

Media Release
29th August 2007

PENRICE INVESTS FOR THE FUTURE

WITH NEW THREE-YEAR EXPANSION PLAN

Penrice Soda Holdings Limited (ASX: "PSH") has outlined expansion and remedial plans for the next three years after today reporting 2006-2007 results in line with forecasts made earlier this year.

Penrice's Chairman, Mr John Heard said today that the company was targeting solid earnings growth as part of the new three-year plan.

"This targeted earnings growth is based predominantly on benefits flowing from a further expansion of sodium bicarbonate production and initiatives to improve plant reliability for soda ash output that will be undertaken during the current financial year at our main Osborne plant in South Australia," Mr Heard said.

"We are confident of achieving our goals in the absence of unforeseen negative circumstances, such as unplanned production setbacks and short term exchange rate fluctuations which may impact on earnings targets," he said.

In line with advice to the market in February, Penrice's results were lower for the past year ended 30 June 2007 after being negatively impacted by one-off costs and several plant interruptions at the main Osborne operation in South Australia.

Earnings before interest, tax and depreciation (EBITDA) were down 1%, but with increased depreciation & interest costs following the recent sodium bicarbonate plant expansion, net profit before tax declined by 15% from \$11 million to \$9.4 million. The two main reasons being:-

- \$0.7 million in one-off expenses associated with the resignation of the previous CEO and the appointment of Guy Roberts; and
- \$2.7 million in costs relating to lower production caused by plant interruptions and increased production costs.

Net profit after tax of \$6.7 million (previous year \$9.1 million) was down 26% with the one-off tax benefit in the prior year.

Group product sales revenue rose from \$133.7 million to a record \$134.2 million.

Penrice Directors have declared a final dividend of 5 cents per share, taking the full year dividend to 10 cents per share compared with 14.7 cents last year.

Mr Roberts, who started as CEO with Penrice in December, said the Company reduced the dividend because of the need to re-invest in the business.

Outlook

Penrice is the sole manufacturer of soda ash and sodium bicarbonate in Australia and is the leading supplier of soda ash and sodium bicarbonate to the Australian market and a leading niche supplier of sodium bicarbonate internationally.

"The long term outlook for the company is positive with a number of options available for organic growth," Mr Roberts said today.

"Our Board and management also continue to look for synergistic expansion opportunities in both the chemicals and mineral sectors to grow the Penrice business," he said.

"However, the top priority for this company remains improving the performance and reliability of the Osborne plant and we already have identified numerous actions that have been commenced and will continue to be undertaken in 2007/08.

"To achieve a major, sustained improvement in plant safety and productivity, Penrice has adopted a 'Way Forward Plan' to be implemented over the next 3 years:

1. Better plant and equipment integrity – by increasing annual sustenance capital spend on the plant by \$5mpa for the next 3 years.
2. Improved plant reliability – by an alliance with a leading global professional maintenance firm, to build a new preventative maintenance team, systems and procedures.
3. Increased process efficiency and an improved performance culture - by the appointment and development of key personnel.

"The result of this considerable investment will be to improve the reliability and efficiency of the plant, thereby expanding output.

"This plan is expected to be earnings positive in 2007/08 and increase its contribution in future years."

Mr Roberts said the outlook was strong for Penrice's three main products – soda ash, sodium bicarbonate and quarry and mineral supplies.

"In the domestic market, recent statistics published by the Australian Wine & Brandy Corporation highlight growth in export wines that will lead to increased soda ash sales. In particular the growth in bulk wine shipments has abated and sales of bottled wine have rebounded," he said.

"A major growth area over the next few years is seen to be in the flourishing mining sector. Penrice has recently signed a contract to supply a new nickel cobalt producer in the Northern Territory with soda ash and is currently in negotiations with several mining ventures with supply to commence towards the end of the current financial year."

Mr Roberts said the overall outlook for Penrice and its sodium bicarbonate production was a further expansion of the Osborne plant to meet continued growing demand.

"During 2007/08 the company is forecasting a 5% increase in sodium bicarbonate sales volume – mainly to export markets - to achieve annual sales consistent with the recent plant expansion," he said.

"With global demand for sodium bicarbonate continuing to grow in applications such as kidney dialysis, pharmaceuticals, personal care, food and flue gas desulphurisation - coupled with our ability to make a high quality grade of sodium bicarbonate - Penrice will again expand the Osborne plant.

"The next expansion of the plant is to increase capacity by an additional 33% - from 75,000 tonnes per annum to 100,000 tonnes per annum.

"Penrice is in the early stages of this expansion which will take approximately 12 months to construct with capital costs of approximately \$12 million. The additional sodium bicarbonate output will commence in 2008/09 with will be fully sold by 2009/10."

In quarry and mineral sales, Mr Roberts said the focus for 2007/08 was to increase sales of civil product material into major projects.

"A number of major projects in South Australia will commence over the next few years to generate additional industrial land, road works and new housing subdivisions that will require large amounts of either civil product material. This will be a major focus of the company over that time."

Media contacts:

Guy Roberts
Managing Director &
Chief Executive Officer
Penrice Soda Holdings
08 8402 7239
08 8402 7242

John Heard
Chairman
Penrice Soda Holdings
08 8462 0922

John Field
Field Public Relations
0418 819 527
08 8234 9555