

# **PENRICE SODA HOLDINGS LIMITED**

*ABN 83 109 193 419*

---

## **Preliminary Final Report (Appendix 4D) for the half-year ended 31 December 2012**

**ASX Code: PSH**

---

## **Table of Contents**

### **Contents:**

<b>Appendix 4D</b>	<b>2</b>
<b>Corporate Information</b>	<b>4</b>
<b>Directors' Report</b>	<b>5</b>
<b>Directors' Declaration</b>	<b>13</b>
<b>Auditors Independence Declaration</b>	<b>14</b>
<b>Income Statement</b>	<b>15</b>
<b>Statement of Comprehensive Income</b>	<b>16</b>
<b>Statement of Financial Position</b>	<b>17</b>
<b>Statement of changes in equity</b>	<b>18</b>
<b>Statement of cash flows</b>	<b>19</b>
<b>Condensed notes to the consolidated financial statements:</b>	
1. Corporate information	20
2. Statement of significant accounting policies	20
3. Segment Information (Operating Segments)	24
4. Income statement items	28
5. Income tax	29
6. Dividends	29
7. Earnings per share	30
8. Cash Reconciliation	30
9. Inventory	31
10. Plant, Property & Equipment	32
11. Intangibles	34
12. Interest bearing liabilities (current)	36
13. Interest bearing liabilities (non current)	36
14. Contributed Equity	36
15. Commitments	37
16. Events occurring after balance date	37
<b>Independent Review Report</b>	<b>38</b>



**PENRICE SODA HOLDINGS LIMITED**

**ABN 83 109 193 419**

**HALF-YEAR CONDENSED FINANCIAL  
REPORT**

**31 DECEMBER 2012**

---

# **Penrice Soda Holdings Limited**

## **2012 Half-Year Condensed Financial Report**

### **Corporate Information**

Penrice Soda Holdings Limited  
ABN 83 109 193 419

#### **Directors**

D.B. Trebeck (Chairman)  
G.R. Roberts (Managing Director and Chief Executive Officer)  
A.V. Fletcher  
J.W.A Hirst (retired 30 October 2012)

#### **Company Secretary**

M.A. Brokenshire

#### **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 1, 333 Collins Street  
Melbourne, Victoria 3000

#### **External Auditors**

Ernst & Young

#### **Solicitors**

Kelly & Co.

#### **Internet Address**

[www.penrice.com.au](http://www.penrice.com.au)

#### **Stock Exchange**

The group is listed on the Australian Stock Exchange

#### **Other Information**

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

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### DIRECTORS' REPORT

The Directors present their report on the consolidated entity ("the Group") consisting of Penrice Soda Holdings Limited ("the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2012.

#### Directors

The Directors of the Company at any time during or since the end of the half-year and up to the date of this report are:

D. B. Trebeck (Chairman and Non-Executive Director)  
G.R. Roberts (Managing Director and Chief Executive Officer)  
A.V. Fletcher (Deputy Chairman and Non-Executive Director)  
J.W.A Hirst (Non-Executive Director retired 30 October 2012)

#### Review and results of operations

- **Underlying loss reflects losses in soda ash business**
- **Switch to soda ash import and distribution JV in H2 2013 on track**
- **Sodium bicarbonate exports continue profitable growth**

#### Summary

Penrice Soda Holdings Limited (ASX:PSH) today reports a statutory loss after tax of \$28.1 million for H1 2013 (H1 2012 \$28.0 million statutory loss). Consistent with its recent announcement on 17 January, when Penrice announced that it would cease manufacturing soda ash and form an import and distribution joint venture, the results include an impairment charge of \$21.2 million relating to the proposed closure of soda ash production at its Osborne Adelaide chemical facility.

Excluding significant items, the company booked an underlying net loss after tax of \$8.3 million (H1 2012 \$3.3 million loss), reflecting deteriorating demand conditions in soda ash and quarry material markets, only partially offset by positives such as continuing growth in export sales of sodium bicarbonate and the impact of price rises and cost reductions initiated during H1 2012.

Penrice booked an underlying EBIT loss of \$2.9 million for the period (H1 FY2012: \$0.0 million). This reflected EBIT losses in both the Chemicals and Quarry & Mineral businesses. On the positive side, cash outflow from operations was significantly reduced, supported by cost cutting and working capital reduction. Cash at bank as at 31 December was \$3.1 million.

#### **Significant Items**

The H1 2013 statutory result included significant items totalling \$19.8 million after tax, comprising a \$1.4 million after tax insurance settlement relating to the forced shutdown of Penrice's Osborne plant in October 2010 and a \$21.2 million impairment charge relating to the Chemicals assets. Penrice's 17 January announcement referred to the soda ash business making a considerable loss in FY2013 and that it expected to book an impairment charge against soda ash manufacturing assets when the JV is formed. The impairment charge now represents the write-off of the remaining book value of the company's soda ash plant given production at the plant is expected to cease in June 2013 with the start-up of its proposed soda ash import and distribution joint venture in May 2013.

In the previous corresponding period, significant items totalled \$24.7 million after tax, comprising a \$22.6 million impairment charge of the Chemicals assets, \$1.8 million in costs associated with the temporary closure of the Gawler rail line, and \$0.3 million in restructuring costs.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### **On track for new JV to import and distribute soda ash**

Penrice Managing Director and CEO Guy Roberts said, "This disappointing first half result highlights the well known challenges continuing to confront us: our soda ash customers, the state of the SA construction industry and the high Australian dollar. All roads still lead back to our strategy of switching from manufacturing to importing soda ash being the best one for the business."

Mr Roberts said, "As announced last month, the company has responded to the continuing unprofitability in its soda ash business by planning to cease soda ash manufacture in Adelaide and switching to imported soda ash via an import and distribution joint venture with SASS Victoria Australia Pty Ltd (SASS). The planned soda ash business restructure and the formation of the joint venture are on track to be completed in this half."

"While it is unfortunate that the plant closure will cause a number of staff redundancies, we will maintain service standards and profitably supply our customers with a quality product. Importantly, the restructure is expected to enable the soda ash business to generate a profit from FY2014."

"The closure of soda ash manufacture will lower Penrice's limestone requirement from Angaston mine, which further studies have confirmed will reduce cash mining costs, given less overburden extraction and stockpiling, leading to improved cash generation. Penrice was unable to sell its Quarry & Mineral business last year at an acceptable price, reflecting the cyclical weakness in its construction markets, so the focus is back to driving productivity improvement at the mine."

"Discussions are continuing with Ridley Corporation in relation to the "take or pay" supply agreement under which it provides salt to the soda ash plant. Our requirements for salt will cease once the soda ash plant is closed. The parties are engaged in constructive discussions regarding options which will best advance both parties' interests."

"Penrice's continuing trials with imported soda ash are producing sodium bicarbonate which conforms to current specifications. Therefore, customers of sodium bicarbonate can be assured that quality and reliability of supply will be maintained," Mr Roberts said.

"On a positive note, our profitable sodium bicarbonate business continues to perform well and we are making further encouraging progress in the development of our Selective Salts Recovery technology."

As at 31 December 2012, Penrice had net debt of \$98.1 million, up from \$93.6 million six months earlier. Total shareholders' equity was negative \$25.9 million, reflecting the impact of recent asset impairments and consecutive periods of negative cash flow.

Penrice complies with its banking agreements and retains the support of its banking syndicate, which in FY2012 agreed to a restructure of the company's \$96 million senior debt facility, including the extension of a \$68 million facility to July 2017, with interest on that facility allowed to be capitalised.

Mr Roberts said, "As we have stated previously, the company is pursuing twin strategies of lifting earnings and reducing debt. This soda ash business restructure delivers the first. Recognising its balance sheet weakness, Penrice will actively pursue a debt reduction restructure in this half, once the restructure is completed."

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

RESULTS SUMMARY			
Half year ended 31 Dec A\$000	2012	2011	% variance
<b>Sales revenue</b>	<b>65,873</b>	<b>73,246</b>	<b>(10%)</b>
Chemicals EBITDA *	(717)	4,997	(114%)
Quarry & Mineral EBITDA*	184	2,243	(92%)
Corporate centre/unallocated	2,062	(1,885)	209%
Other income		0	
<b>Underlying EBITDA *</b>	<b>1,529</b>	<b>5,355</b>	<b>(71%)</b>
Depreciation	(4,471)	(5,334)	16%
<b>Underlying EBIT *</b>	<b>(2,942)</b>	<b>21</b>	
Net interest expense *	(5,599)	(5,121)	(9%)
Tax *	254	1,776	n/a
<b>Underlying NPAT*</b>	<b>(8,287)</b>	<b>(3,324)</b>	<b>149%</b>
Insurance payment (after tax)	1,450		
Chemicals impairment (after tax)	(21,157)	(22,647)	
Rail closure impact (after tax)		(1,750)	
Restructure costs (after tax)	(134)	(319)	
Total significant items (after tax)	(19,841)	(24,716)	
<b>Statutory NPAT</b>	<b>(28,128)</b>	<b>(28,040)</b>	<b>0%</b>
Underlying earnings per share* (cents)	(9.1)	(3.6)	153%
Statutory earnings per share (cents)	(30.8)	(30.7)	0%
Dividend per share (cents)	Nil	Nil	
Gearing [net debt/(net debt+ equity)] %	136%	98%	
Interest cover [EBITDA*/net interest] (times)	0.3	1.0	

\*Underlying profit is a non-IFRS measure that is presented to provide an understanding of the underlying performance of Penrice. The measure excludes significant items as listed above.

The non-IFRS financial information is unaudited, however the gross numbers presented above have been extracted from the reviewed financial statements.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Chemicals Business

#### CHEMICALS

Underlying result - Chemicals			
Half Year ended 31 Dec	2012	2011	% variance
\$000			
Sales revenue	55,736	60,403	(8%)
Underlying EBITDA	(717)	4,997	(114%)
EBITDA margin	-1.3%	8.3%	
Underlying EBIT	(4,135)	535	(873%)
EBIT margin	(7.4%)	0.9%	

The Chemicals business booked an underlying EBIT loss of \$4.1 million in the first half, compared with a profit of \$0.5 million in the previous corresponding period. Revenue was \$55.7 million, down 8 percent, reflecting a 13 percent drop in soda ash revenue, partly offset by a 9 percent increase in revenue from sodium bicarbonate.

Product price rises introduced in October 2011 had residual benefits in the first half, contributing about \$0.9 million to revenue versus the previous corresponding period. Nevertheless, the impact of reduced soda ash volume sales into the domestic market offset much of this benefit.

The Chemicals business reduced fixed costs by \$0.5 million versus the previous corresponding period as a result of headcount reductions. Coke costs were lower, as were costs related to the landfill project at Penrice's Gilman site.

#### **Soda ash**

Soda ash sales volumes into the Australian market were down 13 percent from the previous corresponding period, with client industries such as glass, detergent and aluminium makers suffering from high Australian dollar, with increased import competition placing pressure on prices and margins, and continuing falls in major downstream markets such as construction.

Soda ash revenues were down 13 percent from the previous corresponding period, with a full six-month contribution from the price rises implemented in October 2011, partially offsetting the decline in volumes.

The higher Australian dollar, together with lower international shipping costs, increasing costs in Australia for energy, labour, taxes (including the carbon tax) and regulatory compliance, have made imported soda ash over 40 percent cheaper than trend.

#### **Sodium bicarbonate**

Sales volume of sodium bicarbonate increased 5 percent in the first half, with exports up 10 percent and domestic sales down 2 percent. Export sales revenue was up 14 percent versus the previous corresponding period, and growth continues to be supported by demand for Penrice's premium grade product from food and pharmaceuticals manufacturers in Asia. With the plant operating at capacity, margin expansion reflected a shift to higher margin markets.

#### **Selective Salts Recovery technology**

Following the successful operation in FY2012 of its Selective Salts Recovery pilot plant, for coal seam gas company OGC, Penrice is working with its consortium partners to finalise the technology for a commercial SSR plant. Pilot programs are also under discussion with other CSG companies.

SSR made no material contribution to earnings in the first half, reflecting the timing of project revenue in the development stage of the technology.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Quarry & Mineral Business

#### QUARRY & MINERAL

Underlying result - Quarry & Mineral			
Half Year ended 31 Dec			
\$000	2012	2011	% variance
Sales to external customers	10,137	12,843	(21%)
Inter-company sales	(2,942)	3,126	
<b>Total sales revenue</b>	<b>7,195</b>	<b>15,969</b>	<b>(55%)</b>
<b>EBITDA</b>	<b>184</b>	<b>2,243</b>	<b>(92%)</b>
EBITDA margin	2.6%	14.0%	
<b>Underlying EBIT</b>	<b>(873)</b>	<b>1,499</b>	<b>(158%)</b>
EBIT margin	(12.1%)	9.4%	

The Quarry & Mineral business booked an EBIT loss of \$0.9 million for the first half, compared with a profit of \$1.5 million in the previous corresponding period. In spite of sales into the major Urban Superway Joint Venture project, revenue fell 18 percent to \$13.1 million. Sales volume was down 21 percent, with activity in the South Australian construction sector setting new cyclical lows and reduced demand from industrial users such as the glass industry.

Selling unit prices were slightly down compared with the previous corresponding period, a creditable result given increased competition in a contracting market. Cash mining costs increased slightly, with improved productivity under the new mining plan offset by the reduction in volumes.

Landfill inventory increased by \$1.4 million during the half, but remains well below the levels of recent years. Mine overburden extraction and inventory build will materially reduce with the closure of Penrice's soda ash plant, given over 20 percent of current mine output is delivered to the plant as feedstock.

Penrice continues to believe the business is well positioned for any upturn in demand in the South Australian construction market.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Balance Sheet & Cash Flow

<b>BALANCE SHEET</b>		
<b>A\$000</b>	<b>31 December 2012</b>	<b>30 June 2012</b>
Current inventories	29,044	25,944
Trade debtors	12,118	18,318
Trade creditors	(30,377)	(29,615)
<b>Total working capital</b>	<b>10,785</b>	<b>14,647</b>
Net property, plant & equipment	47,809	69,619
Non current inventories	18,666	19,266
Intangible assets	6,072	2,334
Net other assets/liabilities	(11,060)	(10,593)
Net debt	(98,136)	(93,553)
<b>Net assets</b>	<b>(25,864)</b>	<b>1,720</b>
<b>Equity</b>	<b>(25,864)</b>	<b>1,720</b>
<b>Gearing</b>	<b>136%</b>	<b>98%</b>

<b>Cash flow</b>		
<b>Year Ended 30 June A\$000</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
Net Operating Cash flows	(418)	(5,415)
Net investing cash flows	(944)	(5,731)
<b>Net free cash flow</b>	<b>(1,362)</b>	<b>(11,146)</b>
<b>Net financing cash flows</b>	<b>1,456</b>	<b>8,180</b>
<b>Net increase/(decrease in cash held</b>	<b>94</b>	<b>(2,966)</b>

Reflecting recent periods of negative cash flow and impairments of asset carrying values, net assets fell to negative \$25.9 million as at 31 December 2012 (30 June 2012: positive \$1.7 million). Management remains focused on improving earnings (to generate positive cash flow) and reducing debt, and is confident that the switch to imported soda ash late in FY2013 will help effect a turnaround in cash flow.

As at 31 December, working capital was \$10.8 million, down from \$14.6 million six months earlier. Inventory rose, primarily reflecting a material increase in Chemicals inventory, largely due to the timing of a major shipment which sailed after the end of the period. This was offset by a significant decrease in receivables and higher trade creditors. Working capital reduction remains a management focus.

Sustenance capital investment totalled \$0.9 million for the first half, down from \$5.7 million in the previous corresponding period, in the absence of last year's major kiln reline.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Outlook

By forming the new soda ash JV for the Australian market, Penrice will eliminate its soda ash business losses by better aligning domestic demand with a flexible and competitive cost structure which can be maintained through demand cycles. By implementing the proposed soda ash plant closure and formation of the soda ash JV, forecast earnings for Penrice in FY2014 are expected to be materially improved by returning the soda ash business to profitability.

Chemicals is a core business for Penrice, with its profitable sodium bicarbonate business growing in Asian markets. Its profitable SSR business, which is being well supported by the coal seam gas companies, leverages innovative and unique technology and is another growing business. Penrice believes that successful commercialisation of its SSR technology is company transforming, giving it the potential to earn licensing income from the technology as well as income from associated technical and marketing services. Penrice's main focus is working with its consortium partners to finalise a bid to win a commercial scale SSR plant for the QGC/APLNG group in CY2013.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Rounding of amounts

The Company is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/0100. In accordance with that class order, amounts in the consolidated financial statements and the Directors' Report have been rounded to the nearest thousand dollars, unless specifically stated otherwise.

### Auditor Independence

The auditor's review of the financial report is in accordance with the attached declaration – Auditor's Independence Declaration to the Directors of Penrice Soda Holdings Limited.

Dated at Adelaide this 28 February 2013.

Signed in accordance with a resolution of the Directors:



---

David B. Trebeck  
Chairman



---

Guy R. Roberts  
Managing Director & Chief Executive Officer

**Penrice Soda Holdings Limited**  
**2012 Half-Year Condensed Financial Report**

**DIRECTORS' DECLARATION**

**For the half-year ended 31 December 2012**

In the opinion of the Directors of Penrice Soda Holdings Limited:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2012 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, noting the disclosure made in Note 2(a) regarding going concern.

Dated at Adelaide this 28 February 2013.

Signed in accordance with a resolution of the Directors:



---

David B. Trebeck  
Chairman

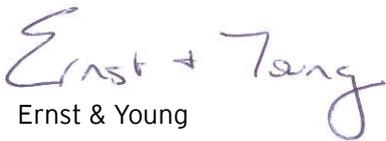


---

Guy R. Roberts  
Managing Director & Chief Executive Officer

## Auditor's Independence Declaration to the Directors of Penrice Soda Holdings Limited

In relation to our review of the financial report of Penrice Soda Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Mark Phelps  
Partner  
Adelaide  
28 February 2013

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Income Statement

For the half-year ended 31 December 2012

	Note	Consolidated	
		31 December 2012 \$000	31 December 2011 \$000
<b>Continuing Operations</b>			
Sales of goods and services		65,873	73,246
Interest revenue		19	31
Other revenue		60	105
<b>Revenue</b>		<b>65,952</b>	<b>73,382</b>
Cost of sales		(54,797)	(58,178)
<b>Gross Profit</b>		<b>11,155</b>	<b>15,204</b>
Distribution expenses		(11,648)	(12,031)
Other operating expenses		(4,353)	(4,422)
Administration expenses		(1,669)	(2,384)
Government grant income	4(a)	3,514	-
Insurance recovery income	4(a)	1,450	-
Impairment expense	4(b)	(21,157)	(22,647)
Exchange (losses)/gains		(75)	663
Gains on fair value of interest rate swaps		-	36
Borrowing costs	4(c)	(5,599)	(5,121)
<b>(Loss) from continuing operations before income tax</b>		<b>(28,382)</b>	<b>(30,702)</b>
Income tax benefit	5	254	2,662
<b>Net (loss) after income tax for the period attributable to the owners of the parent entity</b>		<b>(28,128)</b>	<b>(28,040)</b>
		Cents	Cents
Basic (loss) per share	7	(30.8)	(30.7)
Diluted (loss) per share	7	(30.8)	(30.7)

**Penrice Soda Holdings Limited**  
**2012 Half-Year Condensed Financial Report**

**Statement of Comprehensive Income**  
**For the half-year ended 31 December 2012**

	<b>Consolidated</b>	
	<b>31 December</b>	31 December
	<b>2012</b>	2011
	<b>\$000</b>	\$000
<b>Net (loss) for the period</b>	<b>(28,128)</b>	<b>(28,040)</b>
<b>Other comprehensive income, net of tax:</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges gains/(losses) taken to equity	107	(526)
Deferred tax on cash flow hedges	(32)	158
Net cash flow hedge gains/(losses) taken to equity	<u>75</u>	<u>(368)</u>
<b>Items that will not be reclassified subsequently to profit and loss</b>		
Actuarial gains/(losses) recognised directly through retained earnings	738	(2,354)
Deferred tax on actuarial losses	(221)	706
Net actuarial gains/(losses) recognised directly through retained earnings	<u>517</u>	<u>(1,648)</u>
<b>Total other comprehensive gains/(losses) for the period, net of tax</b>	<u>592</u>	<u>(2,016)</u>
<b>Total comprehensive (loss)</b>	<u><u>(27,536)</u></u>	<u><u>(30,056)</u></u>

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Statement of Financial Position

#### For the half-year ended 31 December 2012

	Note	Consolidated 31 December 2012 \$000	30 June 2012 \$000
<b><u>Current Assets</u></b>			
Cash and cash equivalents	8	3,071	2,977
Trade and other receivables		12,118	18,318
Inventories	9	27,122	25,944
Income tax receivable		-	568
Other current assets		1,158	461
Intangibles	11	3,971	-
<b>Total Current Assets</b>		<b>47,440</b>	48,268
<b><u>Non Current Assets</u></b>			
Inventories	9	20,588	19,266
Property, plant and equipment	10	47,809	69,619
Intangibles	11	2,101	2,334
<b>Total Non-Current Assets</b>		<b>70,498</b>	91,219
<b>Total Assets</b>		<b>117,938</b>	139,487
<b><u>Current Liabilities</u></b>			
Trade and other payables		30,377	29,615
Deferred income		1,996	-
Interest bearing liabilities	12	11,049	8,658
Derivative financial instruments		55	162
Provisions		5,499	5,671
<b>Total Current Liabilities</b>		<b>48,976</b>	44,106
<b><u>Non-Current Liabilities</u></b>			
Interest bearing liabilities	13	90,158	87,872
Provisions		2,414	2,443
Other non-current liabilities		2,254	3,346
<b>Total Non-Current Liabilities</b>		<b>94,826</b>	93,661
<b>Total Liabilities</b>		<b>143,802</b>	137,767
<b>Net Assets</b>		<b>(25,864)</b>	1,720
<b><u>Equity</u></b>			
Contributed equity	14	80,236	80,236
Cash flow hedge reserve		(5)	(80)
Share based payments reserve		248	295
Retained earnings		(106,343)	(78,731)
<b>Total Equity</b>		<b>(25,864)</b>	1,720

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Statement of changes in equity For the half-year ended 31 December 2012

	Contributed equity	Cash flow hedge reserve	Share based payments reserve	Retained earnings	Total
For the half-year ended 31 December 2012	\$000	\$000	\$000	\$000	\$000
<b>At 1 July 2012</b>	<b>80,236</b>	<b>(80)</b>	<b>295</b>	<b>(78,731)</b>	<b>1,720</b>
Loss for period	-	-	-	(28,128)	(28,128)
Other comprehensive income for the period	-	75	-	517	592
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>75</b>	<b>-</b>	<b>(27,611)</b>	<b>(27,536)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share based payments	-	-	(47)	-	(47)
<b>Balance at 31 December 2012</b>	<b>80,236</b>	<b>(5)</b>	<b>248</b>	<b>(106,343)</b>	<b>(25,864)</b>
<b>At 1 July 2011</b>	<b>80,236</b>	<b>437</b>	<b>189</b>	<b>(13,039)</b>	<b>67,823</b>
Loss for period	-	-	-	(28,040)	(28,040)
Other comprehensive income for the period	-	(368)	-	(1,648)	(2,016)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(368)</b>	<b>-</b>	<b>(29,688)</b>	<b>(30,056)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share based payments	-	-	37	-	37
<b>Balance at 31 December 2011</b>	<b>80,236</b>	<b>69</b>	<b>226</b>	<b>(42,727)</b>	<b>37,804</b>

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Cash Flow Statement

#### For the half-year ended 31 December 2012

	Note	Consolidated	
		31 December 2012 \$000 Inflow/ (Outflow)	31 December 2011 \$000 Inflow/ (Outflow)
<b>Cash flows from operating activities</b>			
Receipts from customers		79,175	79,335
Payments to suppliers and employees		(80,630)	(80,546)
Interest received		19	31
Interest and other costs of finance paid		(2,499)	(4,215)
Income taxes refund received/(paid)		568	(20)
Proceeds from intangibles		1,499	-
Proceeds from insurance recovery		1,450	-
		<hr/>	<hr/>
Net cash flows (used in) operating activities		(418)	(5,415)
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(944)	(5,179)
Payment for Intangibles		-	(552)
		<hr/>	<hr/>
Net cash flows (used in) investing activities		(944)	(5,731)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,788	9,405
Repayment of borrowings		(136)	(1,055)
Payment of finance lease liabilities		(196)	(170)
		<hr/>	<hr/>
Net cash flows provided by financing activities		1,456	8,180
<b>Net (decrease)/increase in cash held</b>		<b>94</b>	<b>(2,966)</b>
Cash at beginning of the financial period		2,977	5,163
		<hr/>	<hr/>
<b>Cash at the end of the financial period</b>	8	<b>3,071</b>	<b>2,197</b>

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

#### Note 1: Corporate information

The consolidated financial report of Penrice Soda Holdings Limited ("the Company") and its controlled entities (together, "the Group") for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 28 February 2013.

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

The half-year condensed financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards, including AASB 134 "Interim Financial Reporting" and other mandatory requirements. The half-year financial report has also been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The half-year financial 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.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this condensed half-year financial report is read in conjunction with the annual report of Penrice Soda Holdings Limited as at 30 June 2012, together with any public announcements made by Penrice Soda Holdings Limited since 30 June 2012 in accordance with the continual disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

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

The half year financial report has been prepared on the basis that the consolidated Group 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.

The Group has continued to experience difficult market conditions and trading remains below sustainable levels. The Group's result from operations for the period (before impairment) was a loss of \$7.2m; cash flows from operations continued to be negative at (\$0.4m); and the statement of financial position shows a net liability of \$25.9m and net current liability of \$1.5m.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

On 18 January 2013, the Group announced the signing of a memorandum of understanding to form a Joint Venture with SASS Victoria Australia Pty Ltd to (SASS) for the importation and marketing of soda ash in Australia. At the date of signing this financial report, the Directors expect this binding memorandum of understanding to proceed to a full joint venture agreement in the near term and have based their assessment of going concern on the likelihood of this joint venture proceeding.

Notwithstanding the anticipated entry into the Joint Venture, the Group remains reliant on the continuing support of its financiers. As previously announced, the Group's most recent debt agreement with its financiers included provisions which allowed for the capitalisation of interest payable on portions of loaned amounts. Given the Group's recent and immediately forecast operating performance, it is anticipated that amounts payable to financiers will continue to increase. The current facilities agreement includes a covenant, tested on a quarterly basis.

Compliance with this covenant has been restructured through negotiations with the financiers at 31 December 2012, but remain in place at future dates. Significant improvement in financial results is necessary for the Group to be able to comply with the covenant on an ongoing basis. The Group continues to engage with its financiers, including the need for potential waivers in the event this covenant is put under pressure from continued market conditions. In addition, the Group is presently in negotiations with its financiers for the approval of additional short term funding for liquidity. The Directors expect this additional funding to be approved in the short term.

At the date of this report, the following material uncertainties arise: a) whether the Group will successfully complete negotiations and entry into the Joint Venture; b) whether approvals will be received from the financiers in the short term in respect of additional funding requirements and whether ongoing financial support from the financiers will be received ; c) whether each of the Groups' businesses will continue to trade within expectations; and d) whether the Group will be able to otherwise restructure the Groups balance sheet and achieve satisfactory deleveraging.

If the matters noted above do not eventuate in line with the Directors current expectations, there is material uncertainty in relation to the Group continuing as a going concern. No adjustments have been made to the financial report related to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

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

The Group has satisfied hedge accounting requirements as described in AASB 139 for new derivative financial instruments entered into during the financial year and consequently the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the cash flow hedge reserve.

#### *Carbon accounting policy*

Carbon permits granted by the Australian Government are recognised as an intangible asset and deferred income when received.

The carrying amount of the carbon permit intangible asset is the amount of carbon permits held at their fair value (\$23 each in the first year).

Deferred income is recognised in the Income Statement as Government grant income in line with direct emission and increased steam costs being incurred (scope 1 direct emissions) and increased costs for electricity and other costs incurred to operate the Osborne plant (scope 2 and 3 indirect emissions).

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

Carbon costs are recognised as an operating expense in the Income Statement as direct emissions are incurred. Increased cost of electricity (scope 2 indirect emissions) and other costs incurred to operate the Osborne plant (scope 3 indirect emissions) are recognised as an operating expense in the Income Statement as incurred.

Proceeds from the sale of carbon permits are included as part of operating activities in the consolidated statement of cash flows. Any gain or loss recorded on the sale of the carbon units is recognised as a gain / loss on the sale of intangibles in the Income Statement.

When carbon permits are surrendered to settle a liability, the intangible asset is reduced and the liability is derecognised from the Statement of Financial Position.

The estimated impact of carbon tax on the Group's cash-generating units has been included in determining cash flow projections when assessing impairment as described in note 2(b).

The carrying amount of the liability for carbon is included within trade and other payables.

#### **(b) Significant accounting judgements, estimates and assumptions**

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

##### *Carbon accounting*

The Group estimates its emissions liability in accordance with the Clean Energy Act 2011 (Cth) and associated pronouncements, based on covered emissions arising from facilities for which the Group has operational control. The determination of covered emissions includes both measured and estimated data based on operational activities and judgement in regard to the expected liable facilities for the relevant compliance period under the legislation.

##### *Impairment*

The Group determines whether goodwill and other non financial assets are impaired at least at each reporting date. 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 its two CGUs, being the Chemical Business CGU and the Quarry and Mineral Business CGU.

For each segment the Group has prepared a detailed impairment analysis, based on the current year and the next 3 year forecast. Key assumptions and sensitivity drivers used in the models are as follows:-

- Chemical: foreign exchange (AUD:USD), product demand growth, hard coking coal costs.
- Quarry and Mineral: pricing and cost increases, product demand growth.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

The key assumptions used to determine the recoverable amount for the Group's cash generating units were discussed in the annual financial statements for the year ended 30 June 2012. The following key assumptions have changed since 30 June 2012 impairment calculation:

	FY2013	FY2014	FY2015	FY2016
FX USD/AUD *	1.03	1.03	0.99	0.92
Hard coking coal US\$/t	171	184	184	184

\* Sourced from Bloomberg.

The Groups' impairment analysis has been updated at 31 December 2012 and has been negatively impacted by the continued decline of markets in which it operates. As announced on 18 January 2013, the company has responded to the continuing unprofitability in its soda ash business by planning to cease soda ash manufacture in Adelaide and switching to imported soda ash via an import and distribution joint venture. Further details are included in note 16.

The increased uncertainty and subsequent strategy re-assessment have significantly impacted the recoverable amount attributed to the assets employed in the Soda Ash production business. The Group has assessed that a total of \$21.2m of CGU assets are likely to become redundant on cessation of ash production, and as such these assets have been fully impaired at 31 December 2012. These assets include \$18.4m of property, plant and equipment, and \$2.8m of spare parts inventory.

#### *Defined benefit superannuation fund*

Various actuarial assumptions are required when determining the Group's defined benefits superannuation fund obligations.

These include assumptions regarding discount rates for plan liabilities, future salary rates, expected return on plan assets in future years, contribution tax rate and administration.

The defined benefits superannuation fund has been closed to new members since 1997.

#### *Employee benefits provisions*

Provision for employee benefits include the provisions for annual leave and long services leave. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, period of service and expected timing of payments. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

#### *Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of 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 manufacturers' 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.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

#### 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 management 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. Management 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 Company is in.

##### 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 35% (FY12 39%) of the total group revenue, equating to \$23.3m (FY12 \$29.2m) for this reporting period. Of this, sales to one customer accounted for \$9.7m (FY12 \$12.7m) of revenue earned.

# **Penrice Soda Holdings Limited**

## **2012 Half-Year Condensed Financial Report**

### **Notes to the Condensed Financial Report** **For the half-year ended 31 December 2012**

#### **Note 3: Operating Segments (continued)**

##### **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 management 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.

Each segment is responsible for the management of working capital which comprises of trade debtors, trade creditors and inventory.

Revenue is attributed to foreign countries on the basis of sales made from Australia to customers located in these countries.

The Group does not have any assets located in foreign countries.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

#### Note 3: Operating Segments (continued)

	Chemicals	Quarry & Mineral	Eliminations/ unallocated	Consolidated
Half-year ended 31 December 2012	\$000	\$000	\$000	\$000
<b>Revenue</b>				
Sales to domestic external customers	39,207	10,137	-	49,344
Sales to Thailand	1,465	-	-	1,465
Sales to Japan	5,579	-	-	5,579
Sales to other countries (19 countries)	9,485	-	-	9,485
Inter-segment revenues	-	2,942	(2,942)	-
Total segment revenue	<u>55,736</u>	<u>13,079</u>	<u>(2,942)</u>	<u>65,873</u>
<b>Non-segment revenues</b>				
Interest from unrelated entities	-	-	19	19
Other income	-	-	60	60
Total consolidated revenue				<u>65,952</u>
<b>Result</b>				
Normalised EBITDA before unallocated expenses as reported to CODM	(717)	184	3,594	3,061
Unallocated expenses	-	-	(1,532)	(1,532)
Normalised EBITDA as reported to CODM	<u>(717)</u>	<u>184</u>	<u>2,062</u>	<u>1,529</u>
Depreciation & amortisation	<u>(3,414)</u>	<u>(1,057)</u>	<u>-</u>	<u>(4,471)</u>
Normalised EBIT as reported to CODM	(4,131)	(873)	2,062	(2,942)
Borrowing costs				<u>(5,599)</u>
Normalised profit before tax as reported to CODM				<u>(8,541)</u>
Income tax (expense) / credit				254
Normalised net profit after tax as reported to CODM				<u>(8,287)</u>
Impairment – chemical business				(21,157)
Insurance recovery				1,450
Restructure costs				(134)
<b>Profit from continuing operations after income tax</b>				<u><u>(28,128)</u></u>
Segment assets as at 31 December 2012 are as follows:				
Property, Plant & Equipment	27,760	20,049		47,809
Working Capital	14,331	31,524		45,855
Intangibles	3,716	2,356		6,072
	<u>45,807</u>	<u>53,929</u>		<u>99,736</u>

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

#### Note 3: Operating Segments (continued)

Half-year ended 31 December 2011	Chemicals \$000	Quarry & Mineral \$000	Eliminations/ unallocated \$000	Consolidated \$000
<b>Revenue</b>				
Sales to domestic external customers	45,024	12,843		57,867
Sales to Thailand	3,345	-		3,345
Sales to Japan	2,984	-		2,984
Sales to other countries (19 countries)	9,050	-		9,050
Inter-segment revenues	-	3,126	(3,126)	-
	<u>60,403</u>	<u>15,969</u>	<u>(3,126)</u>	<u>73,246</u>
<b>Non-segment revenues</b>				
Interest from unrelated entities			31	31
Other income			105	105
Total consolidated revenue				<u>73,382</u>
<b>Result</b>				
Normalised EBITDA before unallocated expenses as reported to CODM	4,997	2,243	(9)	7,231
Unallocated expenses	-	-	(1,876)	(1,876)
Normalised EBITDA as reported to CODM	<u>4,997</u>	<u>2,243</u>	<u>(1,885)</u>	<u>5,355</u>
Depreciation & amortisation	<u>(4,462)</u>	<u>(872)</u>	<u>-</u>	<u>(5,334)</u>
Normalised EBIT as reported to CODM	535	1,371	(1,885)	21
Borrowing costs				<u>(5,121)</u>
Normalised profit before tax as reported to CODM				<u>(5,100)</u>
Income tax (expense) / credit				1,776
Normalised net profit after tax as reported to CODM				<u>(3,324)</u>
Impairment – chemical business				(22,647)
Rail closure costs				(1,750)
Restructure costs				(319)
<b>Profit from continuing operations after income tax</b>				<u>(28,040)</u>
Segment assets as at 31 December 2012 are as follows:				
Property, Plant & Equipment	59,056	19,910		78,966
Working Capital	17,916	36,445		54,361
Intangibles	589	8,339		8,928
	<u>77,561</u>	<u>64,694</u>		<u>142,255</u>

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

#### Note 4: Income statement items

	<b>31 December 2012 \$000</b>	31 December 2011 \$000
<b>(a) Income</b>		
Government grant income	3,514	-
Insurance recovery income	1,450	-

Government grant revenue recognition of income from receipt of carbon permits.  
Insurance settlement relating to the forced shutdown of Penrice's Osborne plant in October 2010.

	<b>31 December 2012 \$000</b>	31 December 2011 \$000
<b>(b) Impairment</b>		
Chemical Business - property, plant and equipment	18,311	20,631
Chemical Business - inventory	2,846	2,016
<b>Total impairment</b>	<b>21,157</b>	<b>22,647</b>

Impairment charge in Chemical CGU represents the write-off of the remaining book value of the company's soda ash plant given production at the plant is expected to cease in June 2013 with the start-up of its proposed soda ash import and distribution joint venture in May 2013. Refer note 16.

	<b>31 December 2012 \$000</b>	31 December 2011 \$000
<b>(c) Borrowing costs</b>		
Interest paid or payable	4,587	3,884
Amortisation of loan facility fees	578	537
Finance charges related to leases	22	40
Other borrowing costs	412	660
<b>Total borrowing costs</b>	<b>5,599</b>	<b>5,121</b>

Other borrowing costs include the non cash interest charge for the defined benefit pension scheme of \$222k (FY12 \$391k) as prescribed by AASB119.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

#### Note 5: Income tax

	Consolidated	
	31 December 2012 \$000	31 December 2011 \$000
<b>Tax expense reconciliation</b>		
(Loss) from continuing operations	(28,382)	(30,702)
Prima facie tax benefit thereon at 30%	8,515	9,211
Tax effect on losses and timing difference not brought to account	(8,261)	(6,794)
Non temporary differences	-	(14)
Research & Development tax benefit	-	259
Income tax benefit	<b>254</b>	<b>2,662</b>

As at 30 June 2012, the Directors resolved that forecast profitability over the medium term would be insufficient to justify the carrying value of deferred tax assets and as a result deferred tax assets were derecognised and written down to \$nil.

#### 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 interim dividend for the 2013 financial year has been declared and thus the DRP will not be utilised at this time.

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

#### Note 7: Earnings per Share

	December 2012	December 2011
Basic earnings per share based on operating profit after income tax (cents)	(30.8)	(30.7)
Diluted earnings per share based on operating profit after income tax (cents)	(30.8)	(30.7)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	91,361,523	91,361,523
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	91,361,523	91,361,523
Earnings used in calculating basic and diluted earnings per share (\$000)	(28,128)	(28,040)

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:

	December 2012	December 2011
Weighted average number of ordinary shares on issue for basic earnings per share	91,361,523	91,361,523
Executive share options and performance rights	-	-
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	91,361,523	91,361,523

There are 3,591,517 (FY12: 5,428,113) executive share options excluded from the calculation of diluted earnings per share because they are anti-dilutive for the Half-year FY2013 period presented. These executive share options could potentially dilute basic earnings per share in the future.

#### Note 8: Cash reconciliation

	Consolidated	
	31 December 2012 \$000	30 June 2012 \$000
Cash and cash equivalents	3,071	2,977
	<b>3,071</b>	<b>2,977</b>

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report

#### For the half-year ended 31 December 2012

#### Note 9: Inventories

	<b>Consolidated</b>	
	<b>31 December</b>	30 June
	<b>2012</b>	2012
	<b>\$000</b>	\$000
Raw Materials (at cost)	1,752	1,567
<b>Finished Goods</b>		
Chemical (at cost)	12,844	8,712
Chemical (at net realisable value)	-	192
Mine – Limestone (at cost)	5,093	4,602
Quarry & Mineral – Aggregates (at cost)	4,826	5,220
Quarry & Mineral – Landfill (at net realisable value)	-	178
<b>Production spares &amp; consumable goods</b>		
Mine (at cost)	452	616
Chemical (at net realisable value)	2,155	4,857
<b>Total current inventories</b>	<b>27,122</b>	25,944
<b>Non-current inventories</b>		
Quarry & Mineral – Aggregates (at cost)	17,031	15,887
Quarry & Mineral – Landfill (at net realisable value)	3,557	3,379
<b>Total non-current inventories</b>	<b>20,588</b>	19,266
<b>Total non-current inventories</b>	<b>47,710</b>	45,210

Aggregates and landfill inventory that will not be realised in the next twelve months is classified as non-current inventory.

**Penrice Soda Holdings Limited**  
**2012 Half-Year Condensed Financial Report**

**Notes to the Condensed Financial Report**  
**For the half-year ended 31 December 2012**

**Note 10: Property, plant & equipment (non-current)**

	31 December 2012			
	Consolidated			
	Land and Improvements at Cost \$000	Buildings at Cost \$000	Plant & Equipment at Cost \$000	Total \$000
<b>Gross Carrying amount</b>				
Balance as at 1 July 2012	10,744	16,603	182,000	209,347
Additions	-	-	945	945
Disposals	(207)	-	-	(207)
<b>Balance as at 31 December 2012</b>	<b>10,537</b>	<b>16,603</b>	<b>182,945</b>	<b>210,085</b>
<b>Accumulated Depreciation/Impairment</b>				
Balance as at 1 July 2012	(333)	(3,467)	(135,928)	(139,728)
Depreciation Expense	(145)	(274)	(3,818)	(4,237)
Impairment*	(2,856)	(3,376)	(12,079)	(18,311)
<b>Balance as at 31 December 2012</b>	<b>(3,334)</b>	<b>(7,117)</b>	<b>(151,825)</b>	<b>(162,276)</b>
<b>Net Book Value</b>				
As at 1 July 2012	10,411	13,136	46,072	69,619
As at 31 December 2012	7,203	9,486	31,120	47,809

\* Impairment charge has been applied to Chemical Business CGU.

Plant and equipment with a carrying value of \$788k (FY12 \$1,224k) are pledged as securities for the finance lease liability.

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

Included in plant and equipment at 31 December 2012 is an amount of \$1,545k (FY12 \$4,290k) related to expenditure for plant in the course of construction.

**Penrice Soda Holdings Limited**  
**2012 Half-Year Condensed Financial Report**

**Notes to the Condensed Financial Report**  
**For the half-year ended 31 December 2012**

**Note 10: Property, plant & equipment (non-current)**

	30 June 2012			
	Consolidated			
	Land and Improvements at Cost \$000	Buildings at Cost \$000	Plant & Equipment at Cost \$000	Total \$000
<b>Gross Carrying amount</b>				
Balance as at 1 July 2011	7,085	16,069	176,700	199,854
Additions	3,659	534	5,898	10,091
Disposals	-	-	(598)	(598)
<b>Balance as at 30 June 2012</b>	<b>10,477</b>	<b>16,603</b>	<b>182,000</b>	<b>209,347</b>
<b>Accumulated Depreciation/Impairment</b>				
Balance as at 1 July 2011	(52)	(2,914)	(97,448)	(100,414)
Disposals	-	-	587	587
Impairment*	-	-	(30,331)	(30,331)
Depreciation Expense	(281)	(553)	(8,736)	(9,570)
<b>Balance as at 30 June 2012</b>	<b>(333)</b>	<b>(3,467)</b>	<b>(135,298)</b>	<b>(139,728)</b>
<b>Net Book Value</b>				
As at 1 July 2011	7,033	13,155	79,252	99,440
As at 30 June 2012	10,411	13,136	46,072	69,619

\* Impairment charge has been applied to Chemical Business CGU.

**Penrice Soda Holdings Limited**  
**2012 Half-Year Condensed Financial Report**

**Notes to the Condensed Financial Report**  
**For the half-year ended 31 December 2012**

**Note 11: Intangibles**

Current	Consolidated	
	Carbon Units \$000	Total \$000
<b>Half year ended 31 December 2012</b>		
<b>Gross Carrying amount</b>		
Balance as at 1 July 2012	-	-
Additions	5,510	5,510
Disposals	(1,539)	(1,539)
<b>Balance at 31 December 2012</b>	<b>3,971</b>	<b>3,971</b>
<b>Net Book Value</b>		
As at 1 July 2012	-	-
As at 31 December 2012	3,971	3,971

Non-current	Consolidated			
	Exploration and evaluation costs \$000	Development Costs \$000	Other \$000	Total \$000
<b>Half year ended 31 December 2012</b>				
<b>Gross Carrying amount</b>				
Balance as at 1 July 2012	266	2,586	1,075	3,926
Additions	-	-	-	-
<b>Balance at 31 December 2012</b>	<b>266</b>	<b>2,586</b>	<b>1,075</b>	<b>3,926</b>
<b>Accumulated Amortisation</b>				
Balance as at 1 July 2012	(266)	(666)	(661)	(1,593)
Amortisation	-	(129)	(103)	(232)
<b>Balance at 31 December 2012</b>	<b>(266)</b>	<b>(796)</b>	<b>(764)</b>	<b>(1,825)</b>
<b>Net Book Value</b>				
As at 1 July 2012	-	1,920	414	2,334
As at 31 December 2012	-	1,790	311	2,101

**Penrice Soda Holdings Limited**  
**2012 Half-Year Condensed Financial Report**

**Notes to the Condensed Financial Report**  
**For the half-year ended 31 December 2012**

	Consolidated				
	Goodwill	Exploration and evaluation costs	Development Costs	Other	Total
Half year ended 30 June 2012	\$000	\$000	\$000	\$000	\$000
<b>Gross Carrying amount</b>					
Balance as at 1 July 2011	6,291	266	2,586	523	9,666
Additions	-	-		552	552
<b>Balance at 30 June 2012</b>	<b>6,291</b>	<b>266</b>	<b>2,586</b>	<b>1,075</b>	<b>10,218</b>
<b>Accumulated Amortisation</b>					
Balance as at 1 July 2011	-	(266)	(408)	(304)	(978)
Impairment	(6,291)	-	-	-	(6,291)
Amortisation	-	-	(258)	(357)	(615)
<b>Balance at 30 June 2012</b>	<b>(6,291)</b>	<b>(266)</b>	<b>(666)</b>	<b>(661)</b>	<b>(7,884)</b>
<b>Net Book Value</b>					
As at 1 July 2011	6,291	-	2,178	219	8,688
As at 30 June 2012	-	-	1,920	414	2,334

# Penrice Soda Holdings Limited

## 2012 Half-Year Condensed Financial Report

### Notes to the Condensed Financial Report For the half-year ended 31 December 2012

#### Note 12: Interest bearing liabilities (current)

	<b>Consolidated</b>	
	<b>31 December</b>	30 June
	<b>2012</b>	2012
	<b>\$000</b>	\$000
Secured:		
Finance lease liabilities	333	325
Bank loan	10,120	8,000
	<u>10,453</u>	<u>8,325</u>
Unsecured:		
Total current interest bearing liabilities	<u>596</u>	333
	<u><u>11,049</u></u>	<u><u>8,658</u></u>

#### Note 13: Interest bearing liabilities (non-current)

	<b>Consolidated</b>	
	<b>31 December</b>	30 June
	<b>2012</b>	2012
	<b>\$000</b>	\$000
Finance lease liabilities	71	275
Bank loan	90,087	87,597
Total non-current interest bearing liabilities	<u>90,158</u>	<u>87,872</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 14: Contributed Equity

	<b>Half-year ended</b>		<b>Year ended</b>	
	<b>31 December 2012</b>		<b>30 June 2012</b>	
	<b>Shares</b>	<b>\$000</b>	<b>Shares</b>	<b>\$000</b>
Balance at the start of the period	91,361,523	80,236	91,361,523	80,236
Balance at the end of the period	<u>91,361,523</u>	<u>80,236</u>	<u>91,361,523</u>	<u>80,236</u>

# **Penrice Soda Holdings Limited**

## **2012 Half-Year Condensed Financial Report**

### **Notes to the Condensed Financial Report** **For the half-year ended 31 December 2012**

#### **Note 15: Commitments**

There are no material changes in commitments since that disclosed in the 2012 annual financial report.

#### **Note 16: Events occurring after the balance date**

As previously announced, in January 2013 Penrice signed a legally binding Memorandum of Understanding with SASS Victoria Australia Pty Ltd (SASS) to form a Joint Venture (JV) to import and market soda ash in Australia. The commencement of the JV is subject to satisfaction of conditions including final due diligence and signing definitive transaction documents. It is expected these conditions will be satisfied with JV sales expected to commence in May 2013.

Penrice's soda ash business is making a loss. By entering this new soda ash JV for the Australian soda ash market, Penrice will eliminate its soda ash losses by better aligning domestic demand with a flexible business model via the JV which can be maintained through demand cycles. Following the proposed soda ash plant closure and formation of the JV, forecast earnings in FY2014 are expected to be materially improved, returning the soda ash business to profitability.

Penrice has booked an impairment charge against soda ash property plant and equipment assets of \$18.4m and spare part consumables (inventory) of \$2.8m.

Other necessary costs of closure, including plant modifications and redundancies, are being funded by Penrice soda ash Joint Venture party.

To the members of Penrice Soda Holdings Ltd

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Penrice Soda Holdings Limited, which comprises the condensed statement of financial position as at 31 December 2012, the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year (the "Group").

### ***Directors' Responsibility for the Half-Year Financial Report***

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the period half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Penrice Soda Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

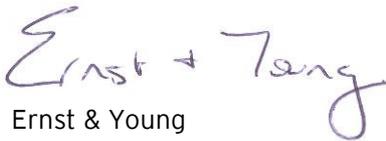
### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Penrice Soda Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### **Uncertainty Regarding Going Concern**

Without qualification to the conclusion expressed above, we draw attention to Note 2(a) of the financial report. As set out in this note, the Group continued to incur trading losses, cash outflows from operations and at 31 December 2013 the Group's liabilities exceeded its assets by \$25.9m. These conditions, together with other matters set out in Note 2(a) indicate the existence of material uncertainties which may cast significant doubt about the company's and Group's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at amounts stated in the financial report.

A handwritten signature in blue ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Mark Phelps'.

Mark Phelps  
Partner  
Adelaide  
28 February 2013