PENRICE SODA HOLDINGS LIMITED

PROFIT REPORT FOR THE YEAR ENDED 30 JUNE 2009

Underlying net profit after tax (NPAT) for the year ended 30 June 2009, excluding a mark to market unrealised hedge loss, was $9.0 million, up 36% on the previous year.

Statutory NPAT, including the unrealised hedge loss, was down 3% to $7.1 million compared with $7.3 million in the previous year.

FINANCIAL HIGHLIGHTS

- Sales revenue up 20% to $162.3 million
- Underlying earnings before interest and tax (EBIT) (excluding unrealised hedge loss) up 37% to $19.6 million
- Successful capital raising of $8.7 million in first half
- Debt refinancing completed
- No interim or final dividends declared

BUSINESS HIGHLIGHTS

- Completion of investment under Way Forward Plan – benefits of capacity increases and mine widening works starting to flow through, generating an extra $5 million EBITDA, with an estimated additional $4 million pa by FY 2011
- Improved result from Chemicals business due to sodium bicarbonate volume growth and margin improvement through price increases, with EBIT up 31% to $11.3 million
- Sodium bicarbonate plant increased output capacity to 100K tpa and capitalising on increased demand
- Weaker soda ash demand from glass and minerals processing sectors
- Quarry & Mineral EBIT up 32% to $12.1 million, reflecting growth in aggregates volume sold into the infrastructure sector

Year ended 30 June			
PROFIT SUMMARY A$M	**2009**	**2008**	**% change**
Sales revenue	**162.3**	**135.1**	**20%**
Underlying EBITDA *	**27.0**	**19.8**	**36%**
Depreciation	(7.4)	(5.5)	35%
Underlying EBIT *	**19.6**	**14.3**	**37%**
Net interest expense *	(8.6)	(5.9)	46%
Tax *	(2.0)	(1.8)	11%
Underlying NPAT*	**9.0**	**6.6**	**36%**
After tax unrealised gain/(loss) on hedge	(1.9)	0.7	
Statutory NPAT	7.1	7.3	(3%)
Underlying earnings per share* (cents)	18.1	14.6	24%
Statutory earnings per share (cents)	14.3	16.1	(11%)
Interim dividend per share (cents)	Nil	5.5	
Final dividend per share (cents)	Nil	5.0	
Payout ratio %	Nil	65%	
Gearing [net debt/(net debt+ equity)] %	59%	59%	
Interest cover [EBITDA*/net interest] (times)	3.1	3.4	
* excludes unrealised hedge gain/(loss)			

Note: Numbers in this report are subject to rounding.

OUTLOOK – FY 2010

- Focus on increasing cash flow and reducing gearing - $27 million less cash investment in FY 2010 against FY 2009 with cash flow to fund all sustenance capital
- Increased sodium bicarbonate sales
- Soda ash sales expected to be flat but major legacy contract to be renewed and repriced upwards, allowing margin improvement
- Continued strong Quarry & Mineral sales into the buoyant construction market with further development of the landfill markets
- Reduced capital expenditure, reduced inventory build and increased revenues to improve free cash flow
- Subject to global economic conditions, increased sales and better margins mean profit for FY 2010 is expected to exceed FY 2009 profit
- Directors expect to resume dividend payment in FY 2010 in line with improved performance

REVENUE

Sales revenue up 20% to $162.3 million. Major achievements were:

- Chemicals business revenue rose 18% to $138.1 million as a result of product repricing and continued strong demand for sodium bicarbonate in Australia and Asian export markets
- Quarry & Mineral business revenue up by 26% to $30.3 million driven by continued strong aggregate sales.
- First sales of schist for landfill

EARNINGS BEFORE INTEREST & TAX

- Underlying EBIT (excluding unrealised hedge loss) increased 37% to $19.6 million reflecting increased sales volumes and price rises
- Improving plant efficiencies offset raw material cost increases
- Corporate centre cost increased 3% to $3.8 million due to Community Consultative Group establishment costs, carbon pollution reduction scheme lobbying costs and settlement of legacy legal claims

INTEREST

- Net interest expense of $8.6 million was up 46%, mainly due to higher levels of debt to fund completion of Way Forward Plan, to
  - Further upgrade soda ash plant
  - Complete expansion of sodium bicarbonate Plant
  - Further mine development, extracting overburden and converting to inventory

UNREALISED HEDGE LOSS

- Reported profit was negatively affected by the unrealised hedge loss of $1.9 million after tax
- Hedge contracts put in place to hedge the company's interest rate and exchange rate exposure on USD chemical export contracts (maturity dates to July 2010)
- Hedge contracts entered into when AUD expected to strengthen and AUD interest rates expected to increase
- The unrealised loss relates to the difference between contracted and market rates as at 30 June 2009
- Existing hedge exposures significantly reduced after July 2009

TAX

- Tax expense excluding the unrealised hedge loss was held to $2.0 million, an 11% increase over FY 2009 due to significant expenditure qualifying for R&D and investment allowance benefits

NET PROFIT AFTER TAX

- Underlying NPAT (excluding unrealised hedge loss) increased 36% to $9.0 million in line with underlying earnings
- Increased interest expense was offset by reduced tax expense

Year ended 30 June			
REVENUE SUMMARY A$M	**2009**	**2008**	**% change**
Chemicals	138.1	116.7	18%
Mine	30.3	24.0	26%
Elimination	(6.2)	(5.7)	8%
Total sales revenue	**162.3**	**135.1**	**20%**
Other income	0.1	0.4	
Total revenue	**162.4**	**135.5**	**20%**
Year ended 30 June			
EARNINGS SUMMARY A$M	**2009**	**2008**	**% change**
Chemicals	11.4	8.8	29%
Mine	12.1	9.2	32%
Corporate centre/unallocated	(3.9)	(3.7)	5%
Underlying EBIT*	**19.6**	**14.3**	**37%**
Net interest	(8.6)	(5.9)	46%
Tax expense*	(2.0)	(1.8)	11%
Underlying NPAT*	**9.0**	**6.6**	**36%**
*excludes unrealised hedge gain/(loss)			

BALANCE SHEET AND CASH FLOW

Key movements were -

- The increase in inventories of 46% or $17.6m to $56.0 million was primarily due to:
  - Increase in Angaston mine overburden (aggregate and schist inventory) of $12.6 million as a result of substantial widening of Angaston mine under Way Forward Plan
  - Increase in Chemicals finished goods of $4.4 million to $10.1 million as sales volume increases and sodium bicarbonate plant expansion commissioned. The $10.1 million represents less than one month's sales
  - NB: Inventories are forecast to increase by approximately $3m in FY2010, compared to the increase of $17.6m in FY2009

- Debtors and creditors increased in line with increased sales

- Net property, plant and equipment rose 20% to $93 million primarily due to:
  - Soda ash plant upgrade and sodium bicarbonate plant expansion under Way Forward Plan of $12 million
  - Normal sustenance capital expenditure of $8.2 million
  - Mine expansion land of $2.0 million
  - NB: forecast capital expenditure in FY 2010 to be approximately $10 million a reduction of $12 million from $22 million spent in FY2009

- Net other assets/liabilities grew 20% to $10.7 million primarily due to:
  - Movement of $2.9 million where derivative financial instruments moved from a $1.5 million asset at June 2008 to a $1.4 million liability at June 2009

- Net debt increased 21% to $87 million primarily due to:
  - Investment under Way Forward Plan of $25 million, ($13 million for Angaston mine development/overburden inventory build; $12 million for Osborne plant upgrade/expansion)

- Shareholders' equity increased to $61.4 million from $48.1 million primarily due to:
  - Placement of $5.9 million in October 2008
  - SPP raising $3.0 million in December 2008
  - DRP raising $0.6 million
  - Increase in retained earnings of $4.1m to $7.9 million.

GEARING

- Gearing of 59% in line with June 2008, but is at high end of Board's endorsed range of 50-60%
- Board's objective is to lower gearing in medium term
- Debt now peaked and improved cash flows will fund all normal capital expenditure and will see scheduled debt repayments commencing from July 2010

BALANCE SHEET A$M	JUNE 2009	JUNE 2008
Inventories	56.0	38.4
Trade debtors	24.7	19.0
Trade creditors	(33.0)	(24.9)
Total working capital	47.7	32.5
Net property, plant & equipment	92.5	77.0
Intangible assets	18.5	18.9
Net other assets / liabilities	(10.7)	(8.9)
Net debt	(86.6)	(71.4)
Net assets	61.4	48.1
Equity	61.4	48.1
Gearing	59%	59%

FUNDING

- Senior debt facilities extended to March 2012 and supplemented with additional $5 million working capital facility following extensive review of Penrice's performance and strategy by both of company's long standing bankers – NAB and Westpac
- Refinancing a strong vote of confidence in the company's future and recognition of the benefits starting to flow from Way Forward Plan and other operational strategies

DIVIDEND

- No final dividend declared
- Directors currently expect to resume dividend payment in FY 2010 in line with improved performance

STATEMENT OF CASH FLOWS	Year ended 30 June	
A$M	2009	2008
Net operating cash flows		
NPAT	7.1	7.3
Depreciation	7.4	5.5
Other non cash adjustments	3.0	2.3
Working capital movement	(15.2)	(13.6)
Other assets/liabilities	(2.3)	(0.4)
	0.1	1.1
Net investing cash flows		
Capital spending	(14.1)	(10.1)
Sustenance capital	(8.2)	(10.7)
	(22.3)	(20.8)
Net financing cash flows		
Movement in borrowings	11.6	26.2
Equity raised	8.7	0.0
Dividends paid	(1.7)	(4.4)
	18.6	21.8
Net increase/(decrease) in cash held	(3.6)	2.1

CHEMICALS

Revenue up 18% to $138 million; EBIT up 31% to $11.3 million

Highlights

Soda Ash

- 2009 soda ash upgrade complete
  - Increased output to 285k tpa
  - 100% plant utilisation
- Margin improvement on price increases as contracts roll over
- GFC has dampened soda ash demand, supply has increased and spot prices reduced. Demand and prices now stabilising H1 FY 2010
- Softening demand of approximately 5% in Australian market in glass and mineral processing segments, also now stabilising
- Penrice market share maintained
- Improved plant productivity helped offset raw material cost pressures
- Plant expansion studies to await post GFC environment

Outlook – FY 2010

- Soda ash demand expected to be flat but 100% plant utilisation maintained
- Major legacy contract expires at end December 2009 – expected to be repriced upwards
- Focus on continued efficiency and margin improvement
- Current returns sub hurdle rate, requiring improvement before substantial capital allocated
- Full year benefit of price increases implemented in FY 2009

Sodium Bicarbonate

- 2009 sodium bicarbonate expansion complete
  - Production capacity lifted to 100k tpa
  - 100% plant utilisation by FY 2011
- Margin improvement on price increases as contracts roll over
- GFC minimal impact on global and Australian demand, supply limited and core premium markets continue to grow

Outlook – FY 2010

- Focus on selling out FY 2009 expansion, which is forecast to generate incremental $4 million EBITDA pa
- Current returns exceed hurdle rate and further expansion will be studied in FY 2010
- Full year benefit of price increases in FY 2009

QUARRY & MINERAL

Revenue up 26% to $30 million; EBIT up 32% to $12 million

Highlights

- Sales and EBIT growth on back of strong demand from civil and construction markets (aggregates) and increased productivity
- Commenced supply of road base material to Northern Expressway project, South Australia's largest road construction project, linking Adelaide and the Barossa Valley
- Widening of Angaston mine substantially completed – overburden inventory (aggregate and schist) is expected to increase by $3 million in FY 2010 compared with the $13 million growth in FY 2009
- Community Consultative Group established and underway to better manage mine impacts on neighbours

Outlook – FY 2010

- Business is forecast to be cash flow neutral
- Sales demand continues to be strong in civil markets
- Expected sales of aggregates and schist to reduce inventory levels over time
- Extraction of overburden to be much reduced in FY 2010 and beyond leading to lower production cash costs
- Current returns exceed hurdle rate, even allowing for higher inventories – further growth capital expenditure considered

SAFETY HEALTH & ENVIRONMENT

- The Company maintained its safety improvement focus and maintained a recordable case rate of 2 injuries per 200,000 hours worked, a commendable rate, substantially reduced from previous years
- The Company operated within its environmental licences and actively consulted with local communities surrounding its sites
- The company has been accepted as an Energy Intensive Trade Exposed Entity under the Federal Government's Carbon Pollution Reduction Scheme at the highest level of permit allocation of 90%; if the Scheme is enacted, the current view of the likely financial impact of the Scheme on Penrice is that it is not likely to be material.

STRATEGY

Penrice's strategy for sustainable profit growth and strong returns on investment is driven by:

- Securing market leadership positions in selected markets, allowing it to build on its strengths and enable it to better serve customers, develop and retain technological advantage and achieve benefits of scale;
- Growing close to the core.

Following this strategy Penrice aims to:

- Expand its soda ash business in Australia to meet the expected long term growth from the glass and mineral processing segments;
- Further expand its sodium bicarbonate business in its premium export markets to meet strong demand in pharmaceutical, medical, food and industrial segments;
- Expand its Quarry & Mineral sales into civil and construction markets as demand for roads, buildings and other infrastructure in northern Adelaide increases.

Strict financial criteria, including a 15% RONA hurdle, continue to provide the financial discipline required for assessing growth opportunities.

Penrice also focuses on productivity improvement as a fundamental part of its growth agenda.

Penrice's businesses are now focussed on improving operating cash flows to pay down debt and help fund its growth. This strategy is a relatively low risk approach and has the potential to produce superior returns for shareholders in the longer term.

CULTURE

Penrice is committed to a culture underpinned by five core values as outlined below. Importantly, the task of committing the majority of employees to the Penrice Values & Behaviours has been launched, which will help create a high performance culture.

- Safe & Responsible – *No injuries ever and we care about our environment.*
- Customer Focus – *Help our customer succeed.*
- Business Ownership – *Act as if it's your own business.*
- Honesty & Integrity – *Be accountable for what you do and say.*
- Team Success – *One business, one team, working together.*