

PENRICE SODA HOLDINGS LIMITED

CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

Performance

There were 2 standout features for the company during the past financial year:

1. First - the success of the sodium bicarbonate plant expansion completed at Osborne in June 2006 which resulted in sodium bicarbonate revenue increasing by 15% on the previous year, with a further 5% increase expected this year to take the plant to maximum capacity.

This latest increase is the culmination of a longstanding growth strategy and brings growth to in excess of 250% since 1999.

2. Secondly - improved sales of aggregates from our Angaston mine and improved margins with the replacement and upgrading of the mobile mine fleet.

Unfortunately, the gains made at both the Angaston mine and in our sodium bicarbonate operations were negated by problems at the company's Osborne soda ash plant.

This in turn led to a disappointing result for the 2006/07 financial year, with the reduction in net operating profit after tax from \$9.1 million to \$6.7 million.

The Board is concerned with the current share price and earnings and together with management is committed to increasing both.

The soda ash problems resulted from major unpredicted equipment failures and as you would expect they have since been thoroughly addressed by management and the Board and a remediation plan will be implemented over coming years.

With a combination of increased capital expenditure, to replace some aged plant, and improved maintenance practices and procedures, your Board is confident that the soda ash plant will be more reliable at higher levels of production. This programme has already commenced and will benefit the Company progressively over the 2 – 3 year period in which it will be fully completed.

A full year fully franked dividend of 10 cents per share has been paid. Regrettably this full year dividend is down on the previous year consistent with the reduction in the Company's earnings. A dividend payout ratio of 67% was maintained in line with the Board's announced policy.

Strategy

The company continues to focus on the growth of its core products and is confident that considerable organic growth can be achieved in future years.

In soda ash there are opportunities for growth in new ventures in the mining sector both domestically and in the Pacific region.

I am pleased to announce today significant progress with the company's penetration of the resources sector with the company agreeing terms and conditions, subject to a formal contract with Windimurra Vanadium for potentially a \$100 million contract over the next 10 years. This new customer will be in Penrice's 5 largest customers and provides diversification from the glass industry. This venture is expected to come on line late in 2008.

Further, recent statistics published by the Australian Wine and Brandy Corporation highlight growth in bottled wine exports, and with continued expected growth should lead to an increase in Penrice's soda ash sales to the glass industry.

Cumulatively these positive developments, when fully operational, are anticipated to increase our soda ash sales by in excess of 20% over the next 3 years.

The increased soda ash demand will be met through improved productivity and output of the Osborne plant. We expect that the costs of investment in improved reliability and process upgrades in the soda ash plant required in the next 2 – 3 years will be covered by the extra sales and margins they will generate. In addition there is an anticipated uplift in production from selective expansion projects that are currently being investigated.

The Board has recently sanctioned a major expansion of the sodium bicarbonate plant, to lift its capacity by one third from 75,000 tonnes to 100,000 tonnes. This expansion will take approximately one year to complete and it is expected that the plant output will be fully sold within 2 years. Continued expansion opportunities beyond this are being examined.

At our Angaston mine, sales have more than doubled over the past 6 years. Fortunately the extra material that is required to be removed from the mine to expose the limestone needed for the soda ash plant is able to be sold at satisfactory net prices, boosting the overall profit from the mining business.

The focus in 2007/08 at the Angaston mine will be to grow sales of aggregates into major projects.

Outlook

The Board believes that the long term outlook for the company is positive.

Our strategy of new plant investment, improved efficiencies, increased output and the expansion of the sodium bicarbonate plant will enhance future years' profits.

In addition to the organic growth the company will target bolt on synergistic acquisitions in both the chemicals and mining sector.

Benefits in the current financial year are unfortunately forecast to be offset by the reduced earnings on sodium bicarbonate exports due to the strong Australian dollar. Prices are being increased for both soda ash and sodium bicarbonate customers in line with our cost increases and global pricing trends.

In 2006/07 we hedged the expected exports at an exchange rate of \$0.7375, a rate considerably below the prevailing market rate for most of the year.

For the 2007/08 year, and for a portion of the expected sales for the 2 years beyond that, Penrice has taken foreign currency protection with a known worst case rate of \$0.89, protecting sales from higher rates, whilst enabling the company to participate in any benefit below that rate.

To fund the new investments at our main Osborne plant, the company will look to raise both extra debt and equity. Long term gearing levels will be maintained around the current 50%. The Company will implement both a Dividend Re-investment Plan and an equity raising commencing early in 2008.

Penrice's earnings for the first four months of 2007/08 to the end of October are in line with our expectations. We have recently completed the annual maintenance shutdown of the soda ash plant. Consistent with our intention of improving the reliability of the plant the shutdown this year was longer than in previous years and involving more capital and maintenance work. It is encouraging that the benefits of this are already being realised with October's production being particularly strong.

Whilst we expect a satisfactory performance in the first half, the bulk of the improvements will be realised in the second half with higher soda ash pricing and better plant reliability.

All of these factors lead the Board to provide the guidance with regard to the full year forecast that principally due to the strong Australian dollar restraining this year's profit, that profit will be at least the same as this year in the absence of any unforeseen economic circumstances.

Corporate Governance

The company has made a number of changes to the Board and management during the past year.

As previously announced at the AGM last year, Guy Roberts has been appointed as Managing Director and Chief Executive Officer. Guy commenced with the company in December 2006 after a long and distinguished career with the Orica Group.

Guy has already developed a number of business improvement initiatives that will benefit Penrice in future years. He will expand on those plans shortly.

The Board has recently appointed two new directors to the Board in September 2007:

- John Hirst, who is currently Managing Director of ASX and NZSE listed Nuplex Industries Limited, has overseen the considerable growth in the turnover of that business, with turnover more than doubling in the past 3 years.
- David Trebeck is currently a Director of ASX listed Graincorp, a Commissioner of the National Water Commission and a Director of several other companies.

These appointments will bring additional operational and corporate experience and skills to the Board during a time of expansion and productivity improvements. Their respective re-elections are agenda items for this meeting.

On behalf of the Board and shareholders, I would like to thank Mike Boyce who has been involved with the company for a number of years commencing as Chief Operating Officer, Director and shareholder of Penrice in 1996 when the company was part of a global soda ash group owned by Harris Specialty Chemicals and later becoming a Non-Executive Director from 2001 onwards, including a period up until 2004 as joint Chairman. Due to business commitments in the US Mike is unable to continue as a Director of Penrice. The company will look to utilise Mike's experience, industry knowledge and connections in the future.

Penrice recognizes the importance of attracting and retaining high performing employees. The Company has a rigorous process of ensuring our remuneration policies align with the market. Under the guidance of the Nomination and Remuneration Committee and utilizing the services of external experts where appropriate, the Company benchmarks all salary levels against independent surveys and market data. The company policy is to pay for performance. This year the Company has introduced a new LTI scheme which will align executives long term "at risk pay" component to return to shareholders. Details of the scheme have been included in the notice of meeting. Executives will only be rewarded if the EPS growth targets are achieved.

Closing

In closing, I would also like to acknowledge the efforts of my fellow Directors, our Managing Director Guy Roberts, together with his executive team and all Penrice employees during what has been a difficult year.

The skills and experience of our employee base are critical elements in the improvement expected in future years.

Your Board is looking forward with confidence to the future of this company.

John Heard AM
Chairman