



PROFIT REPORT FOR THE YEAR ENDED 30 JUNE 2008

Net profit after tax (NPAT) for the year ended 30 June 2008 was \$7.3M which was up 9% compared with the previous corresponding period (pcp).

FINANCIAL HIGHLIGHTS

- EBIT +11% to \$15.2M.
- NPAT +9% to \$7.3M.
- Earnings per share up 8% to 16.1 cents.
- Final ordinary dividend is 5.0 cents per share (cps) – fully franked. Total dividend for 2008 is 10.5 cps, an increase of 5% over pcp (10.0 cps).

BUSINESS HIGHLIGHTS

- Record result from Quarry & Mineral with EBIT up 38% reflecting strong demand from buoyant civil & construction markets.
- Solid results from Chemicals business, maintaining domestic market share and increasing exports despite strengthening Australian dollar.
- Chemicals Operations improved performance from better soda ash plant reliability and as a result output increased by 4%.
- Osborne Way Forward Plan accelerated to quicken the pace of soda ash plant renewal and sodium bicarbonate plant expansion.
- Increased Research & Development (R&D) and capital expenditure underpins renewal and expansion works.
- Expansion of sodium bicarbonate plant on track for commissioning in calendar year 2008 Q4.
- Several new senior management appointments made to form strong executive leadership team.
- Continued improving outlook for soda ash and sodium bicarbonate markets.

A\$M	Year Ended June		
	2008	2007	Change F/(U)
Sales revenue	135.1	134.2	1%
EBIT	15.2	13.7	11%
Net interest expense	(5.9)	(4.3)	(37%)
Tax	(2.0)	(2.7)	26%
NPAT	7.3	6.7	9%
Earnings per ordinary share (cents)	16.11	14.94	8%
<i>Financial Items</i>			
Interim ordinary dividend per share	5.5	5.0	10%
Final ordinary dividend per share	5.0	5.0	-
Total ordinary dividend per share	10.5	10.0	5%
Payout ratio	65%	67%	
Gearing	59%	50%	
Interest cover (Times)	3.6	4.2	

PENRICE GROUP OUTLOOK – 2008/09

- Quarry & Mineral business will continue to experience strong demand in civil & construction markets.
- Soda Ash business should continue to encounter considerable product shortages and price increases.
- Feasibility study should be completed regarding possible expansion of soda ash plant.
- New sodium bicarbonate plant expansion will commission and sales will commence in early 2009CY.
- Cost pressures in Chemicals business from raw materials and energy.
- Increasing debt also an increased cost.
- Assuming no deterioration of economic conditions, profit for FY2009 is expected to be higher than that reported for FY2008.

Note: Numbers in this report are subject to rounding.

REVENUE

Sales revenue increased by \$0.9M to \$135.1M.

Major items were:

- Quarry & Mineral business revenue rose by \$3.9M or 27%, driven by strong demand from civil & construction and other markets.
- Chemicals business revenue was down 3% on last year's result as a result of the company exiting non-profitable import contracts and the adverse impact of a strong Australian dollar on export receipts.

REVENUE SUMMARY A\$M	Year Ended June		
	2008	2007	Change F/(U)
Chemicals	116.7	119.9	(3%)
Mine	18.3	14.4	27%
Total sales revenue	135.1	134.2	1%
Other income	0.4	0.4	-
Total	135.5	134.6	1%
EARNINGS SUMMARY A\$M	Year Ended June		
	2008	2007	Change F/(U)
EBIT			
Chemicals	13.5	13.7	(1%)
Mine	11.3	8.2	38%
Corporate centre/Unallocated	(9.6)	(8.2)	(17%)
Total EBIT	15.2	13.7	11%
Net interest	5.9	4.3	(37%)
Tax expense	2.0	2.7	26%
NPAT	7.3	6.7	9%

EARNINGS BEFORE INTEREST & TAX (EBIT)

- Total EBIT increased 11% to \$15.2M primarily due to the excellent performance of the Quarry & Mineral business.
- Chemicals EBIT decreased 1%, where gains from improved margins and increased plant output were offset by raw material and energy cost pressures in production and distribution.
- Corporate centre / Unallocated cost variance was mainly due to a \$1.1m movement in Defined Superannuation Fund caused by the downturn in the sharemarket.

INTEREST

- Net interest expense of \$5.9M was \$1.6M higher, mainly due to:
 - Higher debt levels as a result of:
 - Investment in the expansion of the sodium bicarbonate plant
 - Increased levels of sustenance capital expenditure
 - Higher average net interest rates.

TAX

- Tax expense was \$2.0M with an effective tax rate of 22% (pcp: 28%). The lower effective rate was primarily as a result of increased levels of Research & Development expenditure.

NET PROFIT

- Net profit after tax increased by 9% to \$7.3M (pcp: \$6.7M).

DIVIDEND

- Directors have declared a final dividend of 5 cents (pcp: 5 cents), taking the annual dividend to a fully franked 10.5 cents per share, which is a 5% increase on pcp.

BALANCE SHEET AND CASHFLOW

▪ **Key movements were:**

- The increase in working capital was due to:
 - Significant increased levels of activity within the Quarry & Mineral business where aggregate and schist inventory increased by \$14M.
 - A temporary increase in ash plant spare-parts of \$3M in readiness for an early July annual plant shutdown.
 - A rise in strategic raw materials inventory procured ahead of anticipated price increases.
 - An increase in the value of stock.
- Net property, plant and equipment was up by \$14.3M to \$77.0M primarily due to:
 - Work in progress expenditure of \$7M on the sodium bicarbonate plant expansion.
 - Higher levels of sustenance capital amounting to \$10.7M in 2008.
- Net debt increased by \$24.2M primarily due to:
 - Increased levels of capital expenditure described above. It should be noted that expansion expenditure is currently being completely funded by debt.
 - The expanding activity in the Quarry & Mineral business has resulted in a higher level of cash required upfront, where excavation of schist is required to extract the more profitable aggregate and limestone product. This is reflected in the increased levels of schist inventory.

GEARING

- At 59% gearing is at the high end of the Board endorsed range of desired long-term gearing of 50-60%.
- The objective is to lower gearing in the medium term with improved business cashflow as well as an amount of equity to fund the sodium bicarbonate plant expansion.

BALANCE SHEET A\$'000	JUNE 2008	DEC 2007	JUNE 2007
Inventories	38.4	22.4	20.7
Trade Debtors	19.0	15.3	16.9
Trade Creditors	(24.9)	(21.3)	(18.7)
Total working capital	32.5	16.4	18.9
Net property, plant & equipment	77.0	67.7	62.7
Intangible Assets	18.9	24.4	21.8
Net other liabilities	(8.9)	(12.1)	(10.5)
Net debt	(71.4)	(50.5)	(47.2)
Net Assets	48.1	45.9	45.7
Equity	48.1	45.9	45.7
Gearing	59%	52%	50%

STATEMENT OF CASHFLOWS A\$M	Year Ended June	
	2008	2007
Net operating Cash Flows		
NPAT	7.3	6.7
Depreciation	5.5	5.4
Other non cash adjustments	1.6	0.0
Working Capital movement	(13.7)	(3.8)
Other assets/liabilities	(0.0)	0.3
	0.7	8.6
Net investing Cash Flows		
Capital spending	(9.6)	(6.0)
Sustenance capital	(10.7)	(4.0)
	(20.3)	(10.0)
Net financing Cash Flows		
Movement in borrowings	26.2	3.4
Dividends paid	(4.5)	(5.7)
	21.7	(2.3)
Net increase/(decrease) in cash held	2.1	(3.7)

Chemicals

Chemicals EBIT decreased by 1% to \$13.5M.

HIGHLIGHTS

- The signing of several new contracts to supply soda ash customers in the glass and mining sectors, positions the business for growth in 2009 and thereafter.
- The uprate of the Osborne sodium bicarbonate plant from 75ktpa to 100ktpa is being constructed on time and within the original cost estimate of \$12M. Expected commissioning is at the end of 2008CY. Sales development supports the strategy.

BUSINESS SUMMARIES

Ash

- Sales revenue was down 3% as the business exited unprofitable customer contracts supplied with imported ash.
- Prices improved in Australian domestic market but strong Australian dollar made imports cheaper which restricted price increases.
- Market share maintained in the Australian domestic market.
- Several new contracts won to supply soda ash to customers in Australia and overseas in the mineral processing segment providing growth from 2009 onwards.
- Major glass customer recommitted to long-term contract.
- Announcement by Amcor of a major expansion of its container glass plant at Gawler, South Australia.
- Commissioning of feasibility study to evaluate expansion of soda ash plant by up to 150ktpa.
- Improved reliability and output of the soda ash plant, from the Osborne Way Forward Plan, increasing output by 15ktpa.
- Lower revenues flowed through to the EBIT line. Synergies gained from improved margins and increased plant output was offset by raw material, energy and distribution cost pressures in production and distribution.

Sodium Bicarbonate

- Sales volumes increased to match growth in plant output to 75ktpa.
- Selling prices were up substantially in export markets, but were offset by FX impact of strengthening Australian dollar.
- Sales development activity well progressed to sell the extra production from the current expansion. Focus on premium food, pharmaceutical, medical and personal care markets.

CHEMICALS OUTLOOK – 2008/09

- Soda Ash business will continue to experience considerable product shortages and price increases as global demand exceeds supply.
- Soda ash price expected to rise substantially.
- Feasibility study will be completed regarding possible expansion of soda ash plant.
- New sodium bicarbonate plant expansion will commission and sales will commence in late 2008CY.
- Cost pressures in Chemicals business from raw materials and energy.
- Increasing debt also increases costs.
- Low margin legacy contracts expire by December 2009.

Quarry & Mineral

Quarry & Mineral business increased revenue by 27% to \$18.3M. EBIT increased by 38% to \$11.3M.

HIGHLIGHTS

- Sales revenue advanced significantly on the back of further demand from civil & construction and other markets, principally in northern Adelaide and Barossa Valley regions.
- EBIT improved commensurate with higher sales, combined with synergies from better productivity from the new mobile mine fleet.

BUSINESS SUMMARIES

- Civil & construction sales revenue growth flowing from new business in defence infrastructure at Port Adelaide (Techport) and road and rail projects in Northern Adelaide (Sturt Highway).
- Increased sales of limesand to glass market to support expanding wine bottle production in South Australia.
- Higher sales of lime to stockfeed markets to support supplementary feed for drought affected primary producers.
- Growth in sales to cement and lime market to support building and construction industry.
- Considerable sales development activity focussing on the scope and future supply of material for landfill for land development in and around Port Adelaide.
- Supported Barossa Valley Council with supply of free landfill for capping of local waste facility.
- Operations ran more efficiently due to the full first year of operating with the new mobile mine fleet.
- Cost pressures being experienced with regard to fuel and maintenance, but offset by other operating synergies.
- Comprehensive audits completed to ensure compliance with licence obligations with the Angaston mine.
- Numerous community consultations to ensure local community concerns are catered for.
- Expansion plans being developed to support the expansion of Angaston mine to the immediate east to allow for the storage of overburden permitting further expansion of mine operations to meet customer demand.

QUARRY & MINERAL OUTLOOK – 2008/09

- Continued growth in civil & construction markets with a number of Government projects being proposed for Northern Adelaide and Barossa Valley regions.
- Examples include, completion of the Sturt Highway upgrade, potential for northern expressway project and subdivision and other activity supporting deployment of new army battalion.
- Completion of expansion and commencement of operation of new eastern site for storage of overburden.
- Creation of new community consultation group at Angaston mine to cater for community feedback with respect to mine operations and impact.

SAFETY, HEALTH & ENVIRONMENT

- The year was notable for the substantial reduction in the number of injuries to our employees and contractors. The number of injuries, both medically treated and lost time, reduced by 66%.
- During the year, the company operated within its environmental licences and actively consulted with local communities surrounding our sites.
- The Company commenced the first stage of a \$1.5M dredging programme to clean up legacy waste and other materials from the Port River adjacent to its Osborne site.
- The Company had its first successful full-year of operation of its desalination plant using bore water at Osborne, reducing its reliance on Adelaide town water by 66%, or 1 Gigalitre (the equivalent of 10,000 Olympic sized swimming pools).
- The Company is evaluating its response to the Garnaut Report and the Federal Government's Climate Change Green Paper. Whilst acknowledging much of the policy imperative in the Green Paper, the company is concerned of its potential impact on its operations. The company believes it falls squarely within the classification of "energy intensive and trade exposed" organisations (EITE), which are proposed to receive assistance. The Company is lobbying the Government to receive the maximum allocation of permits for so-called EITE organisations.

STRATEGY

Penrice's strategy for sustainable profit growth and strong returns on investment is driven by:

- Securing market leadership positions in selected markets, which build on our strengths and enable us to better serve customers, develop and retain technological advantage and achieve benefits of scale;
- Growing close to our core.

Following this strategy we aim to:

- Expand our soda ash business in Australia to meet the strong growth from the glass and mineral processing segments;
- Expand our sodium bicarbonate business in our premium exports markets to meet strong demand in pharmaceutical, medical, food and industrial segments;
- Expand our Quarry & Mineral sales into civil and construction markets as demand for roads, buildings and other infrastructure in northern Adelaide increases.

Strict financial criteria, including our 15% Internal Rate of Return, continue to provide the financial discipline required for assessing growth opportunities.

At Penrice we also focus on productivity improvement as a fundamental part of our growth agenda.

Our businesses are focussed on improving operating cash flows to help fund our growth. This strategy will ensure success for Penrice and is a relatively low risk approach and has the potential to produce superior returns for shareholders in the longer term.

Major strategic initiatives in the year to 30 June 2008 were:

Chemicals

- The expansion of the sodium bicarbonate plant to 100Ktpa at Osborne was approved and construction is advancing on time and within budget for commission in calendar year 2008 Q4.
- Sales of sodium bicarbonate into selected premium export markets have successfully sold out the previous expansion and sales development is well-progressed for the new expansion to meet its market and financial targets.
- The Osborne Way Forward Plan has delivered improved reliability and output in the soda ash plant at Osborne. Plant output increased on pcp by 4% or 15Ktpa.
- Feasibility study commenced and appointed Worley Parson's to assist in investigating the possibility of expanding the soda ash plant by 150Ktpa. The study is expected to be concluded early in calendar year 2009.

Quarry & Minerals

- Won a number of large contracts to supply aggregates into civil & construction market, for road projects, landfill, industrial and residential development.
- Improved productivity with the first full year of operation of our new mine mobile fleet of excavators, drills, crushers and other trucks.
- Commenced process for expanding the mine to allow for extra overburden storage to meet new business needs.

CULTURE

Penrice is committed to a culture underpinned by five core values, each of which is outlined below. Importantly, the task of refreshing and recommitting the majority of employees to the Penrice Values & Behaviours will be completed in late 2008, which will help create a high performance culture.

- Safe & Responsible – *No injuries ever and we care about our environment.*
- Customer Focus – *Help our customer succeed.*
- Business Ownership – *Act as if it's your own business.*
- Honesty & Integrity – *Be accountable for what you do and say.*
- Team Success – *One business, one team, working together.*