



Penrice Soda Holdings Limited

A.C.N 109 193 419

A.B.N. 83 109 193 419

Penrice Soda Holdings Limited Chairman's Address to the 2010 Annual General Meeting

At the time of last year's annual general meeting the Company had weathered the global financial crisis in large part because of the successful implementation of its "Way Forward Plan". The plan involved substantial reinvestment, including expanded production capacity – especially in the sodium bicarbonate business, and also at the Angaston quarry where additional inventory of aggregates and landfill accompanied new supplies of high grade limestone. Other investment focused on overdue maintenance, plant reliability and environmental initiatives.

Having, we thought, navigated the worst of the global financial crisis, and with a substantial capital raising underway to strengthen the Company's balance sheet, we stated that the Company's underlying profit after tax for 2009-10 was expected to exceed 2009's improved \$9 million.

This guidance came with a caveat: 'subject to any unexpected global economic conditions'.

Unfortunately, the caveat materialised – in the form of unexpected lower demand in our chemical business, particularly in the soda ash business, where our principal glass customers reduced production, conducted extended maintenance shutdowns and destocked. As a result, we were forced at short notice to divert significant quantities of soda ash to relatively unprofitable spot markets overseas. As soon as the position became clear, we informed the market via an earnings downgrade.

Consequently, our underlying net profit after tax in 2009-10 was \$5.3 million, compared with the \$9.1 million of the previous year.

It gives me no joy to dwell on these figures, or the Company's recent share price performance, but they are placed in context by noting that the combined impact of reduced demand for the Company's chemical products resulting from the global financial crisis and the strength of the Australian dollar during 2009-10 was approximately \$7 million at the EBITDA line. Without these influences the Company's initial profit guidance would have been met.

At last year's AGM, the Board also stated that the payment of dividends was expected to recommence for the 2009-10 financial year, with a target payout ratio of 40-50 percent of the Company's net profit after tax.

With the fall in profit and the fact that the Company's net free cash flow (that is, operational cash flow less capital investment), while strongly improving, was not yet positive, the Board took the prudent but difficult decision not to declare a dividend for the year.

By way of overview to the Managing Director's presentation, I want to outline how the Company has been responding to the difficult environment which it has been experiencing.

In doing so, I do not want to leave shareholders with any mistaken view that there is a quick fix that will transform our prospects overnight. But there is the opportunity to work hard and consistently across the business and improve volumes, margins, cash flow, net profits, and enable dividends once more to be paid to shareholders.

First, the Company's major contracts, especially for soda ash, were renegotiated during the year on more favourable terms. This not only means immediate and subsequent price escalations, but also increased sales expectations or minimum quantity guarantees, and an expanded product range, improving the risk profile of the business in the future.

As shareholders are aware, around three-quarters of the Company's external sales of soda ash are accounted for by just three glass manufacturing customers. There are obvious benefits in dealing with a few reliable customers whose own markets are growing. But, as we have seen, when all three hit a road block because demand in their markets is impaired, the impact on Penrice can be severe. We are therefore endeavouring to diversify our customer base to reduce this potential vulnerability.

One form of diversification, of course, has been to consume more soda ash in subsequent sodium bicarbonate manufacture. Another is via mineral processing. Several mineral processing projects that require soda ash were themselves placed on hold during the global financial crisis; some are resuming as conditions strengthen. Guy Roberts will have more to say on this shortly.

Second, the period of rapid inventory build at the quarry has been completed. A comprehensive new mine plan is enabling us to extract the required limestone and aggregates with the minimum amount of landfill extraction. Aggregates and landfill have value in a wide variety of applications. Sales of aggregates have been strong into road construction projects, such as the Northern Expressway project where Penrice supplied around one million tonnes over the past 20 months. The development of Adelaide is heading north, which means that demand for civil products, including landfill, within our geographic footprint is expected to strengthen over coming years.

Third, Penrice is actively defending its strong positions in its various markets. It is the sole manufacturer of soda ash in South East Asia and one of the largest exporters of sodium bicarbonate in the world. However, import competition is constant in the domestic market, and our export customers have alternative suppliers. The Company will only prosper by being competitive on price, offering superior product quality reliably, being well attuned to changing customer needs, and seeking innovations wherever possible.

Fourth, the Company has renegotiated and extended its banking arrangements until 2013, with a more gradual schedule of debt repayments to maximise the prospects of dividends. Our banks understand the business well and the needs of our shareholders, and continue to provide strong support to the Company.

Some of the factors which bear upon Penrice's profitability are outside the Company's control, although we may be able to ameliorate their worst effects. The Managing Director will comment on a number of these.

We have incurred some interruptions in recent weeks in the chemical plant, following the planned maintenance shutdown in August. And disappointingly, in the past 10 days, the plant was forced into a shut down for several days by the unexpected failure of the third party supplier's adjacent cogeneration plant that supplies steam to our facilities at Osborne. The Managing Director will provide further detail shortly.

One issue where we seem to have little influence is coastal shipping. Soda ash is a relatively low value, high mass product so its transport cost to distant markets is always significant. The high costs of coastal shipping make it difficult to service northern Australia and New Zealand markets cost effectively from Adelaide.

The prospect of policy changes from the Commonwealth Government that will inevitably increase coastal shipping costs in the name of protecting domestic maritime activity is a major concern. There is general agreement that the Australian economy needs to accelerate productivity improvement, which has been lagging in recent years. The Prime Minister emphasised this in a major speech earlier this week. To deliberately add cost burdens to trade exposed manufacturing industries would be the height of folly.

On the innovation front, the Company has been working closely with the coal seam gas sector to devise a cost effective solution to a problem it has: how to remove salts from the coal seam gas water stream. These salts are predominantly soda ash and could provide a new market outlet for Penrice. For the coal seam gas companies, it solves a major environmental headache and operational bottleneck, while resulting in quality water that could be applied to the environment or human consumption as required.

Penrice has developed novel technology to remove the salts. There is work yet to be done before the treatment process is fully proven, but it represents a potentially valuable near term diversification of earnings for the Company, from both the intellectual property and the marketing of the resultant product.

Shareholders may have noted a recent statement by one of the Company's shareholders, London City Equities Limited, that it intends to seek Federal Court approval to obtain certain documents from the Company. The Board, having considered the matter and in light of legal advice, is satisfied that the Company has fulfilled all its disclosure responsibilities and that Directors have at all times acted in accordance with their duties. Given LCE's apparent stance it would be inappropriate to comment further other than to say that it is an unwelcome distraction to the Board and management.

Because it is an item on today's agenda, and because it has already been the subject of shareholder feedback, I wish to make some brief comments on the Company's remuneration policy.

As is often the case with remuneration reports, many shareholders feel the level of remuneration for senior executives is excessive, especially when performance lags. Other aspects are the extent to which remuneration is seen to be aligned with shareholder interests, and the level of 'at risk' remuneration compared with fixed remuneration. We have received criticisms on each of these aspects.

The Company engages professional assistance to rate the Penrice roles within the general market place, especially the chemical industry, and in regard to remuneration trends. In addition Board members bring knowledge from other corporate workplaces with which they are associated.

Our goal is to attract and retain a top management team. To do this we need to be able to offer competitive remuneration packages which support Company performance objectives.

In terms of the balance between fixed and variable components of remuneration, both the Short Term Incentive and Long Term Incentive seek to motivate management to achieve superior performance. Because the Company's performance in the past year has been disappointing, those incentives have not operated as much as either the Board or I'm sure shareholders would have wished. For that reason alone, the fixed component of remuneration has been higher than it would otherwise have been.

Beyond that, the Board will listen carefully to the discussion that occurs on the remuneration report resolution. While the resolution is not binding, the Board will endeavour to heed the views expressed, both at today's meeting and from prior shareholder feedback.

The Board continues to consider whether it has the appropriate diversity within its number. We believe the Board would benefit from the appointment of a director with specialist financial expertise. We are well down the process of identifying such a director and hope to be able to make an announcement in the near future.

I would like to conclude this address by looking further ahead, say over the next two-three years, not by providing forecasts, but by outlining those aspects of our business that have some upside potential, and the assumptions needed for the potential to be realised.

We believe that soda ash and sodium bicarbonate prices are strengthening, and that we have passed the low point in the cycle. Shareholders may be aware that the weakness of the US dollar has been a factor in commodity price strength elsewhere; similar balancing may assist Penrice.

We are comfortable with our existing stocks of aggregates at the mine, with around 4 million tonnes of stocks against an annual demand of around 1 million tonnes. Over the next five years extraction rates are likely to average around 80 percent of projected sales.

As for landfill, prospective demand within our geographic footprint over the next 20 years or so is likely to be around 40 million tonnes. While Penrice is unlikely to win all that business, it does not make our existing inventory level of 11 million tonnes seem excessive. Moreover, extraction rates for landfill over the coming five years are likely to be just 20 percent of their levels of the past five years.

Based on early trial results, we see the potential to reduce variable costs in the soda ash plant by over \$3 million annually by alternative supplies to our existing coke inputs. We have spoken before of the potential to expand the sodium bicarbonate plant by a further 25,000 tonnes per annum, or 25 percent. The approximate metrics are a \$2-3 million EBITDA benefit for a capital outlay of about \$8 million.

This proposal has not yet been to the Board, because other priorities are higher. The Board is also well aware of shareholder apprehension that the Company's balance sheet might not handle additional stretch while cash flow is tight. Nevertheless, the expansion does appear to provide returns well above the Company's hurdle rate and will be beneficial when the time is appropriate.

At the same time, as we have witnessed in recent weeks, the soda ash plant is not operating as reliably as we would wish. Management is guided by a comprehensive risk register, with sustenance capital being allocated on a priority basis. In an ideal world, we would like to accelerate the process of plant maintenance, given the production and quality benefits of having a fully reliable plant all the time. Achieving the best balance between capital expenditure and cash flow is a principal focus for the Board.

I cannot consolidate these varying factors in terms of future profit projections beyond the current financial year. They will, as I have said, depend on a large number of variables.

What I can say is given the recent improvement in chemicals demand and prices, we expect to see an improvement in underlying profit this year relative to last year. While we have commenced the year with improved market conditions in line with our expectations, earnings are currently tracking behind plan as a result of the recent third party forced shutdown of the Osborne chemicals plant. As a result, first half earnings could be behind the corresponding period last year. As previously advised, cash flow will be negative in the first half. With the improvement in market conditions in the chemicals business and an appropriate focus on cash management, free cash flow for the full year is anticipated to be positive and a significant improvement on the previous year.

What I can also say is that in my own case, I intend to continue acquiring Penrice shares when the window is open for director trading, as I have done since joining the Board. The next such opportunity will be in coming days. I do so because I believe that the current share price, despite the recent disappointments, does not adequately reflect the Company's future potential.

Finally, I would like to record my sincere gratitude to my fellow directors for their counsel and wisdom in a year that has provided more than its share of challenges. I also extend my appreciation to Guy Roberts and his management team, and indeed to every employee of the Company, who have been focused on the need to run the business as efficiently as possible in difficult circumstances.

To end on a positive note, 2009-10's safety performance was the best it has ever been at Penrice: a recordable case rate of 1.6 per 200,000 hours worked, compared with 2 the previous year, and 14 as recently as 2005. I congratulate all members of the Penrice team for this achievement, while reminding them that further improvement is still possible.

David Trebeck
Chairman
28 October 2010



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Annual General Meeting 28 October 2010 Address from Managing Director & CEO, Mr Guy Roberts

Thank you David and good morning ladies and gentlemen.

I am pleased to be with you today to report on the progress of your company, Penrice Soda Holdings.

At our last meeting, I said that global economic conditions were the most challenging seen during my business life and that the expectation was for those conditions to continue to play out during 2010 and beyond.

Indeed that has proven to be the case for Penrice.

During the early part of 2010 our Chemicals business suffered as a result of a severe and unexpected contraction of demand in Australia, particularly for soda ash, leading to disappointing profits despite generally satisfactory results from the sodium bicarbonate and quarry business. As David has mentioned, that in the absence of that downturn, the company would have achieved its initial market guidance and potentially been in a position for the Board to consider the resumption of dividends to shareholders.

What has also been proven is the capacity of our diversified business to withstand the extreme business conditions and the high calibre and committed people, who have responded quickly and effectively to meet the challenges we have faced. We are confident that our strategic position, strengthening over the last three years and our now established culture of financial discipline will deliver improved returns over time.

In 2010, in a year when chemicals demand was subdued, we were encouraged that sales revenue only reduced 1% to \$160.4 million, thanks largely to our growing sodium bicarbonate export business and record sales in our quarry & mineral business.

The sharp slump in domestic demand adversely impacted chemicals margins as we were forced to sell excess soda ash stocks into weak export markets. This was the principal contributor to the fall in our underlying net profit after tax of \$5.3 million, compared to \$9.1 million in the prior year.

Recognising the importance of improved shareholder returns, the company has already introduced a change agenda focused on improving earnings and cash flows. This change agenda saw operating cash flows improved to \$7million from \$0.8million in the prior year, with lower mine inventory build and better working capital management, helping to offset the impact of the difficult trading environment. Capital expenditure during the year reduced to \$9.8million from \$22.9million in the prior year, following completion of the company's three year reinvestment campaign, known as The Way Forward Plan. As a result, free cash outflow reduced to \$5.8million from \$22.2million in the prior year, a \$16.4million improvement, albeit free cash flow remained negative.

[Present here Slide 1 – “Focus on Cash - Improved Cash Flow”]

During 2010, the company, with the support of its long standing bankers, extended its senior debt facilities to 2013. The company also significantly strengthened its balance sheet with the first half capital raising of \$26.5million, which enabled a reduction in borrowings in a period of great economic uncertainty. As a result, the company's gearing is 42% down from 58% a year earlier.

Operational Review

I would like to comment on the performance of each of our businesses and in particular what initiatives as part of the change agenda are being actioned to improve earnings, cash flows and returns to you, our business owners.

As you are probably aware, Penrice is a leading Australian chemical company and a major regional quarry producer with strong positions in its key businesses. In summary, your company:

- Holds the Number One position in soda ash manufacture supplying the glass, detergent , manufacturing, water treatment and mineral processing sectors supported by a low cost position
- Holds the Number One position in sodium bicarbonate manufacture in Australia and is one of the top five exporters of sodium bicarbonate globally supported by innovative product quality
- Holds the Number Two position in quarry products in South Australia with efficient production and a location in the growth corridor of the northern Adelaide metropolitan region

These positions help us optimise the utilisation of our considerable asset base and should support strong shareholder returns throughout the demand cycles. Operational and market diversity and flexibility have actually delivered consistent operating cash flow (excluding mine inventory growth) over the last several years, including during the global financial crisis.

Chemicals Business

In 2010, the chemicals business experienced very difficult trading conditions which saw EBITDA down 14% to \$23.3million.

There were two negative influences – substantially reduced domestic demand for soda ash from the glass makers as previously reported, soft regional demand and the strengthening Australian dollar against the greenback. A strong Australian dollar both reduced the Australian dollar receipts from US dollar denominated export business revenues and increased import competition from China in the Australian sodium bicarbonate market also adversely impacted earnings. With global markets soft, soda ash was in an oversupply position causing prices to bottom during the early part of the year. It is pleasing to see the situation reversing.

On the positive side, we renegotiated on more favourable terms our major soda ash contracts with key customers. These contracts comprise around 70% of our soda ash business and should help underpin improving profitability in this business over the next several years. We are pleased to report the successful commissioning of Amcor's recent major expansion of its glass plant at Gawler, for which we are the committed soda ash supplier.

Our sodium bicarbonate export business continues to be a success story with sales volume up 17% in the year, reflecting our expanded plant capacity of 100tpa and continuing strong demand for premium grade product from our Asian export markets.

The domestic Australian business suffered from dumped Chinese products. Whilst fully prepared to compete in the marketplace, we are not prepared to stand by and allow dumped goods in our market. We took decisive and proactive action, to challenge these exporters and the Australian importers which represent them. We submitted a case for anti dumping duties to be imposed by the Australian Customs Service on those Chinese products with the successful outcome of a recommendation by Customs that anti-dumping duties of between 19 – 46% be imposed on those Chinese goods. The decision of the Minister was just announced, and he has accepted the recommendations of Customs for the application of duties. This will assist to stabilise our Australian market and penalise unfair and illegal trade.

The Chemicals business is underpinned by a strong productivity culture and during the year fixed cost savings of over \$1million were made at Osborne operations. Considerable progress was made in evaluating alternative fuels with a view to making annual savings of over \$2million per annum over time, from running fuels other than coke, such as Vietnamese anthracite.

Quarry & Mineral Business

Quarry & Mineral was another highlight with record sales, largely on the back of its successful supply of quarry products to the Northern Expressway, South Australia's largest road project in a generation.

[Present here Slide 2 “Focus on Growth – Penrice supplies NEXY”]

Quarry & Mineral EBITDA was down \$1.5million to \$11.6million on the back of a substantial reduction in inventory build. Cash flow improved over the prior year by \$6.3million to a net cash outflow of \$2.5million as overburden extraction reduced substantially by over \$6million. Inventory build was \$6.4million, well down from \$12.6million in the prior year.

A significant focus of the company's change agenda has been to introduce new mine planning techniques and technology into the Angaston mine to obtain greater resource security and reduced overburden extraction. These objectives were achieved - new mine plan was installed, extraction rates have come down, cash mining costs have reduced and cash outflow from the mine has significantly improved. A number of cost saving initiatives also underpin that improvement.

[Present here Slide 3 – “Focus on Cash – Planned Lower Extraction”]

So, summing up the 2010 performance, Penrice's most important achievements have been-

- to maintain market shares and premium positions in export markets
- to maintain its operating cash flow at a reasonable level through a significant downturn in demand while completing essential mine development and essential plant maintenance
- to improve the cash generating performance of the business, and
- to strengthen the balance sheet with the successful equity raising.

Strategic Developments

Turning to strategy, Penrice remains focused on a mix of short and long term strategies to create a strong business capable of delivering sustainable returns. Over the last three years the company has invested in soda ash and sodium bicarbonate production capacity in its chemicals business – both to undo some of the damage created historically by the lack of reinvestment in the chemicals operations and to create a growth platform from increased capacity. The company has invested in its Quarry & Mineral business – creating resource security and reduced cash mining costs. We see further opportunities in both businesses,

chemicals - aided by growth in the glass manufacture and minerals processing sectors in Australia, growth in food demand in Asia; in Quarry & Mineral – aided by healthy Adelaide demographics and general infrastructure upgrades.

First, our strategy will be to fully service the soda ash requirements from Australian demand growth in the glass and mineral processing sectors. We will complement this with natural soda ash, should our potential involvement in the Queensland coal seam gas industry come to fruition.

Second, we will seek to expand our sodium bicarbonate production to meet attractive demand growth from the export markets. While initially this will focus on creating the available product for premium markets, plant expansion is expected to be an attractive proposition in the near term. The current proposal will only be sanctioned by the Board once it is satisfied that returns have improved to meet the needs of the company and its shareholders.

Third, we will maintain our focus on operating efficiently and sustainably to underpin both our long term competitive position and returns. Accessing new technology and innovation will be key to our success here.

Fourth, we will continue to grow as a leading supplier of civil materials in the South Australian market.

And always the focus will be on cash generation.

2011 Outlook

Addressing our outlook for 2011 there are a number of positive developments and some challenges. On the positive side:

- Current trends indicate that soda ash demand and prices have recovered to pre global financial crisis levels. Flat glass demand for soda ash has improved as Australia's residential dwelling construction has returned to normal underpinned by strong demand. Food and beverage demand, including wine exports is robust and is underpinning improved demand from the glass packaging segment
- Two new soda ash customers have commenced uptake in the mineral processing segment, one a uranium producer and the other a nickel/cobalt producer
- We are expecting to sign a contract shortly with a coal seam gas producer to build and operate (and not finance) a pilot plant to produce natural soda ash from coal seam gas waste water in Queensland
- Sodium bicarbonate demand continues strongly in export markets, albeit domestic demand is subdued as stock feed demand in Australia is less than forecast
- Good progress is being made to reduce reliance on coke by evaluating alternative fuels such as anthracite. This year, while coke input costs are budgeted to increase by 30% adding almost \$3million to our input costs, we are confident of material savings being made in 2012 financial year and beyond from alternative fuels
- In quarry & mineral - civils demand is strong and the new industrial mineral contract with Amcor is performing well
- Sales of landfill are expected to exceed 250,000 tonnes as an "underlying" run rate. We are tendering on some major projects and expect to be successful in one during the year
- Angaston mine plan is delivering – minimal inventory build is expected in the first half and we are targeting minimal inventory build for the full year.

On the negative side:

- The strong Australian dollar is a concern – it restricts the earnings potential of our USD denominated sodium bicarbonate export business and over time creates more import competition for our domestic Australian chemicals business. As part of our change agenda, we have already taken steps to mitigate this risk

[Present here Slides 4 and 5 – “Focus on Risk – Managing the Strong AUD”]

- Osborne chemicals plant had plant interruptions on restart from the August shutdown and in the last ten days was forced into shutdown for an extended period of several days as a result of the failure of our third party steam supplier located at the adjacent cogeneration plant. The company carries an appropriate insurance program designed to cover this type of event and is progressing a claim under the program.

Our continuing improved performance in safety and the continuing reduction in injuries is very meaningful. Caring for ourselves and each other is one of Penrice’s key values, and I acknowledge the efforts of all employees in achieving this important outcome.

Similarly caring for the environment is part of Penrice’s goal to become a company that does “zero harm”. Our operations are energy and resource intensive. It’s part of our commitment to ensuring a sustainable environment, but it also makes good business sense to reduce our environmental footprint as much as possible. In this regard, I note the reduction by Penrice Osborne operations in town water usage of 1 gigalitre per annum through a combination of our expanded Reverse Osmosis desalination plant using bore water instead of drinking water and a number of recycling and reuse projects. This is not only returning to the Adelaide community vital drinking water, the improvements made this year alone are saving the company over \$750K per annum.

Conclusion

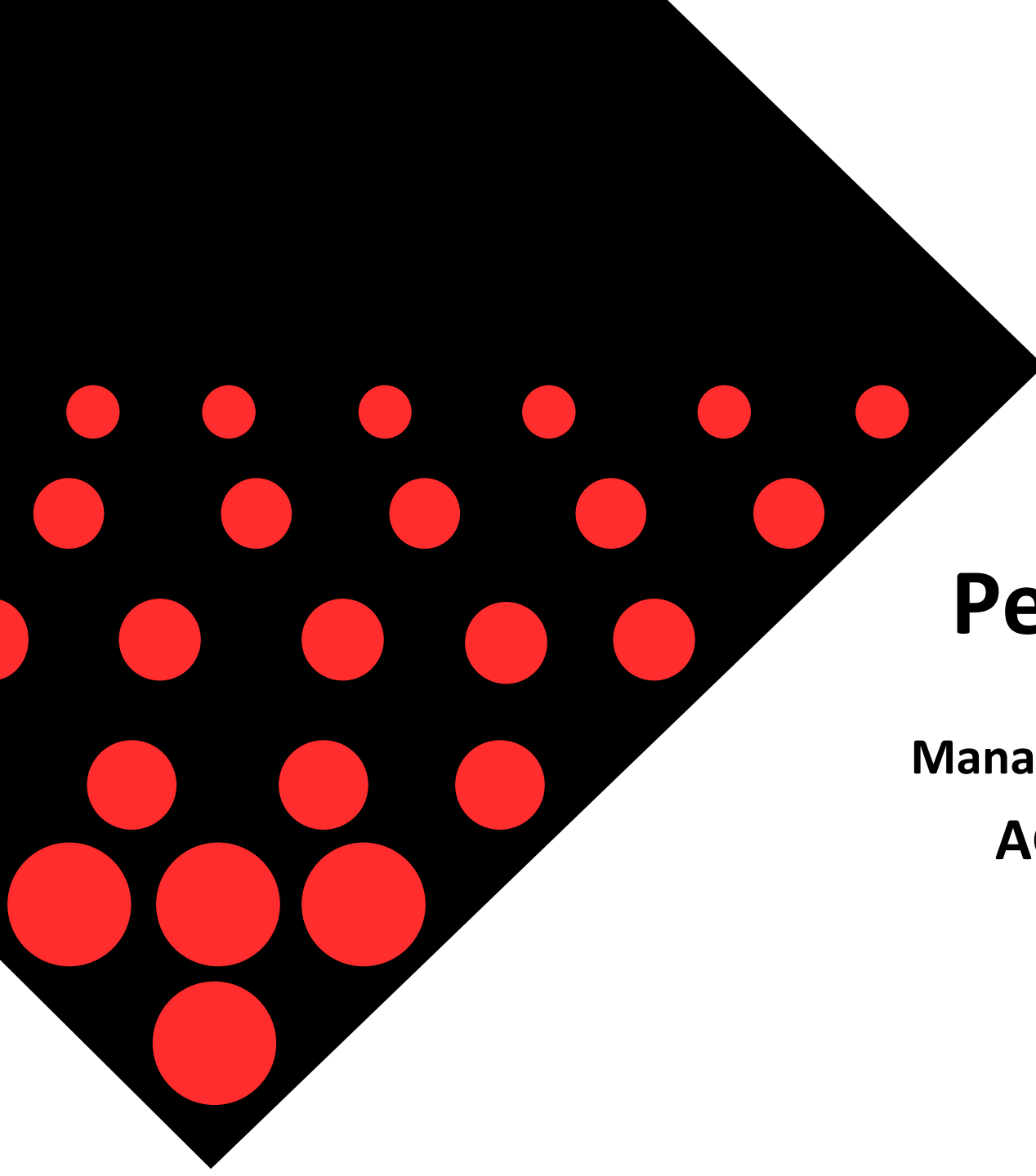
In concluding, I would like to acknowledge the support and guidance provided by the Board to the executive team and me.

I also sincerely thank our dedicated employees for their continuing and considerable efforts during 2010, which was a particularly difficult year, but from which we have emerged a stronger company, better equipped for the challenges that lie ahead.

I remain confident that the strategy is correct and the execution of business plans is effective. 2011 will see Penrice gain the benefit of much hard work by its people and substantial investment by its shareholders.

Thank you.

Guy Roberts
Managing Director & CEO
28 October 2010



Penrice Soda

**Guy Roberts –
Managing Director & CEO**

AGM Presentation

28 October 2010

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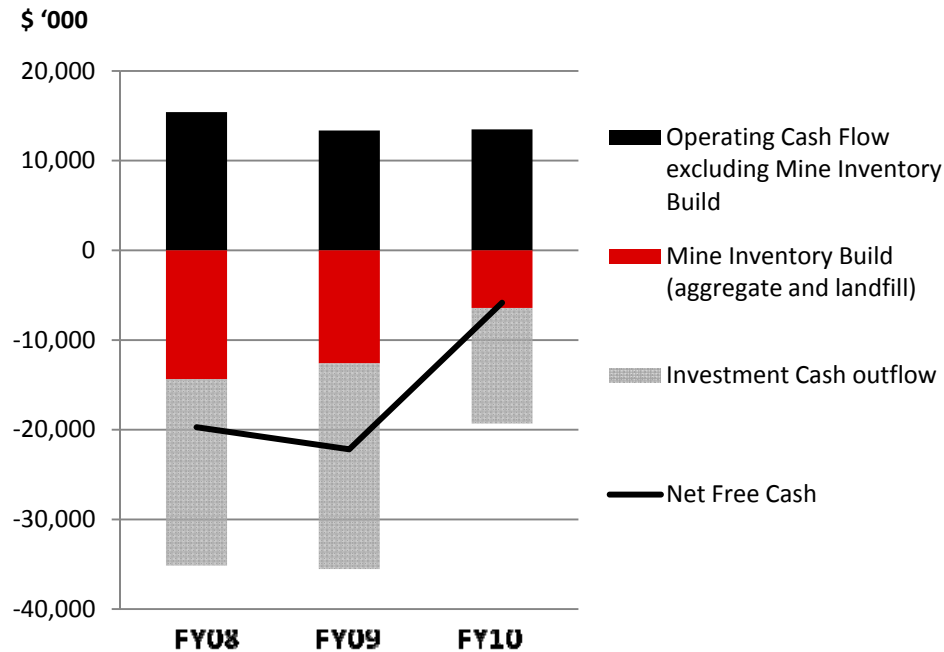


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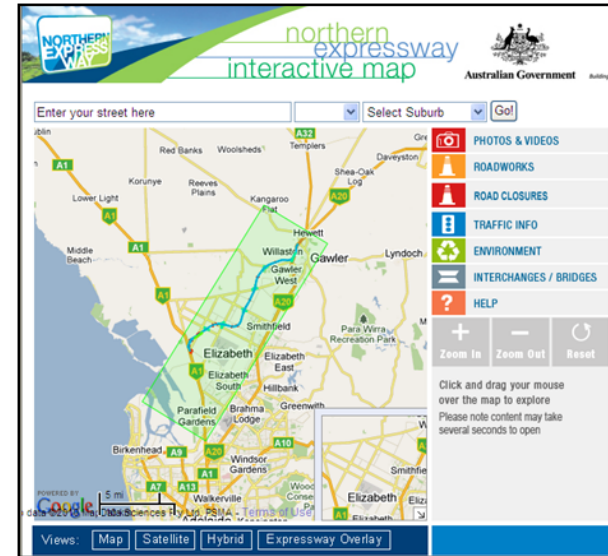
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Focus on Cash – Improved Cash Flow



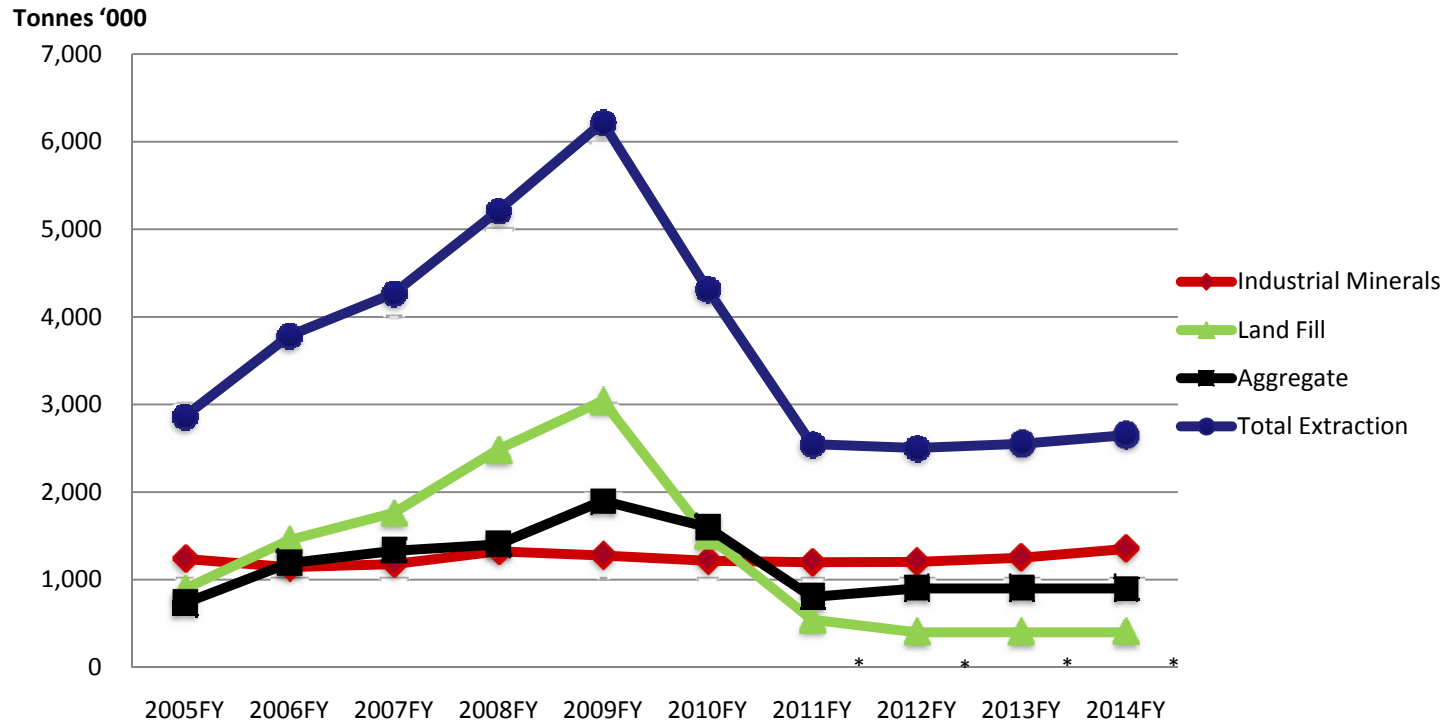
- Robust earnings generating consistent operating cash in the middle of the GFC
- Mine expansion is now complete – mine inventory build is now reducing and 2011 target is for minimal build
- Capital expenditure is now reduced – allocated to maintenance only and 2011 target is for \$10M capex
- 2011 target is for net free cash to be positive for first time since IPO

Focus on Growth – Penrice Supplies NEXY



- Largest SA road project since the 1960's
- NEXY project started September 2008 and opened in August 2010 ahead of schedule
- Penrice supplied 810K tonnes with a gross revenue of over \$10M

Focus on Cash - Planned Lower Extraction



*2011FY onwards is forecast 5 year average

- New mine plan now operational H2 FY2010
- Planned resource security for 20 years
- Planned lowest overburden extraction volumes and costs
- Targeting minimal mine inventory build in FY2011

Focus on Risk – Managing the Strong AUD



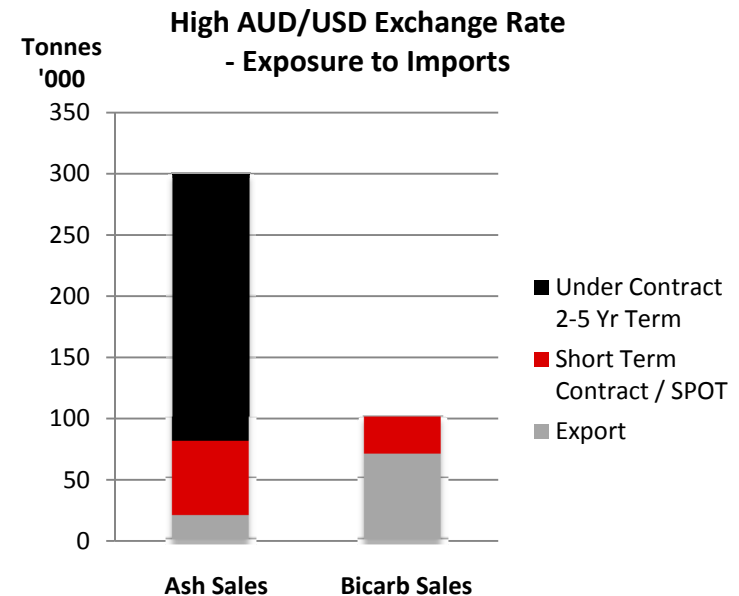
Exposure to Import Competition

Ash Business – Risk Mitigation

- 300,000t sales which 73% is under 2-5 years contract and 7% is export
- 20% is exposed to imports
- Penrice security of supply and quality
- Penrice anti dumping potential

Bicarb Business – Risk Mitigation

- Has 100,000t sales p.a. currently 70% is export sales and 30% is domestic sales at short term contract or spot
- Penrice security of supply and quality advantages
- Penrice successful anti dumping action complete



Focus on Risk – Managing the Strong AUD



Exposure to USD Export Revenues

- Export chemical sales generate circa \$US 32m p.a.
- Increasing our natural hedge by actively seeking to purchase raw material inputs, such as coke, in US\$
- Derivative hedging program has an improved, more disciplined, regular approach throughout the year, ensuring our overall hedged rate is averaged and does not vary significantly year on year, thus reducing volatility of earnings
- Effective hedging means that exposure to the US\$ in FY2011 is limited to less than \$1M

