

PENRICE SODA HOLDINGS LIMITED

ABN 83 109 193 419

Preliminary Final Report (Appendix 4E)

for the year ended 30 June 2011

ASX Code PSH

PENRICE SODA HOLDINGS LIMITED

Appendix 4E

Full Year Report under Listing Rule 4.2A For the year ended 30 June 2011

ABN

83 109 193 419

Previous corresponding period

30 June 2010

Results for announcement to the market

Operating Result	% change	\$000	\$000
Sales revenue from operating activities	Down 5% to	152,934	
Net loss for the period attributable to members		(26,206)	6,277
			Previous corresponding period - profit

Interim Dividend	Amount per Security	Franked amount per security at 30% tax
Ordinary securities	Nil	Nil
Payment date of dividends	Not Applicable	

Final Dividend	Amount per Security	Franked amount per security at 30% tax
Ordinary securities	Nil	Nil
Record date of dividends	Not Applicable	
Payment date of dividends	Not Applicable	

	2011	2010
Earnings per share (basic)	(28.7)	7.8c
Earnings per share (diluted)	(28.7)	7.7c
Net tangible assets per share	\$0.65	\$0.79

Results for announcement to the market

For the profit commentary and any other significant information needed by an investor to make an informed assessment of Penrice's results please refer to the "Review and Results of Operations" section of the Appendix 4E.

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Penrice Soda Holdings Limited
Preliminary Final ASX4E Report for the year ended 30 June 2011

Corporate Information

Penrice Soda Products Pty. Ltd.
ABN 83 109 193 419

Directors

D.B. Trebeck (Chairman)
G.R. Roberts (Managing Director and Chief Executive Officer)
A.V. Fletcher
B.J. Gibson
J.W.A Hirst
D.F.Groves – Appointed 20 December 2010

Company Secretary

F. Lupoi

Principal Registered Office

Solvay Road
Osborne, South Australia 5017
Telephone: (08) 8402 7000
Facsimile: (08) 8402 7250

Bankers

National Australia Bank
Westpac Banking Corporation

Share Registry

Link Market Services Limited
Level 4, 333 Collins Street
Melbourne, Victoria 3000

External Auditors

Ernst & Young

Internal Auditors

KPMG

Solicitors

Kelly & Co.

Internet Address

www.penrice.com.au

Stock Exchange

The group is listed on the Australian Stock Exchange.
The home exchange is Adelaide.

Other Information

Penrice Soda Holdings Limited, incorporated and domiciled in Australia, is a publically listed company limited by shares.

Review and Results of Operations

- **Normalised FY2011 loss of \$1.4 million due to impact of strong Australian dollar and forced plant shutdown caused by third party steam supply failure**
- **Statutory loss of \$26.2 million includes \$21.7 million impairment charge reflecting outlook for continuing tough operating environment**
- **Strategic review underway, cost savings implemented**
- **Cost saving and growth initiatives expected to partly offset impact of continuing difficult trading conditions in FY2012**

Summary

Penrice Soda Holdings Limited (ASX:PSH) today reported an after-tax loss of \$26.2 million for the year ended 30 June 2011 (FY2010: NPAT of \$6.3 million). Excluding significant items, the normalised loss was \$1.4 million (FY2010: NPAT of \$5.3 million), as flagged in previous guidance.

The underlying performance of the Chemicals business was negatively affected by the strong Australian dollar, which averaged US\$1.00 in FY2011 versus US\$0.88 in the previous year. The strengthening Australian dollar eroded receipts from Penrice's US dollar export earnings by approximately \$4 million and increased import competition in its domestic business, pressuring margins. At the same time, the strong Australian dollar has eroded the competitive position of, and therefore demand from, Penrice's domestic customers.

Chemicals earnings were also reduced by the forced plant shutdown and related losses of approximately \$5 million due to an unprecedented steam supply failure and ongoing associated operational issues, as well as reduced domestic demand for soda ash and sodium bicarbonate as a result of extreme weather events. Significantly higher coke prices further increased the cost of kiln fuels and also reduced Chemicals earnings.

Quarry & Mineral earnings were just below expectations due to a slowing demand from civil and construction markets late in the second half and some unplanned maintenance. Cash flows in the business continue to improve and in FY2011 free cash outflow was \$0.7 million, a \$2 million improvement on the prior year, reflecting a combination of improved gross margins in industrial minerals markets, reduced cash mining costs and lower capital expenditure.

The FY2011 statutory result includes losses of \$5 million pre-tax from the forced plant shutdown, partially off-set by an initial insurance recovery of \$0.5 million pre-tax. It also includes impairment charges of \$16 million pre-tax relating to the Chemicals business and \$10 million pre-tax in relation to the Quarry & Mineral business. The Chemicals impairment charge reflects the business's current tough operating conditions largely driven by the high Australian dollar, which necessitated a reassessment of the expected cash flows from the business based on updated projections of the exchange rate and demand growth forecasts.

The Quarry & Mineral impairment charge has been taken against the carrying value of landfill inventory and reflects the revised timings of expected landfill contracts due to deferrals and cancellations of government and private sector infrastructure projects, some of which had previously been tendered for. This is reflective of the uncertain outlook for civil and construction activity, especially following the completion of the federal government stimulus package.

In light of the difficult trading conditions and in recognition of the need to improve returns to shareholders, Penrice is conducting a strategic review of its operations, as announced on 12 August. The goal of the review is to improve operating performance and reduce debt from the

Review and Results of Operations (Continued)

current high level relative to earnings. As announced, three immediate steps have already been initiated:

- a labour cost reduction programme which will result in a 10% cut in the company's staffing numbers, principally in the corporate centre and Chemicals business, from October 2011 onwards, generating savings of around \$2 million in FY2012;
- a review of pricing policies in the Chemicals business, with price increases announced, principally in the export business, leveraging strong regional demand for, and recent regional price increases in, soda ash and sodium bicarbonate; these pricing initiatives are expected to materially improve margins from October 2011 onwards, and produce up to \$2 million in additional revenue in FY 2012; and
- a major drilling programme at the Angaston mine to better understand and value the mine to JORC compliance and leverage the available resource; the programme and a new mine plan developed from it, is expected to be completed by April 2012.

As part of the review, the Board is also considering a number of options aimed at deleveraging the balance sheet and achieving more normal credit metrics, including asset sales and equity raising. The outcomes of the strategic review are expected to emerge over the course of the next 12 months. In light of the FY2011 result and the outlook for continuing tough trading conditions, the Board has declared no dividend.

RESULTS SUMMARY			
Year ended 30 June A\$000	2011	2010	% variance
Sales revenue	152,934	160,376	(5%)
Chemicals EBITDA*	14,028	15,182	(8%)
Quarry & Mineral EBITDA*	5,344	11,590	(54%)
Corporate centre/unallocated	(3,684)	(3,449)	(7%)
Normalised EBITDA *	15,688	23,323	(33%)
Depreciation, Amortisation	(9,603)	(8,819)	(9%)
Normalised EBIT *	6,085	14,504	(59%)
Interest expense	(8,715)	(8,214)	(5%)
Tax *	1,243	(962)	n/a
Normalised NPAT*	(1,387)	5,328	(126%)
Unrealised gain / (loss) on hedges	46	949	
Insurance events impact, net of recoveries to date	(3,150)	-	
Chemicals impairment (after tax)	(14,715)	-	
Quarry & Mineral impairment (after tax)	(7,000)	-	
Significant items (after tax)	(24,819)	949	
Statutory NPAT	(26,206)	6,277	
Normalised earnings per share* (cents)	(1.5)	6.5	
Statutory earnings per share (cents)	(28.7)	7.7	
Dividend per share (cents)	Nil	Nil	
Gearing [net debt/(net debt+ equity)] %	53%	42%	
Interest cover [EBITDA*/interest] (times)	1.8	2.8	

*excludes significant items

Review and Results of Operations (Continued)

Chemicals

Normalised result			
Year ended 30 June	2011	2010	%
\$000			variance
Sales revenue	127,563	135,359	(6%)
EBITDA	14,028	15,182	(8%)
EBITDA margin	11.0%	11.2%	
EBIT	6,027	7,863	(23%)
EBIT margin	4.7%	5.8%	

Normalised earnings in the Chemicals business were affected by the strengthening of the Australian dollar, which reduced receipts from export sales by approximately \$4 million, in spite of volume and US dollar price growth, and increased competition from imports in the domestic market, putting pressure on margins.

The strength of the Australian dollar eroded the competitive position of Penrice's domestic customers, particularly in the glass making sector and demand weakened, particularly late in the second half as customers cut back production.

Domestic demand for both soda ash and sodium bicarbonate was also affected by the unusually wet weather and floods in eastern Australia in the summer months, which impacted activity in key sectors such as manufacturing, construction and farming.

As mentioned above, soda ash plant production performance was materially affected in the aftermath of the forced plant shut-down in October, particularly in the kilns section. It had a considerable adverse impact on the business with product output down 8% on the prior year. In response, Penrice brought forward planned maintenance works on two of its six kilns, and one kiln reline was successfully completed in July 2011. This is already contributing to a pleasing increase in output and improved reliability. A second kiln reline is planned for the second half of FY2012 and will assist further improvement.

In response to the steep rise in coke prices in FY2011, Penrice introduced alternative, less costly kiln fuels, but savings from this measure were offset by further rises in coke prices of \$2 million. Coke prices are expected to remain high in FY2012 and despite using alternatives this cost is budgeted to increase by an additional \$1.6 million.

Penrice will continue developing kiln fuel processing technology in the current year and this is expected to contribute to significant kiln fuel cost savings when a proposed processing plant becomes operational in FY2013.

The company has obtained all necessary regulatory approvals to landfill a site at Gilman with a blended landfill comprising by-product from its Osborne works and landfill from its Angaston mine. During FY2011, infrastructure works on this site cost \$2.5 million and the annual operating cost of this project is expected at that level for the expected life of the project, which is three to five years. This project not only provides an essential outlet for Penrice's Osborne byproduct and a use for its Angaston landfill, it will also demonstrate the suitability of Penrice landfill for numerous other development opportunities in the vicinity.

Review and Results of Operations (Continued)

Soda ash

Domestic demand for soda ash, which at the half year was expected to improve based on customers' expectations, weakened later in the second half with local glass makers facing weakening demand in both the flat glass and glass packaging segments, and the strong Australian dollar increasing competition from imports. Demand for glass containers has fallen due to weak sales of beer domestically and falling export demand for Australian wine due to the adverse currency effect. Flat glass sales have been constrained by relatively subdued construction activity.

Penrice has recently announced price rises for soda ash in the domestic market, and in spite of the soft demand conditions, is confident they will be maintained given rising prices internationally and reduced exports from China.

Penrice recently won a contract to supply soda ash to Amcor Packaging (Australia) Pty Ltd, trading as Amcor Glass Australia, at its recently commissioned third glass furnace at its bottle glass plant at Gawler, South Australia. The contract is expected to contribute positively to earnings from FY2012, helping to offset reduced soda ash demand elsewhere.

During FY2011, Penrice's main growth focus in soda ash continued to be applied to its proprietary technology to make soda ash and sodium chloride from the water associated with coal seam gas extraction, forming with GE Water and Process Technologies a consortium to commercialise the technology. Penrice expects to pilot this technology in FY2012.

Sodium bicarbonate

The sodium bicarbonate plant ran well and is producing at capacity.

In sodium bicarbonate, domestic demand was impacted by the extreme weather events on the Australian east coast, but Penrice maintained its market share, partly due to successful anti-dumping action against Chinese imports.

Export demand remained strong and Penrice saw volume growth of 4% and US dollar price increases of around 5%. However US dollar export receipts translated into Australian dollars were down \$3.5 million as a result of the strengthening Australian dollar. Penrice estimates that a one cent rise in the Australian dollar now reduces ash and sodium bicarbonate export revenue by approximately \$0.3 million per annum, other things being equal.

During the year Penrice commenced supplying premium grade sodium bicarbonate to new food and pharmaceutical customers in Japan, following that country's devastating earthquake and tsunami in March which impacted local supply.

Sodium bicarbonate price increases announced by Penrice since the end of June have been accepted in export markets and will make a positive contribution to earnings in FY2012.

Further expansion of sodium bicarbonate capacity will be considered in light of the company's strategic review. The first stage of the project which is to install two new packaging lines is in advanced planning with the selection of vendor to be made in the first half FY2012. It will deliver immediate cost savings, higher quality packaging, expanded packaging capacity, a safer and more ergonomically suitable workplace, and a prompt payback.

Review and Results of Operations (Continued)

Quarry & Mineral

Normalised result			
Year ended 30 June			
\$000	2011	2010	% variance
Sales to external customers	25,371	25,017	1%
Inter-company sales	6,052	6,328	(4%)
Total sales revenue	31,423	31,345	0%
Distribution cost	(6,770)	(7,479)	9%
Net sales revenue	24,653	23,866	3%
Operating costs	(19,310)	(12,276)	(57%)
EBITDA	5,344	11,590	(54%)
EBITDA margin	17.0%	37.0%	
EBIT	3,742	10,090	(63%)
EBIT margin	11.9%	32.2%	
Inventory build	(1,062)	(6,420)	
Mine development costs	0	(2,586)	
PP&E, other assets and liabilities	(4,989)	(5,357)	
Net free cash out flow	(707)	(2,773)	

The Quarry & Mineral business saw sales revenue increase 1% even without large civil projects (FY2010 included supply to the Northern Expressway project) and on 0.2 million tonnes less volume sold. This reflects active sales development resulting in increased sales to new customers of higher value industrial minerals and aggregates. As a result, gross margin (excluding intercompany sales) improved by \$1.2 million.

EBITDA was \$5.3 million, down 54% as a result of a decrease in capitalisation of mining costs. Reduced extraction rates (down 50%/1 million tonnes), inventory build (down \$5.3 million) and mine development costs (down \$2.6 million) are a direct result of the company's strategy to generate improved cash earnings. It reflects that the overburden campaign was completed in FY2010 and that the mine has moved into a new phase of minimal overburden extraction.

	FY11	FY10
Operating cost from P&L	19,310	12,276
Capitalised costs	1,062	9,006
Cash operating costs	20,372	21,282

Mining cash operating costs decreased by \$0.9 million compared with the prior year, reflecting planned 50% lower extraction rates following completion of the overburden campaign in FY2010, smaller mine operating fleet and reduced labour costs.

Pleasingly, the business continued its recent trend of improving its net free cash flow, with FY2011 \$2.1 million favourable to the previous year (FY2010: free cash outflow of \$2.8 million).

Inventory build was originally targeted at zero, but finished at \$1.1 million, well down from \$6.4 million in the prior year. This additional inventory was exclusively aggregates and equates to less than three

Review and Results of Operations (Continued)

months' regular supply. Aggregates inventory is expected to be progressively sold down during the next five years at current sales rates.

There was zero inventory build of landfill during FY2011 and landfill extraction will be minimal over the next five years and as a result, net landfill inventory build is expected to be zero over that period.

Capital expenditure in Quarry & Mineral was \$2.7 million, \$0.4 million less than the prior year.

In the second half Penrice commenced supply of civil products to the Urban Superway Joint Venture, which is constructing the South Australian Government's South Road Superway project, the largest single road project to be undertaken in the state.

As noted earlier, Penrice now has all necessary approvals in place to landfill a Gilman site, near its Osborne plant in Adelaide. This landfill project will include supply of overburden classified as landfill from the Angaston mine in significant quantities and provide an essential outlet for its Osborne byproduct over the next three to five years.

As advised in Penrice's recent market update, the company has initiated a major drilling programme at the Angaston mine to evaluate the resource to JORC compliance. This programme is expected to provide a better understanding of the value of the asset and how it can be most effectively valued, extracted and exploited.

BALANCE SHEET		
As at 30 June		
A\$000	2011	2010
Inventories	51,049	63,069
Trade debtors	16,738	21,931
Trade creditors	(29,803)	(29,190)
Total working capital	37,984	55,810
Net property, plant & equipment	98,840	94,587
Intangible assets	8,688	20,922
Net other assets/liabilities	(2,095)	(11,236)
Net debt	(75,594)	(67,067)
Net assets	67,823	93,016
Equity	67,823	93,016
Gearing	53%	42%

Reflecting the company's net loss and asset impairment charges, net assets reduced to \$67.8 million as at the end of June 2011 (30 June 2010: \$93.0 million).

Working capital as at 30 June was \$38.0 million after impairment charges and \$52.3 million before impairment, down \$3.5 million from a year earlier due to increased focus on cash generation and debtor management.

Net debt as at 30 June was \$75.6 million, up from \$67.1 million, primarily due to weaker operating cash flow as a result of the tough external conditions and the losses incurred as a result of the steam supply outage.

Review and Results of Operations (Continued)

An impairment charge of \$16 million pre-tax in relation to the carrying value of Penrice's Chemicals assets reflects the revision upwards of the company's medium term forecasts for the Australian dollar and coke costs, together with a downward revision of demand growth assumptions, reflecting the recent trading environment.

In the Quarry & Mineral business, an impairment charge of \$10 million pre-tax has been taken on the landfill inventory held on balance sheet, reflecting the lower than expected level of landfill sales in recent periods as well as the revised timings of expected major landfill contracts due to deferrals and cancellations of government and private sector funded major infrastructure projects. The impairment also reflects the application of a higher discount rate in recognition of the higher risk associated with landfill demand, which is dependent on large-scale projects, the timing of which has proved difficult to forecast.

Impairment testing of the Quarry & Mineral aggregates inventory ratified the current carrying value of \$19.8 million, taking into account recent demand and the relative certainty of sales volumes over the medium term.

Aggregates and landfill inventory totalling \$29.5 million remains a significant current asset on Penrice's balance sheet. These products are classified as current assets because they are ready for sale with no further processing and because markets exist for them. At current contracted sales volumes they will not be realised within 12 months, but this is considered to be within the normal cycle, to which AASB 101 (Presentation of Financial Statements) applies.

STATEMENT OF CASH FLOWS		
Year ended 30 June		
A\$000	2011	2010
Net operating cash flows	5,015	7,063
Net investing cash flows	(13,233)	(12,908)
Net free cash flow	(8,218)	(5,845)
Net financing cash flows	7,936	12,655
Net increase/(decrease) in cash held	(281)	6,810

Penrice booked operating cash flow of \$5.0 million for FY2011, a decrease of \$2.0 million despite a fall of \$7.6 million in EBITDA. This was driven by an improved cash outcome in the Quarry & Mineral business through reduced extraction rates and lower inventory build and a dedicated group wide ongoing project to improve working capital management.

Capital investment increased to \$13.2 million (FY2010: \$12.9 million), reflecting investment of \$2.5 million in the new Gilman site, \$0.7 million in the kiln reline (part cost), the \$0.5 million acquisition of buffer land around the Angaston mine, and investment of \$0.8 million in a boiler decarbonator project.

Review and Results of Operations (Continued)

Penrice booked net free cash outflow of \$8.2 million, a deterioration of \$2.4 million versus the prior year. Borrowings increased by \$7.9 million, reflecting the company's current cash flow constraints. As discussed above, one of the goals of Penrice's strategic review is to reduce gearing, and as previously noted the company is investigating all options to improve cash flow and reduce debt.

Banking facilities

As announced on 12 August, in conjunction with its strategic review the company has concluded an in-principle agreement with its lender group for an updated banking agreement, maturing at the end of March 2013. The agreement includes an additional \$10 million short term working capital facility, repayable at the end of September 2012, which will help Penrice cover its immediate liquidity requirements, including investment in a kiln reline, which had to be brought forward as a result of the plant shutdowns in FY2011. It covers continued negative cash flows as a result of the difficult trading conditions until expected improvements are delivered from initiatives out of the strategic review.

Other

As announced on 26 July, the Federal Court issued orders that Penrice make certain documents available for inspection by a shareholder, with which the company will comply. The application to the Court was for inspection of a vast array of company documents going back many years. The orders largely reflect a much more limited set of documents which Penrice had previously indicated it was prepared to make available to satisfy the shareholder's concerns. The proceedings are now concluded. No findings have been made by the Court (nor could they be) that Penrice or any of its directors or officers has acted improperly. Penrice is satisfied that at all times the company and its directors have acted in accordance with their duties and that at all times it has met its disclosure obligations to shareholders.

Carbon Tax

As previously advised, the Company expects that it will receive the maximum level of assistance available to energy intensive trade exposed firms under the proposed carbon tax scheme. Advice received from the Federal government is that confirmation of assistance will be made when the scheme is legislated for at the end of this calendar year. At the level of assistance proposed and before mitigation, the scheme will for the first three years cost the company around \$0.3 million to \$0.4 million per annum. New technology choices will be explored to reduce the company's carbon footprint.

Outlook

The FY2012 outlook is uncertain. Underlying market conditions in the Chemicals business are likely to remain tough in Australia, while the continuing strength of the Australian dollar will constrain the growth in Penrice's sodium bicarbonate export earnings and in the domestic business. Contracted price increases with some major customers will make a positive contribution to earnings in the current year. New business gained with Amcor Glass Australia will also assist.

The Quarry & Mineral business is expected to see a further improvement in its operating cash flow from continued growing sales and reduced extraction rates, although that rate of improvement may be moderated depending on the extent of the apparent downturn in civil and construction activity in Adelaide. As with the Chemicals business, contracted price increases with some major customers will make a positive contribution to earnings in the current year. Further sales to Urban Superway for the South Road Superway project will assist.

Cost cutting and price rise initiatives out of the recently announced strategic review will make a positive contribution to earnings in the current year and will offset the impact of the strong Australian

Review and Results of Operations (Continued)

dollar and softer demand. Further outcomes of the strategic review will be communicated over the next 12 months.

We will accelerate the considerable potential of our Queensland coal seam gas water treatment opportunities, which are expected to provide fee-based income from piloting Penrice's proprietary technology during the year.

Other initiatives planned for the coming year for the Chemicals business, which are targeted to improve earnings in the medium term, include a potential new packaging line for sodium bicarbonate, lower electricity costs following a competitive tender and new kiln fuel processing technology to reduce the cost of kiln fuels. Capex in FY2012 is expected to reduce to \$10.5 million from \$13.2 million in FY2011.

Management remains focused on improving operating margin and cash flow performance in the current year, but given the uncertainties, no guidance is offered at this time. Shareholders will be further updated on the earnings outlook for the current year at the Annual General Meeting in October.

The above guidance and all other forward-looking statements regarding future events and the future financial performance of Penrice Soda Holdings Limited in this report are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Penrice Soda Holdings Limited, and which may cause actual results to differ materially from those expressed in the statements. These statements are provided for the information of recipients and do not constitute an invitation or inducement to such persons to enter any investment activity relating to Penrice Soda Holdings Limited securities. No representation, warranty or undertaking, express or implied, is made or given by Penrice Soda Holdings Limited or any of its officers or employees as to the fairness, accuracy, completeness or reliability of any forward-looking statements.

Penrice Soda Holdings Limited
Preliminary Final ASX4E Report for the year ended 30 June 2011

Income Statement
For the year ended 30 June 2011

	Note	Consolidated	
		30 June 2011 \$000	30 June 2010 \$000
Continuing Operations			
Sales of goods		152,934	160,376
Interest revenue		98	101
Other revenue		891	350
Revenue		153,923	160,827
Cost of sales		(115,044)	(105,102)
Gross Profit		38,879	55,725
Distribution expenses		(25,433)	(29,185)
Other operating expenses		(8,377)	(7,568)
Administration expenses		(4,174)	(3,900)
Impairment expense	2(c)	(26,000)	-
Exchange gains/(losses)		690	(568)
Unrealised exchange gains on foreign currency options and forwards		85	630
Unrealised (losses)/gains on fair value of interest rate swaps		(18)	726
Borrowing costs	4	(8,715)	(8,214)
(Loss)/profit from continuing operations before income tax		(33,063)	7,646
Income tax benefit /(expense)	5	6,857	(1,369)
Net (loss)/profit after income tax for the period attributable to the owners of the parent entity		(26,206)	6,277
		Cents	Cents
Basic (loss)/earnings per share	7	(28.7)	7.8
Diluted (loss)/earnings per share	7	(28.7)	7.7

Penrice Soda Holdings Limited
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Statement of Comprehensive Income
For the year ended 30 June 2011

	Consolidated	
	30 June	30 June
	2011	2010
	\$000	\$000
Net (loss)/profit for the period	(26,206)	6,277
Other comprehensive income, net of tax:		
Cash flow hedges gains/(losses) taken to equity	2,176	(1,551)
Deferred tax on cash flow hedges	(653)	465
Net cash flow hedge gain/(losses) taken to equity	1,523	(1,086)
Actuarial losses recognised directly through retained earnings	(1,181)	(245)
Deferred tax on actuarial losses	354	73
Net actuarial losses recognised directly through retained earnings	(827)	(172)
Total other comprehensive income/(losses) for the period, net of tax	696	(1,258)
Total comprehensive (loss)/income	(25,510)	5,019

Penrice Soda Holdings Limited
Preliminary Final ASX4E Report for the year ended 30 June 2011

Statement of Financial Position
As at 30 June 2011

	Note	Consolidated	
		30 June 2011 \$000	30 June 2010 \$000
Current Assets			
Cash and cash equivalents		5,163	5,444
Trade and other receivables		16,738	21,931
Inventories	8	51,049	63,069
Income tax receivable		110	-
Derivative financial instruments		624	-
Other current assets		2,579	649
Total Current Assets		76,263	91,093
Non-Current Assets			
Property, plant and equipment	9	98,840	94,587
Intangibles	10	8,688	20,922
Deferred tax assets		6,194	3,824
Other non current assets		600	-
Total Non-Current Assets		114,322	119,333
Total Assets		190,585	210,426
Current Liabilities			
Trade and other payables		29,803	29,190
Interest bearing liabilities	11	11,082	2,639
Income tax payable		-	2
Derivative financial instruments		-	1,137
Provisions		5,639	5,693
Total Current Liabilities		46,524	38,661
Non-Current Liabilities			
Interest bearing liabilities	12	69,675	69,872
Deferred tax liabilities		3,622	6,853
Provisions		1,434	1,404
Derivative financial instruments		-	595
Other non-current liabilities		1,507	25
Total Non-Current Liabilities		76,238	78,749
Total Liabilities		122,762	117,410
Net Assets		67,823	93,016
Equity			
Contributed equity	13	80,236	80,074
Cash flow hedge reserve		437	(1,086)
Share based payments reserve		189	34
Cumulative (losses)/earnings		(13,039)	13,994
Total Equity		67,823	93,016

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Statement of Changes in Equity
For the year ended 30 June 2011

	Contributed equity	Cash flow Hedge reserve	Share based payments reserve	Retained earnings	Total
For the year ended 30 June 2011	\$000	\$000	\$000	\$000	\$000
At 1 July 2010	80,074	(1,086)	34	13,994	93,016
Loss for period	-	-	-	(26,206)	(26,206)
Other comprehensive income for the period	-	1,523	-	(827)	696
Total comprehensive income/(loss) for the period	-	1,523	-	(27,033)	(25,510)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	155	-	155
Capital raising	162	-	-	-	162
Balance at 30 June 2011	80,236	437	189	(13,039)	67,823
At 1 July 2009	53,615	-	43	7,889	61,547
Profit for period	-	-	-	6,277	6,277
Other comprehensive income for the period	-	(1,086)	-	(172)	(1,258)
Total comprehensive income/(loss) for the period	-	(1,086)	-	6,105	5,019
Transactions with owners in their capacity as owners:					
Share based payments	-	-	(9)	-	(9)
Capital raising	26,459	-	-	-	26,459
Balance at 30 June 2010	80,074	(1,086)	34	13,994	93,016

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Cash Flow Statement
For the year ended 30 June 2011

	Note	Consolidated	
		2011 \$000 Inflow/ (Outflow)	2010 \$000 Inflow/ (Outflow)
Cash flows from operating activities			
Receipts from customers		174,965	179,921
Payments to suppliers and employees		(163,082)	(163,886)
Interest received		98	101
Interest and other costs of finance paid		(8,272)	(7,398)
Income taxes refund/(paid)		1,306	(1,675)
		<hr/>	<hr/>
Net cash flows provided by / (used in) operating activities		5,015	7,063
Cash flows from investing activities			
Payment for property, plant and equipment		(13,233)	(9,785)
Proceeds from sale of plant and equipment		-	31
Payments for intangibles (mine development & software)		-	(3,154)
		<hr/>	<hr/>
Net cash flows (used in) investing activities		(13,233)	(12,908)
Cash flows from financing activities			
Proceeds from issues of shares		-	25,979
Proceeds from loans		8,317	-
Payment for loans		-	(12,700)
Payment for finance leases		(381)	(624)
		<hr/>	<hr/>
Net cash flows provided by financing activities		7,936	12,655
Net increase/(decrease) in cash held		(281)	6,810
Cash at beginning of the financial period		5,444	(1,366)
		<hr/>	<hr/>
Cash at the end of the financial period	14	5,163	5,444

Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 1: Corporate information

The consolidated financial report of Penrice Soda Holdings Limited (“the Company”) and its controlled entities (together, “the Group”) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 25 August 2011.

Penrice Soda Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

Note 2: Statement of significant accounting policies

(a) Basis of preparation

This report has been based upon general purpose financial statements that are prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. This report has also been prepared on a historical cost basis, except for derivative financial instruments that are measured at fair value.

This report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year financial statements.

The financial report has been prepared on the basis that the consolidated entity can continue to meet its financial obligations as and when they fall due and can therefore continue normal activities, including the settlement of liabilities and the realisation of assets in the ordinary course of business.

In the current year the company incurred trading losses and cash outflows from operations after capital expenditure. On 12 August 2011, the company announced the commencement of a strategic review program, with a dual view of improving the operating performance of the company and deleveraging to return the company to more normal credit metrics. The strategic review will also contemplate the sale of material components of its business and associated deleveraging. Successful completion of the strategic review and restoring the Group’s financial position to a longer term sustainable debt profile is critical to the ability of Penrice to continue as a going concern.

The directors believe that at the date of the signing of the financial statements there are reasonable grounds to believe that, having regard to the matters set out above, the entity will continue to have the support of its financiers and will meet the obligations as and when they fall due.

Should the directors not achieve appropriate operating performance and deleveraging, there is significant uncertainty whether the entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

(b) Australian Accounting Standards

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2011.

(c) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of

Notes to the Condensed Financial Report
For the year ended 30 June 2011

causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment

The Group determines whether goodwill and other non financial assets are impaired at least on an annual basis. This requires an assessment of the value in use, using discounted cash flow methodology, of the cash-generating units (CGU) to which the goodwill and other assets are allocated.

The Group has calculated the net present values for the Chemical Business CGU, Quarry and Mineral Business CGU and landfill inventory asset. Landfill has been identified as a “surplus asset” for the purposes of analysing the Quarry and Mining Business as its cash flows are most accurately assessed independently from the Quarry and Mineral business.

For each segment the Group has prepared a detailed impairment analysis, based on the 5 year business plan forecasts. Key assumptions and sensitivity drivers used in the models are as follows:-

- Chemical Plant: foreign exchange (AUD:USD), product demand growth.
- Quarry: pricing and cost increases, product demand growth.
- Landfill: pricing and margin, timing of major infrastructure projects.

The directors have determined that the following impairment exists, and is to be recorded at 30 June 2011:

\$000	Asset Value write off	Tax Effect	After Tax Impairment charge
Chemical Goodwill	11,717	-	11,717
Chemical – Other Assets*	4,283	(1,285)	2,998
Chemical – Total Impairment	16,000	(1,285)	14,715
Q &M – Landfill	10,000	(3,000)	7,000
Total Impairment Charge	26,000	(4,285)	21,715

*Chemical - Other Assets includes; coke inventory valuation (\$1,871k), consumable stores (\$1,644k) low quality finished goods (\$768K).

Defined benefit plan

Various actuarial assumptions are required when determining the Company’s pension and post-employment superannuation benefit obligations. The Defined Benefits scheme has been closed to new members since 1997.

Remediation Provision

The Company has an agreement with both the S.A. Government and the operator of the Port River, Flinders Ports Pty Limited, in relation to the dredging of the Port River. The agreement requires Penrice to dredge this material over a 10 year period. Penrice has maintained a provision to dredge this material and this provision will be adequate to cover the costs over the remaining period.

Remediation provisions exist in relation to the cessation of operations at the Angaston mine.

Notes to the Condensed Financial Report
For the year ended 30 June 2011

Classification of leases (finance vs operating)

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risk and benefits incidental to ownership.

- *Finance Leases*

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Company are capitalised at their fair value or, if lower, at the present value of the minimum lease payments. Leased assets are amortised over the life of the relevant lease or, where ownership is expected on the expiration of the lease, over the expected useful life of the asset. Lease payments are allocated between interest expense and reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

- *Operating Leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte-Carlo simulation model. The accounting estimates and assumptions relating to equity-settled-share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufactures' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against remaining useful life.

Change in accounting estimates

There were no changes in accounting estimates.

(d) Changes in accounting policy

There were no material impacts to the Group resulting from new standards, amendments or interpretations that were applicable to the Group from 1 July 2010.

The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective.

Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 3: Operating Segments

Identification of operating and reportable segments

The group has identified its three operating segments based on the internal reports that are reviewed and used by the Managing Director and The Board (the chief operating decision makers "CODM") in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Group based on their location and type of operation, the manner in which the product is sold and the nature of the product. The operating segments are soda ash, sodium bicarbonate and quarry & mineral. Discrete financial information about each of these operating businesses is reported to the CODM and executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Chemicals business

The reporting segment "Chemicals business" is the aggregation of two operating segments, being soda ash and sodium bicarbonate.

Soda ash produced is predominantly sold in the Australian market as a vital ingredient in products ranging from glass containers (especially wine and beer bottles), flat glass for building and construction and washing powder. It is also used in the mining and water treatment industries.

Sodium bicarbonate is a product which is also used in a diverse range of applications such as pharmaceutical, food, stock feed, personal care products and industrial applications such as detergents, cleaning products and flue gas treatment.

The nature of the products and the production process is similar as are the methods used to distribute the products to the customers. The Group believe the soda ash and sodium bicarbonate operating segments have similar economic characteristics. Both the soda ash and sodium bicarbonate operating segments have a reasonably wide variation in margin for their different products and customers, with the sodium bicarbonate segment more heavily exposed to variation in margin due to the impact of foreign exchange. The end result is that due to product and customer mix and foreign exchange impact, overall margins will depend on what part of the business cycle the business is operating in. Over the medium term the overall margins that can be achieved in these two operating segments will be similar. Therefore these two operating segments have been aggregated into one reporting segment.

Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 3: Operating Segments cont.

Quarry & Mineral business

The Group's Quarry & Mineral business is located at the Penrice mine at Angaston in South Australia. While the mine supplies limestone into the chemical process at Penrice's Osborne plant, it is also a significant supplier of aggregates and other materials to a variety of end-uses, such as civil and construction, roads, landfill, glass and mineral processing.

Customer Concentration

Glass manufacturing is a major customer group for the chemicals segment, which accounts for more than 42% (FY10 39%) of the total group revenue, equating to \$65m (FY10 \$63m) for this reporting period. Of this, sales to one customer accounted for \$34m (FY10 \$34m) of revenue earned.

Accounting policies and inter-segment transactions

It is the Group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which the Group believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest income

- Other income

- Borrowing costs

- Fair value gains/losses on derivatives

- Corporate costs which are unable to be allocated on a reasonable basis

- Income tax expense and deferred tax assets and liabilities

The entity accounts for intersegment sales and transfers as if the sales or transfers were to third parties at an arms length price.

Penrice Soda Holdings Limited
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Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 3: Operating Segments cont.

Year ended 30 June 2011	Chemicals \$000	Quarry & Mineral \$000	Eliminations/ unallocated \$000	Consolidated \$000
Revenue				
Sales to external customers	127,563	25,371	-	152,934
Inter-segment revenues	-	6,052	(6,052)	-
Total segment revenue	<u>127,563</u>	<u>31,423</u>	<u>(6,052)</u>	<u>152,934</u>
Non-segment revenues				
Interest from unrelated entities	-	-	98	98
Other income – insurance recovery	-	-	500	500
– other	-	-	391	391
Total consolidated revenue				<u>153,923</u>
Result				
Normalised EBITDA before unallocated expenses as reported to CODM	14,028	5,344	489	19,861
Unallocated expenses	-	-	(4,173)	(4,173)
Normalised EBITDA as reported to CODM	<u>14,028</u>	<u>5,344</u>	<u>(3,684)</u>	<u>15,688</u>
Depreciation & amortisation	<u>(8,001)</u>	<u>(1,602)</u>	-	<u>(9,603)</u>
Normalised EBIT as reported to CODM	6,027	3,742	(3,684)	6,085
Borrowing costs				<u>(8,715)</u>
Normalised loss before tax as reported to CODM				<u>(2,630)</u>
Income tax expense				1,243
Normalised net profit after tax as reported to CODM				<u>(1,387)</u>
Tax effected unrealised exchange gains/(losses) on foreign currency options and forwards				59
Tax effected unrealised exchange gains/(losses) on fair value of interest rate swaps				(13)
Tax effected - insurance events, net of recovery				(3,150)
Tax effected - impairment – Chemical Business				(14,715)
– Quarry & Minerals				(7,000)
Profit from continuing operations after income tax				<u>(26,206)</u>
Segment assets as at 30 June 2011 are as follows:				
Property, Plant & Equipment	77,701	21,139	-	98,840
Working Capital	(1,673)	35,912	(4,500)	29,739
Intangibles	219	8,469	-	8,688
				<u>137,267</u>

Penrice Soda Holdings Limited
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Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 3: Operating Segments cont.

Year ended 30 June 2010	Chemicals \$000	Quarry & Mineral \$000	Eliminations/ unallocated \$000	Consolidated \$000
Revenue				
Sales to external customers	135,359	25,017	-	160,376
Inter-segment revenues	-	6,328	(6,328)	-
Total segment revenue	<u>135,359</u>	<u>31,345</u>	<u>(6,328)</u>	<u>160,376</u>
Non-segment revenues				
Interest from unrelated entities	-	-	101	101
Other income	-	-	350	350
Total consolidated revenue				<u>160,827</u>
Result				
Normalised EBITDA before unallocated expenses as reported to CODM	15,182	11,590	451	27,223
Unallocated expenses	-	-	(3,900)	(3,900)
Normalised EBITDA as reported to CODM	<u>15,182</u>	<u>11,590</u>	<u>(3,449)</u>	<u>23,323</u>
Depreciation & amortisation	<u>(7,319)</u>	<u>(1,500)</u>	-	<u>(8,819)</u>
Normalised EBIT as reported to CODM	7,863	10,090	(3,449)	14,504
Borrowing costs				<u>(8,214)</u>
Normalised profit before tax as reported to CODM				<u>6,290</u>
Income tax expense				(962)
Normalised net profit after tax as reported to CODM				<u>5,328</u>
Tax effected unrealised exchange gains/(losses) on foreign currency options and forwards				441
Tax effected unrealised exchange gains/(losses) on fair value of interest rate swaps				508
Profit from continuing operations after income tax				<u>6,277</u>
Segment assets as at 30 June 2010 are as follows:				
Property, Plant & Equipment	75,525	19,062	-	94,587
Working Capital	8,425	42,341	1,666	52,432
Intangibles	12,135	8,787	-	<u>20,922</u>
				<u>167,941</u>

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Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 4: Borrowing costs

	Consolidated	
	2011	2010
	\$000	\$000
Borrowing costs		
Interest paid or payable	6,689	6,408
Amortisation of loan facility fees	730	560
Finance charges related to leases	98	141
Other borrowing costs	1,198	1,105
Total borrowing costs	8,715	8,214

Other borrowing costs include the non cash interest charge for the defined benefit pension scheme of \$821k (2010: \$815k) as prescribed by AASB119.

Note 5: Income tax

	Consolidated	
	2011	2010
	\$000	\$000
Tax expense reconciliation		
(Loss)/profit from continuing operations	(33,063)	7,646
Prima facie tax benefit/(expense) thereon at 30%	9,919	(2,294)
(Under)/over provided in prior years	(20)	165
R&D expenditure	495	577
Investment allowance	-	183
Impairment expenses not allowable for income tax purposes	(3,515)	-
Expenditure not allowable for income tax purposes	(22)	-
Income tax benefit/(expense)	6,857	(1,369)

Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 6: Dividends

There have been no dividends paid or declared since the end of the preceding financial year.

Dividend Reinvestment Plan (DRP)

The Penrice Soda Holdings Dividend Reinvestment Plan commenced on 16 April 2008 and remains in operation. No final dividend for the 2011 financial year has been declared and the DRP will not be utilised at this time.

Note 7: Earnings per Share

	2011	2010
Basic earnings per share based on operating profit after income tax	(28.7)	7.8
Diluted earnings per share based on operating profit after income tax	(28.7)	7.7
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	91,361,523	80,825,576
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	91,361,523	81,355,875
(Loss)/earnings used in calculating basic and diluted earnings per share (\$000)	(26,206)	6,277

The weighted average numbers of shares used for the purpose of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

	June 2011	June 2010
Weighted average number of ordinary shares on issue for basic earnings per share	91,361,523	80,825,576
Effect of dilution:		
Executive share options	-	530,299
Weighted average number of ordinary shares on issue for diluted earnings per share	91,361,523	81,355,875

There are 2,289,084 executive share options excluded from the calculation of diluted earnings per share because they are antidilutive for the 2011 period presented. These executive share options could potentially dilute basic earnings per share in the future.

Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 8: Inventories

	Consolidated	
	2011	2010
	\$000	\$000
Raw Materials (at cost) (1)	3,045	4,597
Finished Goods		
Chemical (at cost)	7,736	8,900
Chemical (at net realisable value) (2)	158	-
Quarry & Mineral – Limestone (at cost)	4,489	3,708
Quarry & Mineral – Aggregates (at cost)	19,827	18,645
Quarry & Mineral – Landfill (at net realisable value) (3)	9,657	19,777
Production spares & consumable goods		
Quarry & Mineral (at cost)	1,184	854
Chemical (at net realisable value) (4)	4,953	6,588
Total current inventories	51,049	<u>63,069</u>

- Note (1) Impairment charge of \$1,871k has been applied to coke stock to reflect the average density factor and moisture content of stock holdings.
- (2) Impairment charge of \$768k has been applied to greasy ash to reflect the net realisable value of this product as a result of additional processing and loss factor in production, previously carried at cost.
- (3) Impairment charge of \$10,000k has been applied against the carrying value of landfill to reflect the change in expected timing of major infrastructure projects and associated sales and cash flows.
- (4) Impairment charge of \$1,644k has been applied to against the carrying value of aged and slow moving stores and spares parts.

Aggregates and landfill are classified as inventories of finished goods on the basis that these volumes are ready for sale with no further processing required, and that there is a market for the sale of these products. Based upon current contracted sales volumes, the inventories of these products will be realised over a period greater than 12 months. However, this is considered to be within the normal operating cycle, and therefore the products are classified as current assets under *AASB 101: Presentation of Financial Statements*.

Based on 2012 sales forecasts of aggregates, it is estimated that inventory levels represent approximately 3 years' sales. With regard to landfill, sales in 2011 were in small volumes primarily to the civil market as a blended product for road base but forecast sales for 2012 are greater than 2011. The major market being targeted is the landfill market in the greater northern Adelaide region, in which large quantities of landfill in the order of millions of tonnes are required for land developments in a large number of low lying areas. There are currently several such developments in the early stages of planning, all of which could potentially be supplied by Penrice. The Company is actively pursuing these opportunities. It is therefore difficult to give an estimate for the time required to sell out the existing inventory.

Additions of landfill and aggregate volumes in future years will continue to decline as extraction rates reduce in the next phase of the mine plan.

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Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 9: Property, plant & equipment (non-current)

	30 June 2011			
	Consolidated			
	Land & Improvements at Cost \$000	Buildings at Cost \$000	Plant & Equipment at Cost \$000	Total \$000
Gross Carrying amount				
Balance as at 1 July 2010	6,422	15,630	163,893	185,945
Additions	437	439	12,509	13,385
Reclassification transfer	181	-	(181)	-
Transfer from intangibles	45	-	-	45
Disposals	-	-	(121)	(121)
Balance as at 30 June 2011	7,085	16,069	176,100	199,254
Accumulated Depreciation				
Balance as at 1 July 2010	(44)	(2,418)	(88,896)	(91,358)
Disposals	-	-	79	79
Depreciation expense	(8)	(496)	(8,631)	(9,135)
Balance as at 30 June 2011	(52)	(2,914)	(97,448)	(100,414)
Net Book Value				
As at 1 July 2010	6,378	13,212	74,997	94,587
As at 30 June 2011	7,033	13,155	78,652	98,840

Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 9: Property, plant & equipment (non-current) cont.

	30 June 2010			
	Consolidated			
	Land & Improvements at Cost \$000	Buildings at Cost \$000	Plant & Equipment at Cost \$000	Total \$000
Gross Carrying amount				
Balance as at 1 July 2009	6,152	14,828	154,784	175,764
Additions	112	802	9,325	10,239
Transfer from intangibles	158	-	-	158
Disposals	-	-	(216)	(216)
Balance as at 30 June 2010	6,422	15,630	163,893	185,945
Accumulated Depreciation				
Balance as at 1 July 2009	(35)	(1,930)	(80,983)	(82,948)
Disposals	-	-	165	165
Depreciation expense	(9)	(488)	(8,078)	(8,575)
Balance as at 30 June 2010	(44)	(2,418)	(88,896)	(91,358)
Net Book Value				
As at 1 July 2009	6,117	12,898	73,801	92,816
As at 30 June 2010	6,378	13,212	74,997	94,587

Plant and equipment with a carrying value of \$1,266K (2010, \$1,379k) are pledged as securities for the finance lease liability.

First mortgages over land and buildings have been granted as security on bank loans.

Included in plant and equipment at 30 June 2011 is an amount of \$9,470K (2010, \$5,914k) related to expenditure for plant in the course of construction.

Penrice Soda Holdings Limited
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Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 10: Intangibles (non-current)

	Consolidated				
	Goodwill	Exploration and evaluation costs	Mine Development Costs	Software	Total
Year ended 30 June 2011	\$000	\$000	\$000	\$000	\$000
Gross Carrying amount					
Balance as at 1 July 2010	18,008	315	2,586	523	21,432
Transfer to Plant, Property & Equipment	-	(45)	-	-	(45)
Write offs	-	(4)	-	-	(4)
Impairment (1)	(11,717)	-	-	-	(11,717)
Balance at 30 June 2011	6,291	266	2,586	523	9,666
Accumulated Amortisation					
Balance as at 1 July 2010	-	(266)	(150)	(94)	(510)
Amortisation	-	-	(258)	(210)	(468)
Balance at 30 June 2011	-	(266)	(408)	(304)	(978)
Net Book Value					
As at 1 July 2010	18,008	49	2,436	429	20,922
As at 30 June 2011	6,291	-	2,178	219	8,688

Note: (1) Chemical Business goodwill of \$11,717K has been written off as a result of impairment testing of this cash generating unit.

	Consolidated				
	Goodwill	Exploration and evaluation costs	Mine Development Costs	Software	Total
Year ended 30 June 2010	\$000	\$000	\$000	\$000	\$000
Gross Carrying amount					
Balance as at 1 July 2009	18,008	441	-	-	18,449
Additions	-	45	2,586	523	3,154
Transfer to Plant, Property & Equipment	-	(158)	-	-	(158)
Write offs	-	(13)	-	-	(13)
Balance at 30 June 2010	18,008	315	2,586	523	21,432
Accumulated Amortisation					
Balance as at 1 July 2009	-	(266)	-	-	(266)
Amortisation	-	-	(150)	(94)	(244)
Balance at 30 June 2010	-	(266)	(150)	(94)	(510)
Net Book Value					
As at 1 July 2009	18,008	175	-	-	18,183
As at 30 June 2010	18,008	49	2,436	429	20,922

Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 11: Interest bearing liabilities (current)

	Consolidated	
	2011	2010
	\$000	\$000
Secured:		
Bank loan (1)	8,800	1,800
Finance lease liabilities	685	839
	<u>9,485</u>	<u>2639</u>
Unsecured:		
Other	1,597	-
	<u>11,082</u>	<u>2,639</u>
Total current interest bearing liabilities	<u>11,082</u>	<u>2,639</u>

Note 12: Interest bearing liabilities (non-current)

	Consolidated	
	2011	2010
	\$000	\$000
Finance lease liabilities	145	372
Bank loan	69,530	69,500
	<u>69,675</u>	<u>69,872</u>
Total non-current interest bearing liabilities	<u>69,675</u>	<u>69,872</u>

Penrice utilises floating rate bills for its debt funding and has hedges in place to hedge the interest rate risk on a portion of the floating rate bills.

Note (1) As at 30 June 2011, Penrice was in negotiation with its banks and reached agreement in principle to amend its finance facilities as announced to the ASX on Friday 12th August.

This agreement cancelled a \$1.8 million amortisation payment due on 30th June 2011, and amended the termination date of a \$7.0 million facility to 30th November 2012 or a later date to be agreed in writing. Previously the termination date for this facility was 31st August 2011.

Whilst this amendment does cancel the amortisation payment and defers payment of the \$7.0 million facility beyond the 12 month period from balance date, it is considered a “non-adjusting subsequent event” under accounting standards and does not change the classification of the liability at 30 June 2011. As a result, \$8.8 million remains a current liability in the financial statements. No repayments are due within the next 12 months.

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Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 13: Contributed Equity

	Shares	Year Ended 30 June 2011 \$000	Shares	Year ended 30 June 2010 \$000
Balance at the start of the year	91,361,523	80,074	52,963,202	53,615
Issued during year				
- Share Placement	-	-	7,944,480	6,753
- Rights Issue	-	-	30,453,841	21,318
Costs of October 2009 equity raising net of deferred tax	-	162	-	(1,612)
Balance at the end of the year	91,361,523	80,236	91,361,523	80,074

Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 14: Notes to the Cash Flow Statement

	Consolidated	
	2011	2010
	\$000	\$000
(a) Cash and cash equivalents		
Cash at bank and in hand	5,163	5,444
Reconciliation to cash flow statement		
For the purposes of the cash flow statement cash and cash equivalents comprise the following at 30 June 2011:		
Cash at bank	5,163	5,444
	5,163	5,444
(b) Reconciliation of net profit after income tax to cash flows from operations		
Net profit after income tax	(26,206)	6,277
Depreciation / Amortisation	9,603	8,819
Net (gain)/loss on sale of non-current assets	41	22
Net fair value change in derivatives	(67)	(925)
Impairment expense	26,000	-
Share based payment expense	-	(62)
Non cash defined benefit fund expense	(514)	(734)
Borrowing costs	281	-
Others	-	202
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	5,193	2,791
(Increase)/decrease in inventories (excluding impairment)	(2,263)	(7,088)
(Increase)/decrease in deferred tax assets	(2,370)	(690)
(Increase)/decrease in other assets	(1,930)	1,986
(Increase)/decrease in income tax receivable	(112)	322
(Decrease)/increase in trade creditors and accruals	613	(3,767)
(Decrease)/increase in deferred tax liabilities	(3,231)	58
(Decrease)/increase in other provisions	(24)	(148)
Net cash inflow from operating activities	5,015	7,063

Notes to the Condensed Financial Report
For the year ended 30 June 2011

Note 15: Events occurring after the balance date

Banking Agreement

As at 30 June 2011, Penrice was in negotiation with its banks and reached agreement in principle to amend its finance facilities as announced to the ASX on Friday 12th August.

This agreement cancelled a \$1.8 million amortisation payment due on 30 June 2011, and amended the termination date of its \$7.0 million facility to 30th November 2012 or a later date to be agreed in writing. Previously the termination date for this facility was 31st August 2011.

Whilst this amendment does cancel the \$1.8 million amortisation payment and defers payment of the \$7.0 million facility beyond the 12 month period from balance date, it is considered a “non-adjusting subsequent event” under accounting standards and does not change the classification of the liability at 30 June 2011. As a result, \$8.8 million remains a current liability in the financial statements, even though no repayments are due within the next 12 months.

The amended agreement provides an additional \$10 million funding facility to be available until 31 March 2012, which then reduces to \$8 million until 30 September 2012 being the termination date for this new facility.

The remaining facilities have no changes to their maturity date, being the maturity date of the Banking Agreement of 31 March 2013.

Compliance Statement

This report has been based on a general purpose financial report that is in the process of being audited by Ernst & Young. Ernst & Young have advised that having regard to the matters set out in note 2(a), they expect to issue an unqualified audit opinion, albeit containing an emphasis of matter regarding going concern.

The entity has a formally constituted Audit and Risk Committee.

Authorised for issue in accordance with a resolution of the Directors.



.....
Guy Roberts, Managing Director and CEO
25 August 2011

Other Matters:

Annual General meeting of Penrice Soda Holdings Limited will be held at The Adelaide Convention Centre on Thursday 27 October 2011 at 11.00am.