

SO NATURAL FOODS AUSTRALIA LIMITED
Chairman's Address to Shareholders 26 October 2006

So Natural Foods reported a profit after tax of \$1,434,000 this represented a significant improvement in performance of the group. The expectation of this significant profit improvement was referred to by your Chairman in last year's address. Geoff Babidge our CEO and Managing Director shall provide comment on operations for the 2006 year.

This good financial performance has continued for the first months of trading for the 2007 financial year. The business is on target to achieve its 2007 budgeted EBIT of \$4.25m with each of our divisions budgeted to be profitable.

With the return to good trading results the Board intends to recommence paying dividends during the year.

This year has seen us farewell a number of long serving directors Chris Grubb, Graham Reaney and Maurice van Ryn, we wish them success in their future endeavours. During the year welcomed to the Board Tony Perich as a non-executive director. Tony is also joint managing director of Arrovest Pty Limited ("Arrovest"), our largest shareholder.

The past year saw an on market bid by Arrovest, a Perich entity, which resulted in them achieving a shareholding of 78% of the issued capital of the company. Arrovest continues to state that their intention for the company to maintain its independence as a listed company on the ASX. Arrovest shall not be seeking to attempt to move to compulsory acquisition. Arrovest is not intending to sell any part of its shareholding but would envisage that its holding would potentially be diluted over time through the issue of shares as part or full consideration for future acquisitions by the Company. Arrovest is seeking to support management initiatives to grow the company and create shareholder value.

You shall shortly be receiving a notice for an Extraordinary General Meeting to appoint an auditor and to approve a long term Employee Share Option Plan ("ESOP") to better align executive compensation with the creation of wealth for shareholders. The ESOP shall also assist in the retention of key employees.

I would like to thank Geoff Babidge and his team for an outstanding result for 2006 and we look forward to continued success in 2007,



Perry Gunner
Chairman - 26 October 2006