

SO NATURAL FOODS AUSTRALIA LIMITED

Chairman's Address to Shareholders 27 October 2004

Welcome to the 2004 Annual General Meeting of So Natural Foods.

As I am advised a quorum is present I declare the meeting open.

I am CCG Chairman and I would like to introduce my fellow Directors.

We also have a representative from our auditors PKF

It is heartening to see a greater number of attendees at this year's meeting and I take that as a positive sign of some success in our efforts to draw greater attention to the company and its activities.

We hope you will take this opportunity to meet with your Directors after the meeting to discuss any matters of particular interest to you and you are also cordially invited to sample some of the SNF products on display.

I now turn to Item 1 on the Agenda which is the Financial Report.

Item 1

To.....

These reports have been with you for the requisite time and I shall be happy to answer any questions on them or refer them on as appropriate. I might remind shareholders that they are required to limit their questions to the business of this meeting and in the interests of all attending, questions should be specific and succinct.

Before taking questions I would like to expand on some elements of the Reports and the positioning of your company.

Following my remarks Geoff Babidge our CEO will once again be making a presentation to provide shareholders with more detail on recent business activity and initiatives.

As I indicated this time last year, margin erosion in our soy division was becoming a matter of concern and our results would depend on how we handled this challenge. In the event our profitable non soy businesses were unable to offset this deterioration in our major sales area resulting in a loss for the year of some \$750,000.

Geoff will explain how we are handling this continuing challenge in what has become a relatively mature market segment over the last 3 to 4 years.

Fortunately some years ago the Board recognised that SNF could not rely solely on one functional food sector and set in train a programme for expanding our product range, our

corporate relationships, management and market capitalisation. We aimed at retaining a leading role in the evolution of the ‘Wellness’ movement on a more diversified product base with growth options outside soy drinks.

The result of our efforts has been a foothold through Paramount in processed seafood -a growing \$480m retail category -with the best international partner possible; a leading presence in “free from” and low Glycaemic Index foods with Freedom Foods and now a new food joint venture with one of the best regarded sports personalities in the world -Ian Thorpe.

We have expanded our capital base and succeeded in stimulating considerably increased interest and turnover in our shares. We continued to innovate in our core products and took the knife to areas where returns did not justify our presence.

These are not inconsiderable achievements.

I would be overjoyed to say that we did all this and grew profits. While that would have been ideal it would also have been an unrealistic expectation for a small company, particularly in a market where sales are dominated by two highly effective retailers.

Much has been done and we have unquestionably built an excellent suite of growth opportunities directly related to providing improved nutritional options to consumers.

However, profitable growth has to flow to shareholders within a reasonable time frame to justify the investments made and this is the point So Natural Foods is at today. Some of the product initiatives such as Thorpedo Foods will only result in profits in future years. However, the overall product mix is budgeted to result in a restoration of profits in this financial year despite continuing margin pressures. I am pleased to report that the first quarter has run ahead of budget.

Functional foods and more sensible eating choices enjoy growing support from Governments both here and abroad. There is increasing focus on instilling good habits in children through school canteens and even talk of penalties on bad eating choices- something we do not support. Several major global food companies have recently announced plans to enter this area, further reinforcing the strength of this trend.

So Natural Foods has positioned itself to be a strong participant in what is clearly a significant movement in modern nutrition, so I will now hand over to Geoff Babidge who will expand on how his team is developing our “Food for your Future” vision into a profitable one for shareholders.

Thanks you Geoff.....Now I will take questions from the floor

There being no further questions we turn to item 2 on the Agenda ie Resolutions

As the first Resolution concerns me I would like to hand the chair to MrV Ryn.

Thank you Maurice

Item 2.2 That.....

Proposer. I would like to propose the Resolution

Secunder Thank you

Proxies

Mr Reaney.....

Put the Resolution to a vote

Item 2.3

Proposer

Secunder

Proxies

Put the Resolution

Item 2.4

Proposer

Secunder

Proxies

Put the Resolution