

9 July 2009

Dear Penrice Shareholder

As you are aware, London City Equities (LCE) is attempting to remove me from the Penrice board at the general meeting on 27 July. I respectfully request you to read this letter and, above all, I urge you to vote: please don't stand aside and then later regret that you did so. When you vote, **please vote AGAINST my removal from the board.**

I apologise that you are receiving a deluge of information in the lead up to the meeting. Regrettably, this is part of commercial democracy for actions that have not been initiated by your board. Regrettably too, the responses are distracting for management and costly for the company.

There are three components to this letter:

- a summary of how the company is performing and its prospects;
- a little more information about myself; and
- my response to some of the claims made by LCE and a request for you to think carefully about the suitability of its nominees to the board.

1. Penrice and its future

Since I have been on the board (September 2007) Penrice has been grappling with several difficult challenges. The company has responded proactively by embarking on a total strategic overhaul, a three year process we call:

"The Way Forward Plan".

This plan addresses every aspect of the company's operations. It is comprehensive, correct and delivering benefits earlier than expected. The main elements are:

- \$15 million investment in the soda ash plant to expand and make it more reliable;
- \$15 million investment in the sodium bicarbonate plant to expand its production and quality, enabling it to target higher value markets, especially overseas;
- \$25 million expansion of the Angaston quarry, including enlarging the mine, upgrading the mobile plant and targeting new markets for mining products;
- progressive renegotiation of soda ash and bicarb pricing contracts;
- revamping the senior management team under outstanding CEO Guy Roberts;
- a cultural change process throughout the workforce – more safety conscious, more flexible, productive and committed; and
- major improvements to the company's environmental performance – reduced discharges into the Port River, conversion of town water to ground water wherever possible and an open consultation process with residents and the community close to the Angaston quarry.

I hope you agree that these initiatives demonstrate sound management and board control. The company's underlying financial performance improved strongly in 2008-09 and I expect we will see additional improvement from two years of hard work during the 2009-10 year. More details are in the Market Update recently sent by Penrice to shareholders.

2. My contribution

I was delighted to be invited to join the board of Penrice because I believed I could make a constructive contribution based on my experience which includes:

- over 30 years of high level corporate and policy analysis expertise across a wide range of industries and subject matter;
- being well connected at senior policy and political levels in Canberra, and having been a Commissioner of the National Water Commission; and
- 8 years as a director of Incitec and Incitec Pivot, giving me a good understanding of the management and operations of chemical manufacturing.

I believe I am a proven and diligent director. I do the homework. I understand the high responsibility of my role on the Penrice board. I am strategic, considered and constructive. I have encountered most challenges that arise. I value the history of the Penrice business – where it has been, what it has accomplished, but most importantly I believe in its future.

I greatly appreciate that my fellow directors have unanimously supported my re-election.

3. LCE and Messrs Murray and Turner

Recently I telephoned Mr Murray seeking a meeting with him. He didn't know me, I didn't know him and I wanted to understand why I had been nominated for removal from the board. I was disappointed that he declined this request.

The LCE document to shareholders of 22 June will be responded to by the company. As it doesn't tell the full story of LCE and its nominees, I invite shareholders to consider the following facts, drawn from publicly available information:

- following the sale of CCI (discussed in the LCE document), a claim for unfair dismissal was brought by that company's former managing director; an out of court settlement of \$1.5 million was made by CCI (CCI release to ASX 9.8.06);
- LCE's investment in the UK textiles company Towles PLC ended in Towles being placed in administration; based on information on the ASX website, LCE lost nearly \$10m of the \$12m it had invested; Mr Murray served as a director of Towles;
- Mr Murray joined the board of administrative outsourcing business Mainstream BPO in October 2007, in which LCE's associated company Belmont Holdings Ltd had an investment; he resigned in December 2008, citing "incompatibility of commercial and other attitudes" (Belmont 6 months accounts 27.2.09);
- in the first 6 years of Mr Turner's period as CEO of Ludowici (1996-2002), the share price declined from \$2.30 to \$2.10 (dipping below \$1 at one point); earnings (EBITDA) increased from \$8.7m to just \$10.1m in this period; the month after Mr Turner departed (June 2007) the company announced impairment write downs of \$11.7m and the share price fell by 25% in the 6 months to December 2007; Ludowici

was a major beneficiary of the coal boom during part of Mr Turner's period as CEO (information from the Ludowici ASX website).

Since LCE's investment in Penrice – which followed extensive due diligence – nothing significant has transpired to give rise to the concerns now being expressed. LCE made its investment in Penrice with its eyes open. As recently as February, the LCE chairman stated that "Penrice's underlying results for the 6 months (to December 2008 – note "underlying") give us complete faith in the future of this key investment" (LCE accounts 27.2.09).

A final concern is that LCE has said (in its 22 June document) that the board of Penrice is too large. It hasn't nominated which additional director(s) should depart. This implies the potential for board disharmony if Mr Murray and/or Mr Turner were elected. Any disharmony would be distracting for the company at a crucial period of business operations. If one more director departed, LCE nominees could constitute 50% of the company's non executive directors – a totally disproportionate ratio.

Conclusion

Thank you for having read this letter.

Please vote AGAINST the resolution to remove me from the board.

Please vote AGAINST the resolution to remove John Heard from the board.

Please vote AGAINST the resolutions to appoint Messrs Murray and Turner to the board.

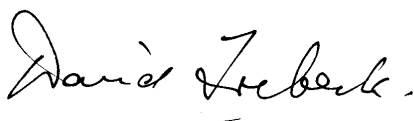
Please vote FOR the resolution to refresh the company's capital.

If you have already voted and, in the light of this letter, wish to change your vote, please contact Stephen Buckley at Link Market Services (ph 03 96159960) and request a new proxy form. A shareholder's final submitted proxy form will be counted. Please ensure that your final proxy form is lodged by the closing date of 11am Saturday 25 July for it to be counted.

If I can answer any queries, please contact me as per the letterhead, preferably by email.

Finally, I look forward to your support at the meeting on 27 July, and I look forward to the company achieving substantially improved earnings for the benefit of all shareholders.

Yours sincerely



David Trebeck