan* completed, $27M less cash investment required in FY10 with programmed debt repayments from mid 2010**

Debt and cash flow management

Dividend suspension reflects current conditions

- In FY07 and FY08, dividend policy was to pay 60% of profit after tax to shareholders
- At 1H09, Directors suspended interim dividend after considering:
  - Reported profit after tax loss for 1H09
  - Capital required for reinvestment in the business
  - Current gearing levels
  - Considerable uncertainty given global financial crisis
- *Way Forward Plan* will generate improved returns for shareholders over medium term
- Directors will decide upon any final dividend for FY09 after finalisation of audited FY09 accounts
- Directors intend to resume dividend payments in line with improved results

Debt and cash flow management

Capital raising flexibility sought

- Any capital raising activity will be undertaken in the best interest of all shareholders
- Flexibility for capital raising is necessary
  - Approval is required to refresh the company's ability to issue up to 15% of issued share capital in a 12 month period
  - Allows for possible equity funding during FY10 as equity markets become more amenable, timing under constant review
  - 15% issuance cap relates to equity placements, but guiding principle for any equity raisings will be that all shareholders are given an opportunity to participate
- Application of funds
  - Any equity raised would be used to retire debt, reduce gearing and for working capital needs
  - An equity raising could also assist Penrice to fund future investment requirements

Hedging

Hedging positions reduced significantly

- Unrealised hedge loss of $2M for FY09, reduced from $4.7M at 1H09
- Hedging implemented in July 2008:
  - Prior to onset of global financial crisis
  - Taken out as insurance against then rising interest rates and appreciating Australian dollar
  - Consensus view at that time was that interest rates and the Australian dollar would continue rising/appreciating
  - Conservative and prudent management approach to protect operating cash margins
- Hedge exposures have significantly reduced:
  - Interest rate swaps to reduce to $15M after August 2009 from $75M in July 2008
  - Forex hedges to reduce to $9M after July 2009 from $22M in July 2008
- No further hedges implemented since July 2008:
  - Current hedges fully unwind by August 2010 and unrealised losses in respect of those hedges are already accounted for in FY09 and will not impact FY10 full year results

Safety, health and environment

Towards the Penrice vision “no injuries to anyone ever”

☑ **Substantial and sustained reduction in injuries at Penrice following comprehensive upgrading of safety management system – increased plant investment, new systems and procedures, more visible leadership and individual focus from all employees**

Safety, health and environment

Penrice is committed to sustainable development

- Penrice's commitment to the environment is reflected in its full compliance with all environmental licences
- Penrice has made a number of substantial investments to minimise the impact of its operations on the environment
  - Improvements at Angaston mine to improve visual amenity, rehabilitate land, reduce noise and dust from its operations and conserve water
  - Improvements at Osborne operations to reduce ammonia losses to Port River, reduce town water usage and dredge the Port River to remove legacy impacts
- Penrice respects the community's role in developing a better way to conduct its operations and established a Community Consultative Group to work together with the local community to minimise the environmental impacts of its Angaston mine
- Penrice has indicatively received the highest level of Energy Intensive Trade Exposed permit allocation of 90% under the Federal Government's Carbon Pollution Reduction Scheme, minimising the financial impact of the Scheme on Penrice

Current Trading and Outlook

Way Forward Plan will continue to deliver

Improved financial performance	☑ Increased sales and better margins mean FY10 profit expected to exceed FY09
Improved cash flows in FY10 and beyond	☑ Investment in Way Forward Plan complete – capex focus to continue on improving soda ash plant integrity ☑ Inventory levels to flatten in FY10 and reduce thereafter as overburden sold
Debt secured	☑ Debt facilities extended to March 2012 ☑ Programmed debt repayments from mid 2010

Current Trading and Outloook

Current Trading - *Businesses perform well*

Soda Ash	☒ GFC reduces global demand for soda ash, supply frees up and spot prices drop in most regional markets ☑ GFC reduces demand in Australia by circa 5% in H2. Local supply and pricing remain stable reflecting Penrice's existing reliable and competitive supply chain
Sodium Bicarbonate	☑ GFC has minimal impact on global and local demand, supply remains limited and demand continues to grow in food, pharmaceutical and other segments ☑ Plant expansion completed and first sales commence, considerable interest from customers looking to secure supply
Quarry & Mineral	☑ Continued strong sales of aggregates into growing civil and construction markets, particularly major road projects – eg. Northern Expressway ☑ First sales of schist for landfill

Current Trading and Outlook

Outlook - Businesses expected to perform well

Soda Ash	☑ Continued flat demand in FY10, but still maintain 100% utilisation of the soda ash plant supported by imports as necessary ☑ Major legacy contract to reprice upwards from January 2010 ☒ Current returns are beneath reinvestment levels, need to improve before further substantial capital allocated
Sodium Bicarbonate	☑ Sell out expansion volume into fast growing demand ☑ Full financial benefit of plant expansion to flow through by FY11 ☑ Current returns exceed hurdle rate – future growth capital for further capacity expansion will be evaluated
Quarry & Mineral	☑ Continued strong sales into growing civil and construction markets ☑ Extraction of overburden to reduce substantially, lowering production cash costs ☑ Current returns exceed hurdle rate – future growth capital considered

About Penrice

Australia's only soda ash & sodium bicarbonate producer

- Penrice is Australia's only soda ash and sodium bicarbonate producer and one of the world's largest sodium bicarbonate marketing companies. Penrice holds the majority of the Australian soda ash market and produces a premium range of sodium bicarbonate, which it markets into more than 28 countries. Penrice also own and operates a large quarry and markets quarry products in South Australia
- Its Chemicals business, based at Osborne South Australia, supplies two key chemical ranges:
  - Soda ash is 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, washing powder and the mining industry
  - Sodium bicarbonate is a specialty chemical used in a variety of applications as diverse as food, pharmaceuticals, medical, personal care products and stock feed. Penrice focuses on a premium range of high-quality products which suit the most demanding applications
- Its Quarry & Mineral business is based at the Penrice mine at Angaston South Australia. While the mine supplies a vital ingredient into the chemical process at Osborne, it is also a significant supplier of aggregates and other materials to a variety of end-uses, such as civil & construction, roads, landfill, glass, mineral processing, agriculture, stockfeed and landscaping
- Penrice directly employs around 300 people, and is a major South Australian employer and a vital link in the Australian glass industry and other prominent downstream industries, such as the food and beverage (wine and beer) and building industries

About Penrice

Highly skilled Board of Directors

Board overview

- The Board of Directors is a highly skilled team of professionals with a diverse range of executive and non-executive experience. The Board brings together a highly relevant skill set with specialisations in the areas of safety, health and environment, finance, chemical marketing and operations, engineering, people and government relations

Director	Experience
John Heard	Chairman and board advisor to a broad range of private & public companies across a range of industries
Andrew Fletcher	Senior SA Government executive with a wealth of Government and engineering experience including with global engineering consultancy KBR
Barbara Gibson	Non-executive director on a number of public companies in chemicals, mining and financial management industries. A former senior chemicals industry executive with Orica Limited
John Hirst	Managing Director of Nuplex Industries Limited. A seasoned experienced senior executive in the chemicals industry with significant responsibilities across many countries
David Trebeck	Senior policy consultant to Federal and other governments with a range of public directorships across chemicals, agriculture, supply chain/logistics and water industries
Guy Roberts	Current Managing Director and CEO

About Penrice

Skilled and experienced Executive Team

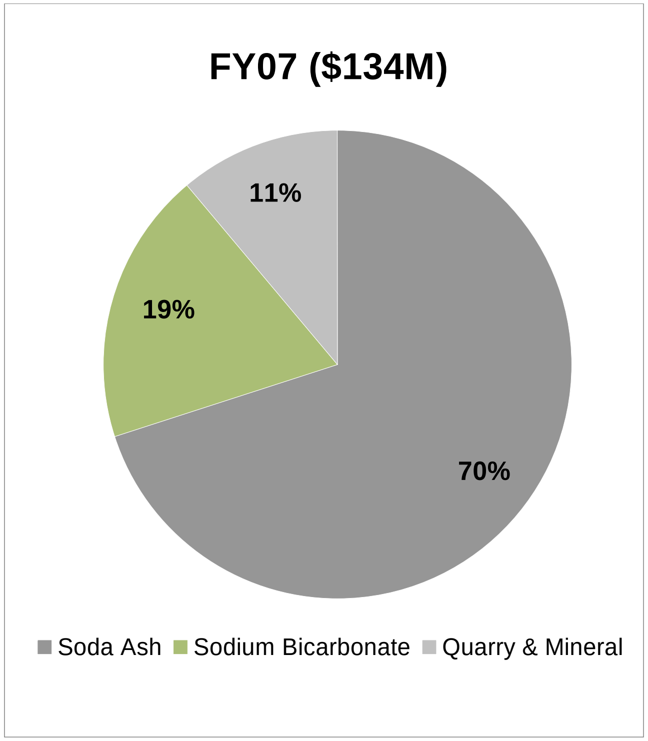
Executive overview

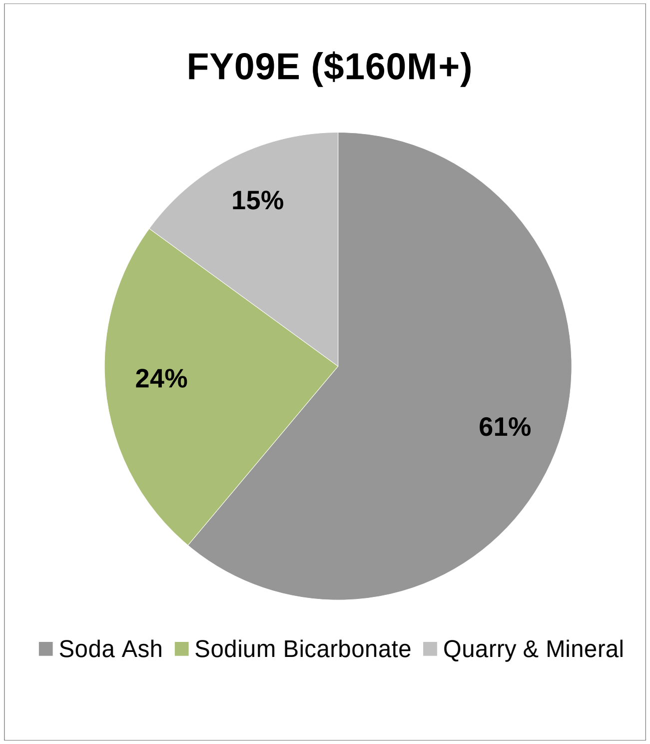
- The Penrice Executive team is lead by **Guy Roberts, Managing Director & CEO,** who commenced in January 2007, from a long and successful career in Orica. He has assembled a strong, well credentialed team to lead and direct the Company through its transformation via the *Way Forward Plan* into a larger and more profitable company. The team includes senior executives from a number of other leading Australian companies:

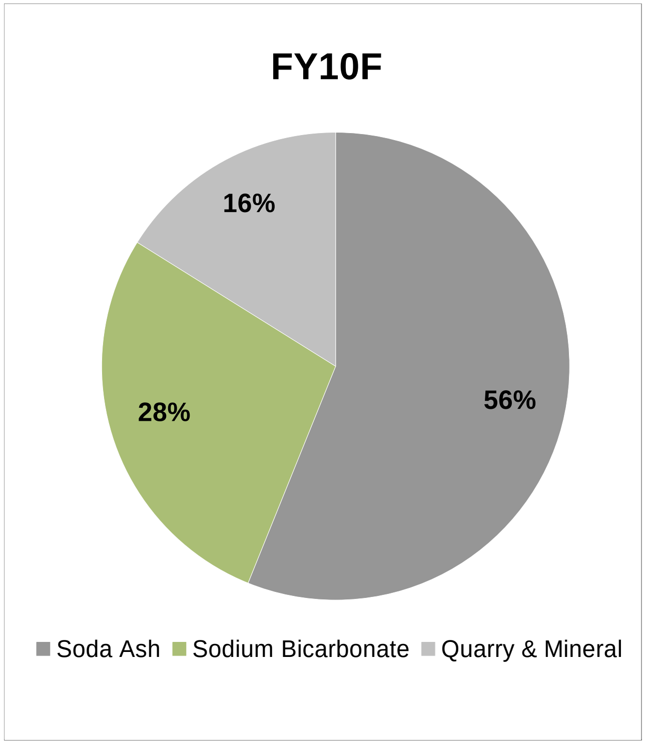
Management	Role
Frank Lupoi	Chief Financial Officer & Company Secretary (formerly CFO of Adelaide Bank)
Declan Mackle	GM Chemical Operations (formerly with Adelaide Brighton)
Andrew Cannon	GM Supply Chain (formerly with Elders)
Darrin Wright	GM Safety, Health, Environment & Quality (formerly with GMH Australia)
Marnie Brokenshire	GM Human Resources (formerly with GMH Australia)
Mike Carter	GM Quarry & Mineral
Andrew Kuhndt	GM Sales
Roy Doveton	GM Capital Projects

About Penrice

Diversification of sales continues







Diversifying the Business

– Strengthening Sodium Bicarbonate & Quarry Sales