



Penrice Soda Holdings Limited

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- **PENRICE HIGHER REVENUE AND UNDERLYING PROFIT**
- **BANKS AGREE TO EXTENDED FINANCE FACILITIES**

The Board of Penrice Soda Holdings Limited (ASX: "PSH") today released a comprehensive Market Update and letter to shareholders, advising significant increases in group revenue and underlying profit for the 2008-09 financial year and further improvement has been forecast for 2009-10.

Directors provided the unaudited revenue and underlying profit when also announcing that Penrice's banking syndicate - comprising National Australia Bank and Westpac Banking Corporation - have agreed to extend for two years the Company's debt finance facilities to March 2012 and provide an additional new \$5 million working capital facility.

Higher revenue and underlying profit – Positive outlook

The update includes a summary of unaudited results for the 2008-2009 financial year, details of progress already delivered by the Company's investment in its "Way Forward Plan" – which has been completed a year ahead of schedule - and the benefits expected to flow in future from the Plan.

Key points in today's Market Update of Penrice's unaudited results include:-

- Group sales – up more than 18% to over \$160 million
- Increased sales revenue from both flagship businesses - Chemicals and Quarry & Mineral
- Underlying after-tax profit in excess of \$8.5 million – a more than 28% increase
- Reported net profit after tax (NPAT) in range of \$6.5 million to \$7.4 million
- Further improvement in financial performance forecast for 2009-10 financial year
- \$50 million essential operational investment already made under Way Forward Plan – improved earnings flowing from action taken
- In 2009-10, capex reduces by \$12 million and inventory build reduces by \$9 million, meaning I\$27 million less cash demand in 2009-10
- Debt refinancing completed – bank syndicate extends facilities to March 2012
- Debt has peaked – repayments planned from improved cash flows
- Hedge exposure significantly reduced
- Way Forward Plan results to generate improved returns for shareholders

Penrice's Chairman, Mr John Heard, said the Market Update provided a comprehensive insight into the results of the Way Forward Plan – a strategic plan for the Company's future developed by Managing Director and CEO, Mr Guy Roberts, following his appointment in 2007 and implemented under guidance from the Board.

“Results from the Way Forward Plan are positive. It has been a success and has been completed ahead of schedule. It has changed our culture, improved our business, and overall has provided Penrice and its shareholders with a brighter outlook for the 2009-10 financial year and beyond,” Mr Heard said.

“The Board looks forward to further working with Guy and his team to build on the achievements to date, which have been delivered despite most difficult and testing conditions due to the global financial crisis.”

Interim dividend was suspended and a decision by Directors on a final dividend for 2008-09 will be made when completed accounts are finalised for the year ended 30 June 2009.

Mr Heard said Directors intend to resume dividend payments in line with improved future results. “We are confident the success of the now-completed Way Forward Plan will generate improved returns for shareholders over the medium term”, he said.

Banks extend debt finance facilities to 2012

Penrice’s Managing Director and Chief Executive Officer, Mr Guy Roberts, said the agreement to the extension of debt finance facilities and the additional \$5 million working capital facility followed an extensive review of Penrice’s performance and strategy by both of the longstanding bankers to the Company.

The in-principle agreements for the revised and new facilities are subject to final legal documentation and necessary approvals.

“The extension of the debt finance facility by two years until March 2012 is a strong vote of confidence in the Company’s future and a recognition of the benefits starting to flow from our recent operational strategies,” Mr Roberts said.

“The banking facility is the major component of our funding strategy and the NAB-Westpac agreements are a pleasing endorsement of our performance to date, and what we have planned for the future,” he said.

“Significantly, with this transaction, Penrice’s debt has now peaked and the Company’s improved cash flows will see debt repayments commence in the 2010-11 financial year, with a resultant reduction in gearing to more appropriate levels.”

Further profit improvement in 2009-10

Mr Roberts said there were several key drivers in a more positive outlook for Penrice and its shareholders for the new financial year.

Mr Roberts said, “Full year profit in 2009-10 is expected to exceed the result for the past year with further increase in sales and margin improvement, debt facilities have been secured with our main banking syndicate and have been extended until March 2012, there is no further capital expenditure required under the Way Forward Plan and operating cash flow is expected to improve substantially and to fund the Company’s sustenance capital expenditure.

“There will be \$27 million less cash demand in 2009-10. Capex will be reduced to around \$10 million this year (down by \$12 million on last year), inventory build will reduce to around \$3 million this year,(down by \$9 million on last year), with the overburden extraction rate at Angaston mine substantially lower.

“There is also a significant change for the better in our hedge position, including the \$4.7 million hedge loss reported for the opening half of the 2008-09 financial year being substantially unwound to a \$2 million loss at 2008-09 year end.

“The Company’s existing hedge will be fully unwound by August 2010. No further hedges have been implemented by Penrice since July 2008 and unrealised losses from existing hedges have been fully accounted for in the 2008-09 financial year results.”

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