

**So Natural Foods Australia Limited**  
**Chairman's Address to Shareholders 27<sup>th</sup> October 2005**

So Natural Foods reported a profit after tax of \$58,000 for the year to 30 June 2005. This reflects a good recovery in the second half following a loss for the first half of the year and I am pleased to report that the profit recovery is continuing into this financial year.

This has been a very active year for your Company as it included two major corporate transactions as well as the launch of the Thorpedo food brand and the full acquisition of our Freedom Foods subsidiary. Each transaction furthered our corporate strategy of being an innovative and profitable competitor in the functional foods area. They are also consistent with ensuring that while we remain committed to functional foods we are also sensibly diversified within this area.

The first corporate transaction was the establishment of a soy and dairy product manufacturing joint venture with Leppington Pastoral Company Pty Ltd., owned by the Perich family. Known as Contract Beverage Packers of Australia this venture provides So Natural Foods the opportunity to easily expand its profitable contract packing activities and progressively reduce production costs across all of our liquid product range. The Perich family became significant shareholders in So Natural Foods as a result of this transaction and Ron Perich has joined our Board.

The second significant transaction was the acquisition of Brunswick Seafoods towards the end of the financial year. The Brunswick brand has a leading position in canned sardines in Australia and New Zealand. This acquisition effectively doubled our scale in the seafood category and saw our US associate Bumble Bee Foods become a significant shareholder in the Company.

Freedom Foods became a wholly owned subsidiary during the year as part of the strategy to consolidate our leading position in the areas of "Free From" and Low Glycaemic Index products.

Each of these developments made only a small contribution to our bottom line in the year just ended, but together they will make a considerable impact this financial year.

Our longer term initiative-the venture with Ian Thorpe in Thorpedo Foods- has been rolling out product for almost a year now and like all new ventures will take some time to become established. While Australian sales are important a key reason for the relationship with Ian is to capitalise on the potential for this brand in Japan. Considerable resources have been invested in establishing potential

links in this market and we are now in active discussions with a preferred party interested in pursuing this major development with us.

We were also very pleased to announce yesterday that the group has signed a long term marketing partnership with Accor-Asia Pacific's leading hotel manager. This agreement provides for Accor to carry a range of Thorpedo Foods' products in its hotels and catering establishments throughout the Asia Pacific region. It is a very good example of how the Thorpedo brand can be leveraged into further growth opportunities.

Given the manufacturing joint venture with Leppington Pastoral Company we have advertised our Taren Point facility for sale and leaseback. Should it be sold our solid financial position will be further improved and this will assist in continuing our strategy of seeking organic growth as well as acquisitions in functional foods.

The team at our Taren Point facility is to be congratulated at having just achieved ISO 9001:2000 status. This recognition of the standard of our operations is important in maintaining and securing business from third party customers and is also important in ensuring the health and safety of employees.

While the Board is not satisfied with the modest profit for the year the revenue and profit trends are encouraging, particularly as the business has been substantially de-risked both operationally and financially during this period.

We have also broadened our functional food offering into new categories and markets against a background of continued pressure from the trade for better margins and ranging efficiencies. Management is confidently forecasting that these initiatives will produce a significant improvement in profitability in 2006, a view shared by the Board. Apart from pursuing organic growth we will continue to review acquisitions and related opportunities in the year ahead. This is integral to our strategy of leveraging So Natural's positioning as a significant participant in the "Wellness" sector. As consumers and Governments increasingly come to appreciate and seek out the benefits of healthy nutrition this positioning is a clear competitive advantage your Company has.

I would like to thank the management and staff for their hard work in steadily strengthening our position in a highly competitive sector and am particularly pleased at the cementing of key relationships with our business partners over the past twelve months. This bodes well for the future and will be important in demonstrating that So Natural can deliver real shareholder value in the year ahead.

Christopher Grubb  
Chairman