

ASX ANNOUNCEMENT: 3 March 2010**Committed
To Success****MD on Results & Outlook**Open Briefing with **MD Guy Roberts**Penrice Soda Holdings Limited
Solvay Road Osborne
South Australia 5017**In this Open Briefing[®], MD Guy Roberts discusses:**

- Sustainable earnings growth reflecting recent investment
- Peaking of Quarry & Mineral inventories, improvement in cash flow as inventories sold down over medium term
- Strengthened balance sheet post capital raising

Record of interview:**openbriefing.com**

Penrice Soda Holdings Limited recently reported net profit after tax of \$3.1 million for the first half ended December 2009 compared with a loss of \$2.4 million for the previous corresponding period. Underlying NPAT was \$2.4 million, up 4 percent with gains at the operating level eroded by increases in depreciation and interest charges. When do you expect your recent Way Forward Plan investment, aimed at improving earnings performance, to flow to the bottom line?

MD Guy Roberts

The Way Forward Plan, which was our three-year plan to reinvest in the business for earnings growth, is delivering at the underlying operating level. In our Chemicals business, the refurbishing of our soda ash plant to make it more reliable and increase output has already generated an annual EBITDA benefit of \$2 million and the expansion of our sodium bicarbonate plant is on track to deliver an EBITDA improvement of \$4 million a year by FY 2011 subject to exchange rates. In our Quarry & Mineral business, our investment in expanding the Angaston mine to ensure limestone supply to Chemicals has generated material for sale into the civil engineering markets, and we're seeing more of those sales flowing through to earnings.

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The consensus NPAT forecast for the current year ending June 2010 is \$9.4 million, implying you would have to book underlying NPAT of \$7.1 million in the current second half to reach the forecast. To what extent is this achievable?

MD Guy Roberts

We don't give specific guidance but we've said we expect to do better than last year, subject to no further deterioration in global economic conditions.

As a business, we tend to have a stronger second half largely because our Chemicals business has an annual maintenance shut-down in the first half, which creates a larger cost impost and reduces sales volume. At the same time, we're enjoying the benefits of improved terms on some contracts with major soda ash customers, and increased sales volumes flowing from our sodium bicarbonate expansion.

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Penrice booked operating cash flow of \$2.9 million in the first half, versus outflow of \$1.9 million in the previous corresponding period. However, free cash flow, after capex, remained negative at \$2.4 million, albeit less than outflow of \$17.2 million in the previous corresponding period. The continued funds outflow into aggregate and landfill inventory was one factor. When will this inventory peak and start to become cash generating? What is the outlook for free cash flow for the full year?

MD Guy Roberts

We did have inventory build in both our businesses in the half. In the Chemicals business, we grew by \$2.7 million with sodium bicarbonate around expectations as a result of increased rates of production and sales but we were higher than forecast with ash as a result of some softness in sales.

We expect our aggregate and landfill inventory – effectively overburden from the mine – to peak this year. Mine inventory build this year is expected to be about \$6 million compared with last year's \$12 million.

However, in the first half we extracted more inventory than planned largely because of the need to remove more top soil than expected from the additional land we acquired for overburden storage. There's a benefit to us in sourcing top soil internally in that it can also be used in the mine for rehabilitation. Top soil comprised about \$1 million of the mine inventory build in the first half. Of the remaining inventory build, two thirds was aggregate and one third was landfill, which we're very comfortable will be sold into road and other civil works projects. A relatively wet winter impacted our expected sales into the road projects, further building up aggregate inventories but these sales are expected to be realised in the second half.

Given an improved operating performance and lower levels of mine inventory build, we're targeting a positive free cash flow for the full year.

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Operating cash flow was negatively impacted by the \$0.7 million cost associated with the failure of the crusher at Angaston mine in December. You've also noted smaller failures in the soda ash plant during the half. What assurance is there that the forecast \$10 million per annum maintenance capex will be adequate to sustain the life of Penrice's aging plant?

MD Guy Roberts

Over the last three years we've developed a very comprehensive, prioritised sustenance capital plan based on sophisticated risk assessments so that we're preferentially spending money on those parts of the plant that are more likely to fail or those where there will be greater impact on returns.

In respect of the age of our plant, it's the soda ash plant that's relatively old with an average age of about 15 years. The plant was under-maintained for a long time and whilst we've reduced the number of plant failures over the last two years, suggesting we're running it and maintaining it better, there's still the potential for interruptions in the future. Nevertheless we'd expect their materiality to reduce over time.

The failure of the crusher at Angaston had a material impact. We suffered an unforeseen failure of some integral components of the machinery and we took the opportunity to completely overhaul and refurbish the crusher which should set it up for an improved performance over the next five to 10 years.

Our sodium bicarbonate plant is relatively new: it's all been constructed within the last 10 years and is in excellent operating condition.

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Net debt stood at \$63.2 million as at the end of December 2009, down from \$86.6 million six months earlier, reflecting your \$28.1 million capital raising in October. Net debt to net debt plus equity was 41 percent versus 59 percent. Do you remain on track to begin making scheduled debt repayments in 2011? How will you fund further growth of the business and what are the opportunities?

MD Guy Roberts

The scheduled debt repayments are to begin in July 2010. Bear in mind the repayment schedule was agreed prior to our capital raising, so it's appropriate we review that schedule with our bankers, and that's likely to happen during the current second half.

As part of the equity raising we created an \$8 million redraw facility to give us some flex and allow for a potential further expansion of our sodium bicarbonate plant. An expansion of that plant is our favoured growth strategy given our growing exports to the food, pharmaceutical and personal care markets in Asia Pacific and that this segment provides returns well above our investment hurdle rate. In soda ash there's potential to expand the plant in the longer term but shorter term it's more appropriate for us to import product to cover demand growth in the Australian market. In Quarry & Mineral our growth strategy is to continue to sell aggregates into civil markets and to expand into the landfill markets. That won't require any major capital expenditure although there may be some minor capital works required at the mine, for example to facilitate rail distribution of landfill.

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The Chemicals business booked EBITDA of \$7.6 million, up 11 percent, on revenue of \$65.0 million, up 3 percent. The business benefited from the recent increase in sodium bicarbonate production capacity and from price rises implemented in 2009 in both sodium bicarbonate and soda ash. What is the current trend in demand and what is the outlook for margins in the face of increasing import competition on the back of a stronger Australian dollar?

MD Guy Roberts

In soda ash, the global market has been soft, with price decreases of up to 20 percent in some regions. But conditions have stabilised and there are signs demand is starting to pick up in China, which has a large influence on local trade, and there are reports that prices are increasing in global trade. In Australia demand has been soft, with less soda ash sold into wine bottle and building glass production, and we expect that to continue over the next 12 months. On the upside, Amcor will shortly commission its expanded container glass plant at Gawler in South Australia, and we'll be supplying the soda ash for that expansion. There's some price pressure in the Australian market largely due to the appreciating Australian dollar but we expect that to be somewhat offset by an increasing import parity price over the next 12 months.

In sodium bicarbonate, 70 percent of our business is in exports which have enjoyed continuing growth throughout the global financial crisis. Prices have also remained strong in our export markets, although our revenues and margins have been negatively impacted by the stronger Australian dollar. We continue to see strong demand for our product in our export markets and we're also actively marketing to sell out the additional 25,000 tpa capacity added in 2009. We're confident we'll achieve our full 100,000 tpa sales rate by the end of this financial year. In Australia demand has been flat due to the impact of the drought on stock feed markets and we've seen some relatively minor import competition. However, prices have been firm throughout the global financial crisis and we expect that to continue. We hold a large market share in sodium bicarbonate in Australia; our growth aspirations are offshore.

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In December you announced the extension of your soda ash contract with Owens-Illinois, the business's largest customer, until 2012 on more favourable terms. What is the expected contribution of the OI contract to earnings in the current second half, and to what extent will the new OI terms allow the soda ash business to reach its RONA target of 15 percent?

MD Guy Roberts

We were pleased to renew our largest contract with our largest customer for a further three years. The contract extension is recognition by a global customer of our competitiveness as a manufacturer and our ability to deliver quality product and reliability of supply. We received a price increase on the renewal of what was an old contract, and that price increase should permit the soda ash business to achieve its hurdle RONA in the second year of the contract, that is during FY 2011. That will mean all our segments will meet or exceed our hurdle RONA: sodium bicarbonate and Quarry & Mineral currently exceed the hurdle.

We're not in a position to disclose profit contributions from individual customer contracts. The details of the contract are commercial-in-confidence.

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The Quarry & Mineral business booked EBITDA of \$5.3 million, up 15 percent on revenue of \$12.9 million, up 20 percent. How indicative is the first half of the expected run rate of revenue and earnings for the business longer term?

MD Guy Roberts

Over the last two years the business has successfully developed a position in the civil and construction market which is inherently a project-driven market. Our focus is on maintaining our project pipeline and over the last 18 months our order book has been full supplying the Northern Expressway and the Sturt Highway projects. The Northern Expressway has been one of South Australia's biggest road projects ever, and will end during the current second half as planned.

Looking forward, we have a reasonably strong order book already, while the road projects the government has announced and the large amount of sub-division work planned for northern Adelaide should ensure a reasonably robust underlying rate of civil activity in the longer term, albeit at varying rates dependent on projects.

While the Quarry & Mineral sales rate may ebb and flow dependent on projects, we nevertheless expect improved cash flows as the benefits of reduced overburden extraction and improved efficiencies come through.

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What are your plans for the Angaston mine now the Way Forward Plan mine expansion work is completed?

MD Guy Roberts

Over the past five years we extracted about 10 million tonnes of landfill material with a balance-sheet value of about \$16 million. The new five-year mine plan recently endorsed by our board calls for a reduction of about 75 percent in landfill extraction levels. So going forward we'll be extracting less landfill and selling more: we've made our first sales of landfill into the civil market and during the first half we developed a technique to blend landfill with aggregate to create a lower-priced product that will potentially open new markets for us.

We've entered tenders for a number of large landfill projects and we'd expect to progress those over the next 12 months. Most of the projects are large-scale sub-division or road projects on low lying coastal land north of Adelaide.

Under our new mine plan, we'll continue to preferentially extract aggregate materials for sale into the civil market. In aggregates, we have around three years' worth of inventory which we're very comfortable with given the level of our order book and the civil project pipeline. Importantly, the mine plan confirmed the robustness of the reserves of the mine's limestone which is the key raw material for our Chemical operation. We're now very comfortable about the long-term life of the mine and about certainty of supply of chemical-grade limestone.

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Penrice did not pay interim or final dividends in 2009 and will not pay an interim dividend this year. What will be the triggers of a return to dividend payments?

MD Guy Roberts

We will return to paying dividends as soon as it's prudent to do so. Meeting our forecasts and generating sufficient positive free cash flow will be the key triggers. As a board, we're determined to manage our cash very conservatively post the global financial crisis. We want

to ensure we have sufficient cash for our nearer term operating and capital requirements, as well as ensuring the long term health of the business.

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Thank you Guy.

For further information on Penrice Soda Holdings Limited visit www.penrice.com.au or call CFO Frank Lupoi on (08) 8402 7280

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