

## Appendix 4E Preliminary Final Report

|                 |                       |
|-----------------|-----------------------|
| Name of entity: | <b>ORICA LIMITED</b>  |
| ABN:            | <b>24 004 145 868</b> |

|                                  |   |
|----------------------------------|---|
| Year ended<br>(‘current period’) | Year ended<br>(‘previous corresponding period’) |
| 30 September 2008                | 30 September 2007                               |

### Results for announcement to the market

**\$m**

|   |    |       |    |         |
|---|----|-------|----|---------|
| Consolidated revenue from operations  | up | 18.4% | to | 6,544.1 |
| Profit after tax attributable to shareholders   | up | 10.6% | to | 539.6   |
| Net profit for the period attributable to shareholders before individually material items | up | 15.0% | to | 572.3   |

| <b>Dividends</b>                  | Amount per security | Franked amount per security at 30% tax |
|-----------------------------------|---------------------|--|
| Final dividend - Ordinary Cents   | 55.00               | 20.00                                  |
| Interim dividend - Ordinary Cents | 39.00               | 14.00                                  |
| Previous corresponding period     |                     |  |
| Final dividend - Ordinary Cents   | 53.00               | 17.00                                  |
| - Preference Cents                | 2.50                | 0.80                                   |
| Interim dividend - Ordinary Cents | 36.00               | 14.00                                  |
| - Preference Cents                | 2.50                | 0.97                                   |

Record date for determining entitlements to the dividend:

Ordinary Shares

18-Nov-08

Payment date of dividend:

Ordinary Shares

5-Dec-08

|   | Current period | Previous corresponding period |
|---|----------------|-------------------------------|
| <b>Net tangible asset backing per ordinary security</b> | Cents<br>200.1 | Cents<br>6.9                  |

For the profit commentary and any other significant information needed by an investor to make an informed assessment of Orica's results please refer to the accompanying Orica Limited Profit Report.

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## Consolidated Income Statements

For the year ended 30 September:

|   | Notes | 2008<br>\$m    | 2007<br>\$m  |
|---|-------|----------------|--------------|
| <b>Sales revenue</b>  | (3)   | <b>6,544.1</b> | 5,527.2      |
| <b>Other income</b>   | (3)   | <b>53.8</b>    | 61.5         |
| <b>Expenses</b>   |       |                |              |
| Changes in inventories of finished goods and work in progress                 |       | 101.6          | 1.7          |
| Raw materials and consumables used and finished goods purchased for resale    |       | (3,448.5)      | (2,793.3)    |
| Share based payments  |       | (6.5)          | (2.7)        |
| Other employee benefits expense   |       | (1,106.6)      | (959.8)      |
| Depreciation expense  |       | (177.6)        | (153.3)      |
| Amortisation expense  |       | (41.1)         | (29.9)       |
| Purchased services  |       | (404.3)        | (374.5)      |
| Repairs and maintenance   |       | (133.3)        | (115.0)      |
| Impairment of intangibles   |       | -              | (15.4)       |
| Outgoing freight  |       | (270.6)        | (256.6)      |
| Lease payments - operating leases   |       | (83.3)         | (77.8)       |
| Cost of cancellation of cumulative non-redeemable preference shares           |       | (7.5)          | -            |
| Other expenses from ordinary activities including individually material items |       | (119.8)        | (52.9)       |
| Share of net profits of associates accounted for using the equity method      | (8)   | 28.1           | 31.2         |
| <b>Profit from operations</b>   |       | <b>928.5</b>   | 790.4        |
| <b>Net financing costs</b>  |       |                |              |
| Financial income  |       | 68.1           | 34.8         |
| Financial expenses  |       | (225.8)        | (157.4)      |
| <b>Net financing costs</b>  |       | <b>(157.7)</b> | (122.6)      |
| <b>Profit before income tax expense</b>                                       |       | <b>770.8</b>   | 667.8        |
| Income tax expense  | (11)  | (203.5)        | (154.4)      |
| <b>Profit for the year</b>  |       | <b>567.3</b>   | 513.4        |
| <b>Net profit for the period attributable to:</b>                             |       |                |              |
| Shareholders of Orica Limited   |       | 539.6          | 487.7        |
| Minority interest   |       | 27.7           | 25.7         |
| <b>Net profit for the year</b>  |       | <b>567.3</b>   | 513.4        |
|   |       | <b>cents</b>   | <b>cents</b> |
| <b>Earnings per share</b>   |       |                |              |
| Earnings per share attributable to ordinary shareholders of Orica Limited:    |       |                |              |
| Basic   | (1)   | 159.8          | 146.3        |
| Diluted   | (1)   | 158.0          | 144.4        |

The Consolidated Income Statements are to be read in conjunction with the accompanying notes.

## Consolidated Statements of Recognised Income and Expense

For the year ended 30 September:

|   | 2008         | 2008           |
|---|--------------|----------------|
|   | \$m          | \$m            |
| Net loss on hedge of net investments in foreign subsidiaries        | (35.9)       | (14.3)         |
| Cash flow hedges  |              |                |
| - Effective portion of changes in fair value                        | (6.3)        | 18.0           |
| - Transferred to carrying value of non current assets               | 18.7         | -              |
| - Transferred to Income Statement                                   | 1.4          | (28.9)         |
| Exchange differences on translation of foreign operations           | 301.3        | (119.1)        |
| Actuarial (loss)/gain on defined benefit plans                      | (45.3)       | 11.9           |
| Income tax on income and expense recognised directly through equity | 7.5          | (1.1)          |
| <b>Net income and expense recognised directly in equity</b>         | <b>241.4</b> | <b>(133.5)</b> |
| <b>Profit for the year</b>  | <b>567.3</b> | <b>513.4</b>   |
| <b>Total recognised income and expense for the year</b>             | <b>808.7</b> | <b>379.9</b>   |
| <b>Attributable to:</b>   |              |                |
| Shareholders of Orica Limited                                       | 781.0        | 354.2          |
| Minority interest   | 27.7         | 25.7           |
| <b>Total recognised income and expense for the year</b>             | <b>808.7</b> | <b>379.9</b>   |

The Consolidated Statements of Recognised Income and Expense are to be read in conjunction with the accompanying notes.

## Consolidated Balance Sheets

as at:

|  | Notes | 30 September<br>2008<br>\$m | 31 March<br>2008<br>\$m | 30 September<br>2007<br>\$m |
|--|-------|-----------------------------|-------------------------|-----------------------------|
| <b>Current assets</b>  |       |                             |                         |                             |
| Cash and cash equivalents  | (12)  | 321.3                       | 237.8                   | 370.7                       |
| Trade and other receivables  |       | 1,147.4                     | 986.9                   | 915.9                       |
| Other financial assets - derivative assets                         |       | 96.3                        | 124.7                   | 28.1                        |
| Inventories  |       | 824.3                       | 716.6                   | 604.3                       |
| Other assets   |       | 68.9                        | 69.5                    | 36.2                        |
| <b>Total current assets</b>  |       | <b>2,458.2</b>              | <b>2,135.5</b>          | <b>1,955.2</b>              |
| <b>Non-current assets</b>  |       |                             |                         |                             |
| Trade and other receivables  |       | 111.0                       | 108.5                   | 109.5                       |
| Investments accounted for using the equity method                  |       | 208.3                       | 128.0                   | 124.5                       |
| Other financial assets   |       | 1.0                         | 1.1                     | 1.1                         |
| Property, plant and equipment                                      |       | 2,052.3                     | 1,840.9                 | 1,742.9                     |
| Intangible assets  |       | 3,012.6                     | 2,806.5                 | 2,055.5                     |
| Deferred tax assets  |       | 164.1                       | 146.7                   | 222.5                       |
| Other assets   |       | 0.3                         | 3.0                     | 3.2                         |
| <b>Total non-current assets</b>                                    |       | <b>5,549.6</b>              | <b>5,034.7</b>          | <b>4,259.2</b>              |
| <b>Total assets</b>  |       | <b>8,007.8</b>              | <b>7,170.2</b>          | <b>6,214.4</b>              |
| <b>Current liabilities</b>   |       |                             |                         |                             |
| Trade and other payables   |       | 1,372.7                     | 904.9                   | 921.6                       |
| Other financial liabilities - derivative liabilities               |       | 138.7                       | 163.5                   | 121.1                       |
| Interest bearing liabilities                                       | (12)  | 266.4                       | 1,046.4                 | 582.7                       |
| Current tax liabilities  |       | 28.3                        | 31.4                    | 62.6                        |
| Provisions   |       | 273.5                       | 243.7                   | 269.7                       |
| <b>Total current liabilities</b>                                   |       | <b>2,079.6</b>              | <b>2,389.9</b>          | <b>1,957.7</b>              |
| <b>Non-current liabilities</b>                                     |       |                             |                         |                             |
| Trade and other payables   |       | 31.8                        | 8.2                     | 4.9                         |
| Interest bearing liabilities                                       | (12)  | 1,075.4                     | 1,375.9                 | 1,093.7                     |
| Deferred tax liabilities   |       | 83.8                        | 77.7                    | 117.6                       |
| Provisions   |       | 418.8                       | 408.3                   | 412.9                       |
| <b>Total non-current liabilities</b>                               |       | <b>1,609.8</b>              | <b>1,870.1</b>          | <b>1,629.1</b>              |
| <b>Total liabilities</b>   |       | <b>3,689.4</b>              | <b>4,260.0</b>          | <b>3,586.8</b>              |
| <b>Net assets</b>  |       | <b>4,318.4</b>              | <b>2,910.2</b>          | <b>2,627.6</b>              |
| <b>Equity</b>  |       |                             |                         |                             |
| Ordinary shares  | (6)   | 1,881.3                     | 870.0                   | 702.4                       |
| Reserves   | (7)   | 91.3                        | (143.6)                 | (188.5)                     |
| Retained earnings  | (7)   | 1,758.9                     | 1,610.9                 | 1,562.8                     |
| <b>Total equity attributable to ordinary shareholders of Orica</b> |       | <b>3,731.5</b>              | <b>2,337.3</b>          | <b>2,076.7</b>              |
| Equity attributable to Step-Up Preference Securities holders       | (6)   | 490.0                       | 490.0                   | 490.0                       |
| Minority interest in controlled entities                           |       | 96.9                        | 82.9                    | 60.9                        |
| <b>Total equity</b>  |       | <b>4,318.4</b>              | <b>2,910.2</b>          | <b>2,627.6</b>              |

The Consolidated Balance Sheets are to be read in conjunction with the accompanying notes.

## Consolidated Statements of Cash Flows

For the year ended 30 September:

|   | 2008                   | 2007                   |
|---|------------------------|------------------------|
|   | \$m                    | \$m                    |
|   | Inflows/<br>(Outflows) | Inflows/<br>(Outflows) |
| Notes   |                        |                        |
| <b>Cash flows from operating activities</b>   |                        |                        |
| Receipts from customers   | 6,946.8                | 6,025.2                |
| Payments to suppliers and employees   | (5,929.8)              | (5,307.4)              |
| Interest received   | 69.3                   | 37.0                   |
| Borrowing costs   | (217.8)                | (145.3)                |
| Dividends received  | 20.4                   | 21.0                   |
| Other operating revenue received  | 38.0                   | 35.2                   |
| Net income taxes paid   | (190.0)                | (141.4)                |
| <b>Net cash flows from operating activities</b>   | <b>736.9</b>           | <b>524.3</b>           |
| <b>Cash flows from investing activities</b>   |                        |                        |
| Payments for property, plant and equipment  | (414.4)                | (304.8)                |
| Payments for intangibles  | (11.9)                 | (32.2)                 |
| Payments for purchase of investments  | -                      | (20.1)                 |
| Payments for minorities' share of controlled entities   | (9) (3.0)              | (20.5)                 |
| Payments for purchase of businesses/controlled entities   | (9) (866.2)            | (917.7)                |
| Proceeds from sale of property, plant and equipment   | 19.6                   | 23.9                   |
| Proceeds from sale of investments   | -                      | 10.8                   |
| Proceeds from sale of businesses/controlled entities  | (10) 5.9               | 88.8                   |
| <b>Net cash flows used in investing activities</b>  | <b>(1,270.0)</b>       | <b>(1,171.8)</b>       |
| <b>Cash flows from financing activities</b>   |                        |                        |
| Cancellation of cumulative non-redeemable preference shares   | (9.5)                  | -                      |
| Net movement in short term financing  | (376.9)                | 459.0                  |
| Payments for finance leases   | (3.1)                  | -                      |
| Proceeds from issue of ordinary shares  | 900.6                  | 26.3                   |
| Proceeds from issue of ordinary shares - underwritten DRP   | 156.5                  | -                      |
| Payments for buy-back of ordinary shares  | -                      | (114.8)                |
| Proceeds from issue of shares to minority interests   | 12.2                   | -                      |
| Payments for buy-back of ordinary shares - LTEIP  | (6) (7.5)              | (39.2)                 |
| Dividends paid - Orica ordinary shares  | (155.2)                | (244.5)                |
| Distributions paid - Step-Up Preference Securities  | (5) (41.5)             | (44.4)                 |
| Dividends paid - minority interests   | (10.4)                 | (17.6)                 |
| <b>Net cash flows from financing activities</b>   | <b>465.2</b>           | <b>24.8</b>            |
| <b>Net decrease in cash held</b>  | <b>(67.9)</b>          | <b>(622.7)</b>         |
| <b>Cash at the beginning of the period</b>  | <b>367.7</b>           | <b>1,008.2</b>         |
| Effects of exchange rate changes on cash  | 12.5                   | (17.8)                 |
| <b>Cash at the end of the year</b>  | <b>312.3</b>           | <b>367.7</b>           |
| <b>Reconciliation of cash</b>   |                        |                        |
| Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows: |                        |                        |
| Cash  | 321.3                  | 370.7                  |
| Bank overdraft  | (9.0)                  | (3.0)                  |
|   | <b>312.3</b>           | <b>367.7</b>           |

The Consolidated Statements of Cash Flows are to be read in conjunction with the accompanying notes.

## 1. Earnings per share (EPS)

| (i) As reported in Income Statements   | Notes | 2008<br>\$m                | 2007<br>\$m                |
|--|-------|----------------------------|----------------------------|
| <b>Reconciliation of earnings used in the calculation of EPS attributable to ordinary shareholders of Orica</b>  |       |                            |                            |
| Net profit for the year  |       | 567.3                      | 513.4                      |
| Net profit for the year attributable to minority interests   |       | (27.7)                     | (25.7)                     |
| Distribution on Orica Step-Up Preference Securities (net of tax benefit)   |       | (28.1)                     | (30.5)                     |
| Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica   |       | 511.5                      | 457.2                      |
| Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)  |       | 28.1                       | -                          |
| Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica   |       | 539.6                      | 457.2                      |
|  |       | <b>Number</b>              | <b>Number</b>              |
| <b>Weighted average number of shares used as the denominator:</b>  |       |                            |                            |
| Number for basic earnings per share  |       | 320,040,216                | 306,306,087                |
| Effect of executive share options  |       | 3,520,965                  | 4,080,147                  |
| Effect of Orica Step-Up Preference Securities  |       | 18,041,197                 | -                          |
| Number for diluted earnings per share  |       | 341,602,378                | 310,386,234                |
| The following Orica Long Term Equity Incentive Plan has not been included in the calculation for diluted earnings per share as it is not dilutive:       |       |                            |                            |
| - issue date 11 May 2007   |       | 61,393                     | 64,405                     |
| - issue date 18 Dec 2007   |       | 1,348,983                  | -                          |
| Effect of Orica Step-Up Preference Securities  |       | -                          | 19,138,369                 |
|  |       | <b>Cents<br/>per share</b> | <b>Cents<br/>per share</b> |
| <b>Total attributable to ordinary shareholders of Orica</b>  |       |                            |                            |
| Basic earnings per share   |       | 159.8                      | 146.3                      |
| Diluted earnings per share   |       | 158.0                      | 144.4                      |
| 2007 basic earnings per share before adjustment for effect of rights issue   |       |                            | 149.3                      |
|  |       | <b>\$m</b>                 | <b>\$m</b>                 |
| <b>(ii) Adjusted for individually material items</b>   |       |                            |                            |
| <b>Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica</b> |       |                            |                            |
| Net profit for the year  |       | 567.3                      | 513.4                      |
| Net profit for the year attributable to minority interests   |       | (27.7)                     | (25.7)                     |
| Distribution on Orica Step-Up Preference Securities (net of tax benefit)   |       | (28.1)                     | (30.5)                     |
| Adjusted for individually material items   | (4)   | 32.7                       | 10.1                       |
| Earnings used in calculation of EPS attributable to ordinary shareholders of Orica   |       | 544.2                      | 467.3                      |
| Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)  |       | 28.1                       | -                          |
| Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica   |       | 572.3                      | 467.3                      |
|  |       | <b>Cents<br/>per share</b> | <b>Cents<br/>per share</b> |
| <b>Total attributable to ordinary shareholders of Orica before individually material items</b>   |       |                            |                            |
| Basic earnings per share   |       | 170.0                      | 149.5                      |
| Diluted earnings per share   |       | 167.5                      | 147.6                      |
| 2007 basic earnings per share before adjustment for effect of rights issue   |       |                            | 152.6                      |

## 2. Segment report

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format is business segments. The consolidated entity's operations have been divided into five business segments comprising Mining Services, Minova, Consumer Products, Chemicals and Other.

On 26 October 2007 Orica acquired Excel Mining Systems LLC and it is included in the Minova business segment.

The Minova group was acquired on 1 January 2007.

Following changes to the operation of the consolidated entity during the year, the former Chemnet and Chemical Services operations have been merged to form one Chemicals operation. Prior year comparatives have been restated accordingly.

The consolidated entity's policy is to transfer products internally at negotiated commercial prices. Other income includes royalties, profit on sale of property, plant and equipment and profit from the sale of businesses and controlled entities.

The consolidated entity's geographical segments are determined based on the location of the Group's assets.

The major products and services from which the above segments derive revenue are:

| Defined business segments | Products/services   |
|---------------------------|---|
| Mining Services           | Manufacture and supply of explosives and mining services, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries.   |
| Minova                    | Manufacture and supply of specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.  |
| Consumer Products         | Manufacture and supply of paints and other surface coatings to the decorative and technical markets and a range of home handyman, car care and garden care products.  |
| Chemicals                 | Manufactures, distributes and trades a broad range of industrial and speciality chemicals for use in a wide range of industries, which include water treatment, pulp and paper, food and beverage, construction and mining. |
| Other                     | Minor activities, operation of the Botany Groundwater Recycling Business, non-operating assets, corporate and support costs and financial items such as foreign currency gains/losses.                                      |

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## 2 Segment report (continued)

Primary reporting  
Business segments  
2008  
\$m

|  | <i>Mining Services</i> | <i>Minova</i> | <i>Consumer Products</i> | <i>Chemicals</i> | <i>Other</i> | <i>Eliminations</i> | <i>Consolidated</i> |
|--|------------------------|---------------|--------------------------|------------------|--------------|---------------------|---------------------|
| <b>Revenue</b>   |                        |               |                          |                  |              |                     |                     |
| External sales   | 3,540.0                | 794.2         | 875.2                    | 1,334.2          | 0.5          | -                   | 6,544.1             |
| Inter-segment sales  | 12.1                   | -             | 0.2                      | 71.9             | -            | (84.2)              | -                   |
| Total sales revenue  | 3,552.1                | 794.2         | 875.4                    | 1,406.1          | 0.5          | (84.2)              | 6,544.1             |
| Other income   | 38.2                   | 0.4           | 1.0                      | 2.3              | 11.9         | -                   | 53.8                |
| Total revenue and other income   | 3,590.3                | 794.6         | 876.4                    | 1,408.4          | 12.4         | (84.2)              | 6,597.9             |
| <b>Results</b>   |                        |               |                          |                  |              |                     |                     |
| Profit/(loss) before individually material items, net financing costs and income tax expense | 635.6                  | 150.1         | 122.6                    | 146.1            | (84.3)       | -                   | 970.1               |
| Individually material items  | (9.6)                  | (12.0)        | -                        | (20.0)           | -            | -                   | (41.6)              |
| <b>Profit/(loss) from operations</b>   | 626.0                  | 138.1         | 122.6                    | 126.1            | (84.3)       | -                   | 928.5               |
| Net financing costs  |                        |               |                          |                  |              |                     | (157.7)             |
| <b>Profit before income tax expense</b>  |                        |               |                          |                  |              |                     | 770.8               |
| Income tax expense   |                        |               |                          |                  |              |                     | (203.5)             |
| <b>Profit after income tax expense</b>   |                        |               |                          |                  |              |                     | 567.3               |
| Minority interests in profit after income tax  |                        |               |                          |                  |              |                     | (27.7)              |
| <b>Net profit for the period relating to shareholders of Orica Limited</b>                   |                        |               |                          |                  |              |                     | 539.6               |
| Segment assets   | 3,656.6                | 2,068.1       | 473.0                    | 1,058.0          | 752.1        | -                   | 8,007.8             |
| Segment liabilities  | 1,121.5                | 197.3         | 202.0                    | 288.5            | 1,880.1      | -                   | 3,689.4             |
| Investments accounted for using the equity method  | 206.6                  | -             | 1.6                      | 0.1              | -            | -                   | 208.3               |
| Acquisitions of PPE and intangibles  | 299.7                  | 13.3          | 37.3                     | 75.1             | 22.9         | -                   | 448.3               |
| Net impairment of inventories  | 3.3                    | 0.6           | 2.1                      | 1.2              | -            | -                   | 7.2                 |
| Net impairment of trade receivables  | 4.8                    | 0.7           | 1.1                      | 1.1              | -            | -                   | 7.7                 |
| Depreciation   | 118.3                  | 7.9           | 11.3                     | 31.6             | 8.5          | -                   | 177.6               |
| Amortisation   | 14.0                   | 21.9          | 2.4                      | 0.5              | 2.3          | -                   | 41.1                |
| Non-cash expenses other than depreciation and amortisation:                                  |                        |               |                          |                  |              |                     |                     |
| - share based payments   | 2.7                    | 0.6           | 0.5                      | 0.6              | 2.1          | -                   | 6.5                 |
| Share of associates net profit equity accounted  | 27.8                   | -             | 0.2                      | 0.1              | -            | -                   | 28.1                |

## 2 Segment report (continued)

Primary reporting  
Business segments  
2007  
\$m

|  | <i>Mining Services</i> | <i>Minova</i> | <i>Consumer Products</i> | <i>Chemicals</i> | <i>Other</i> | <i>Eliminations</i> | <i>Consolidated</i> |
|--|------------------------|---------------|--------------------------|------------------|--------------|---------------------|---------------------|
| <b>Revenue</b>   |                        |               |                          |                  |              |                     |                     |
| External sales   | 3,099.5                | 332.1         | 826.2                    | 1,269.0          | 0.4          | -                   | 5,527.2             |
| Inter-segment sales  | 11.7                   | -             | 0.1                      | 60.5             | -            | (72.3)              | -                   |
| Total sales revenue  | 3,111.2                | 332.1         | 826.3                    | 1,329.5          | 0.4          | (72.3)              | 5,527.2             |
| Other income   | 25.8                   | -             | 0.4                      | 28.2             | 7.1          | -                   | 61.5                |
| Total revenue and other income   | 3,137.0                | 332.1         | 826.7                    | 1,357.7          | 7.5          | (72.3)              | 5,588.7             |
| <b>Results</b>   |                        |               |                          |                  |              |                     |                     |
| Profit/(loss) before individually material items, net financing costs and income tax expense | 575.1                  | 61.6          | 101.6                    | 127.4            | (53.0)       | -                   | 812.7               |
| Individually material items  | (44.7)                 | -             | -                        | 6.4              | 16.0         | -                   | (22.3)              |
| <b>Profit/(loss) from operations</b>   | 530.4                  | 61.6          | 101.6                    | 133.8            | (37.0)       | -                   | 790.4               |
| Net financing costs  |                        |               |                          |                  |              |                     | (122.6)             |
| <b>Profit before income tax expense</b>  |                        |               |                          |                  |              |                     | 667.8               |
| Income tax expense   |                        |               |                          |                  |              |                     | (154.4)             |
| <b>Profit after income tax expense</b>   |                        |               |                          |                  |              |                     | 513.4               |
| Minority interests in profit after income tax  |                        |               |                          |                  |              |                     | (25.7)              |
| <b>Net profit for the period relating to shareholders of Orica Limited</b>                   |                        |               |                          |                  |              |                     | 487.7               |
| Segment assets   | 3,292.6                | 1,020.2       | 432.3                    | 953.5            | 515.8        | -                   | 6,214.4             |
| Segment liabilities  | 978.9                  | 125.6         | 187.0                    | 198.6            | 2,096.7      | -                   | 3,586.8             |
| Investments accounted for using the equity method  | 122.5                  | -             | 1.5                      | 0.5              | -            | -                   | 124.5               |
| Acquisitions of PPE and intangibles  | 200.3                  | 10.0          | 41.5                     | 72.3             | 17.7         | -                   | 341.8               |
| Net impairment of intangibles  | -                      | -             | -                        | 15.4             | -            | -                   | 15.4                |
| Net impairment of inventories  | 1.5                    | 0.9           | 1.2                      | 4.0              | -            | -                   | 7.6                 |
| Net impairment of trade receivables  | 6.1                    | 0.5           | 1.8                      | 2.2              | -            | -                   | 10.6                |
| Depreciation   | 107.4                  | 4.3           | 11.4                     | 26.3             | 3.9          | -                   | 153.3               |
| Amortisation   | 15.4                   | 9.2           | 3.3                      | 0.5              | 1.5          | -                   | 29.9                |
| Non-cash expenses other than depreciation and amortisation:                                  |                        |               |                          |                  |              |                     |                     |
| - share based payments   | 1.1                    | 0.2           | 0.2                      | 0.3              | 0.9          | -                   | 2.7                 |
| Share of associates net profit/(loss) equity accounted                                       | 31.4                   | -             | (0.2)                    | -                | -            | -                   | 31.2                |

## 2 Segment report (continued)

### Secondary reporting

### Geographical segments

2008

\$m

|   | <i>Australia</i> | <i>New Zealand</i> | <i>Asia</i> | <i>North America</i> | <i>Latin America</i> | <i>Europe</i> | <i>Other</i> | <i>Eliminations</i> | <i>Consolidated</i> |
|---|------------------|--------------------|-------------|----------------------|----------------------|---------------|--------------|---------------------|---------------------|
| <b>Revenue</b>  |                  |                    |             |                      |                      |               |              |                     |                     |
| External sales  | 2,703.4          | 376.2              | 527.2       | 1,219.5              | 809.0                | 847.8         | 61.0         | -                   | 6,544.1             |
| Inter-segment sales   | 241.3            | 12.9               | 17.7        | 58.2                 | 22.5                 | 65.5          | 5.9          | (424.0)             | -                   |
| Total sales revenue   | 2,944.7          | 389.1              | 544.9       | 1,277.7              | 831.5                | 913.3         | 66.9         | (424.0)             | 6,544.1             |
| Other income  | 15.0             | 1.0                | 1.6         | 9.5                  | 15.0                 | 11.7          | -            | -                   | 53.8                |
| Total revenue and other income  | 2,959.7          | 390.1              | 546.5       | 1,287.2              | 846.5                | 925.0         | 66.9         | (424.0)             | 6,597.9             |
| <b>Results</b>  |                  |                    |             |                      |                      |               |              |                     |                     |
| Profit before individually material items, net financing costs and income tax expense | 434.7            | 44.0               | 70.9        | 172.5                | 91.8                 | 148.4         | 7.8          | -                   | 970.1               |
| Individually material items   | (24.2)           | -                  | (1.0)       | (9.0)                | (5.6)                | (1.0)         | (0.8)        | -                   | (41.6)              |
| <b>Profit from operations</b>   | 410.5            | 44.0               | 69.9        | 163.5                | 86.2                 | 147.4         | 7.0          | -                   | 928.5               |
| Net financing costs   |                  |                    |             |                      |                      |               |              |                     | (157.7)             |
| <b>Profit before income tax expense</b>   |                  |                    |             |                      |                      |               |              |                     | 770.8               |
| Income tax expense  |                  |                    |             |                      |                      |               |              |                     | (203.5)             |
| <b>Profit after income tax expense</b>  |                  |                    |             |                      |                      |               |              |                     | 567.3               |
| Minority interests in profit after income tax   |                  |                    |             |                      |                      |               |              |                     | (27.7)              |
| <b>Net profit for the period relating to shareholders of Orica Limited</b>            |                  |                    |             |                      |                      |               |              |                     | 539.6               |
| Segment assets  | 3,030.3          | 259.9              | 570.2       | 1,800.5              | 592.7                | 1,707.0       | 47.2         | -                   | 8,007.8             |
| Segment liabilities   | 2,031.5          | 538.1              | 142.5       | 405.1                | 192.4                | 368.5         | 11.3         | -                   | 3,689.4             |
| Investments accounted for using the equity method                                     | 1.7              | -                  | 62.2        | 127.5                | 2.8                  | 14.1          | -            | -                   | 208.3               |
| Acquisitions of PPE and intangibles   | 189.3            | 14.7               | 85.2        | 72.6                 | 31.8                 | 51.4          | 3.3          | -                   | 448.3               |
| Net impairment of inventories   | 4.4              | 0.6                | 1.2         | 0.3                  | 0.3                  | 0.4           | -            | -                   | 7.2                 |
| Net impairment of trade receivables   | 1.6              | 0.1                | 0.7         | 2.3                  | 0.4                  | 2.5           | 0.1          | -                   | 7.7                 |
| Depreciation  | 101.7            | 5.0                | 8.9         | 24.6                 | 14.1                 | 22.4          | 0.9          | -                   | 177.6               |
| Amortisation  | 13.2             | 0.4                | 0.6         | 13.1                 | 2.1                  | 11.7          | -            | -                   | 41.1                |
| Non-cash expenses other than depreciation and amortisation:                           |                  |                    |             |                      |                      |               |              |                     |                     |
| - share based payments  | 4.6              | 0.1                | 0.1         | 0.7                  | 0.4                  | 0.6           | -            | -                   | 6.5                 |
| Share of associates net profit equity accounted                                       | 0.8              | -                  | 5.9         | 19.2                 | 1.0                  | 1.2           | -            | -                   | 28.1                |

## 2 Segment report (continued)

Secondary reporting  
Geographical segments  
2007  
\$m

|   | Australia | New Zealand | Asia  | North America | Latin America | Europe  | Other | Eliminations | Consolidated |
|---|-----------|-------------|-------|---------------|---------------|---------|-------|--------------|--------------|
| <b>Revenue</b>  |           |             |       |               |               |         |       |              |              |
| External sales  | 2,428.1   | 405.4       | 439.8 | 817.9         | 677.5         | 714.4   | 44.1  | -            | 5,527.2      |
| Inter-segment sales   | 141.1     | 13.4        | 14.8  | 42.5          | 20.4          | 53.2    | 4.7   | (290.1)      | -            |
| Total sales revenue   | 2,569.2   | 418.8       | 454.6 | 860.4         | 697.9         | 767.6   | 48.8  | (290.1)      | 5,527.2      |
| Other income  | (0.4)     | 36.5        | 3.3   | 2.5           | 11.7          | 7.9     | -     | -            | 61.5         |
| Total revenue and other income  | 2,568.8   | 455.3       | 457.9 | 862.9         | 709.6         | 775.5   | 48.8  | (290.1)      | 5,588.7      |
| <b>Results</b>  |           |             |       |               |               |         |       |              |              |
| Profit before individually material items, net financing costs and income tax expense | 369.5     | 50.1        | 75.6  | 97.2          | 87.7          | 129.8   | 2.8   | -            | 812.7        |
| Individually material items <sup>(1)</sup>  | (13.0)    | 32.2        | (1.9) | (1.0)         | (25.8)        | (12.8)  | -     | -            | (22.3)       |
| <b>Profit from operations</b>   | 356.5     | 82.3        | 73.7  | 96.2          | 61.9          | 117.0   | 2.8   | -            | 790.4        |
| Net financing costs   |           |             |       |               |               |         |       |              | (122.6)      |
| <b>Profit before income tax expense</b>   |           |             |       |               |               |         |       |              | 667.8        |
| Income tax expense  |           |             |       |               |               |         |       |              | (154.4)      |
| <b>Profit after income tax expense</b>  |           |             |       |               |               |         |       |              | 513.4        |
| Minority interests in profit after income tax   |           |             |       |               |               |         |       |              | (25.7)       |
| <b>Net profit for the period relating to shareholders of Orica Limited</b>            |           |             |       |               |               |         |       |              | 487.7        |
| Segment assets  | 2,856.6   | 233.4       | 416.3 | 651.6         | 541.3         | 1,482.7 | 32.5  | -            | 6,214.4      |
| Segment liabilities   | 2,104.3   | 619.4       | 79.1  | 295.9         | 130.4         | 350.0   | 7.7   | -            | 3,586.8      |
| Investments accounted for using the equity method                                     | 2.0       | -           | 52.7  | 55.0          | 2.0           | 12.8    | -     | -            | 124.5        |
| Acquisitions of PPE and intangibles   | 175.6     | 11.2        | 18.5  | 66.3          | 23.4          | 46.1    | 0.7   | -            | 341.8        |
| Net impairment of intangibles   | 15.4      | -           | -     | -             | -             | -       | -     | -            | 15.4         |
| Net impairment of inventories   | 4.9       | 0.5         | 0.6   | 0.3           | 0.3           | 0.8     | 0.2   | -            | 7.6          |
| Net impairment of trade receivables   | 2.5       | 0.7         | 1.6   | 1.0           | 3.2           | 1.6     | -     | -            | 10.6         |
| Depreciation  | 83.5      | 5.4         | 9.8   | 19.7          | 13.7          | 20.1    | 1.1   | -            | 153.3        |
| Amortisation  | 12.3      | 0.6         | 0.7   | 2.9           | 2.0           | 11.4    | -     | -            | 29.9         |
| Non-cash expenses other than depreciation and amortisation:                           |           |             |       |               |               |         |       |              |              |
| - share based payments  | 2.0       | 0.1         | -     | 0.3           | 0.1           | 0.2     | -     | -            | 2.7          |
| Share of associates net profit/(loss) equity accounted                                | (0.6)     | -           | 7.9   | 18.2          | 1.6           | 4.1     | -     | -            | 31.2         |

<sup>(1)</sup> On disposal of the Adhesives and Resins business assets, a gain was realised in the New Zealand segment and a loss in the Australian segment.

### 3. Sales revenue and other income

|  | 2008<br>\$m    | 2007<br>\$m |
|--|----------------|-------------|
| <b>Sales revenue</b>                               | <b>6,544.1</b> | 5,527.2     |
| <b>Other income</b>                                |                |             |
| Royalty income                                     | 1.9            | 3.0         |
| Other income                                       | 46.5           | 32.3        |
| Profit from sale of businesses/controlled entities | -              | 26.2        |
| Profit on sale of property, plant and equipment    | 5.4            | -           |
| <b>Total other income</b>                          | <b>53.8</b>    | 61.5        |

### 4. Specific income and expenses

|   | 2008          |            |               | 2007         |            |            |
|---|---------------|------------|---------------|--------------|------------|------------|
|   | Gross<br>\$m  | Tax<br>\$m | Net<br>\$m    | Gross<br>\$m | Tax<br>\$m | Net<br>\$m |
| Profit after income tax includes the following individually material items of (expense)/income: |               |            |               |              |            |            |
| Restructuring and rationalisation costs: <sup>(1)</sup>   |               |            |               |              |            |            |
| Marplex business  | -             | -          | -             | (16.9)       | 0.5        | (16.4)     |
| Chemicals business  | <b>(20.0)</b> | <b>5.3</b> | <b>(14.7)</b> | -            | -          | -          |
| Integration costs - (expenditure)/income: <sup>(2)</sup>  |               |            |               |              |            |            |
| Dyno Nobel  | <b>(9.6)</b>  | <b>0.1</b> | <b>(9.5)</b>  | (44.7)       | 10.9       | (33.8)     |
| Minova/Excel  | <b>(12.0)</b> | <b>3.0</b> | <b>(9.0)</b>  | -            | -          | -          |
| Profit on disposal of:  |               |            |               |              |            |            |
| Adhesives and Resins (A&R) <sup>(3)</sup>   | -             | -          | -             | 23.3         | 0.4        | 23.7       |
| Tax indemnity - Cropcare <sup>(4)</sup>   | -             | -          | -             | 16.0         | -          | 16.0       |
| Individually material items   | <b>(41.6)</b> | <b>8.4</b> | <b>(33.2)</b> | (22.3)       | 11.8       | (10.5)     |
| Minority interests in individually material items   | <b>(0.5)</b>  | -          | <b>(0.5)</b>  | (0.4)        | -          | (0.4)      |
| Individually material items attributable to shareholders of Orica                               | <b>(41.1)</b> | <b>8.4</b> | <b>(32.7)</b> | (21.9)       | 11.8       | (10.1)     |

<sup>(1)</sup> Costs including asset write downs and provisions relating to restructuring and merging of the Chemicals business in 2008 and restructuring of the Marplex (Victoria, Australia) business in 2007.

<sup>(2)</sup> Costs including asset write downs and provisions relating to the integration and restructuring of the Mining Services and Minova segments following the purchase the Dyno Nobel, Excel and Minova businesses.

<sup>(3)</sup> Profit on sale of Adhesives and Resins business assets in Australia and New Zealand.

<sup>(4)</sup> The Cropcare business was sold to Nufarm Limited in October 2002 and Orica provided a tax indemnity. A tax assessment was received by Nufarm Limited in 2006 and Orica provided for this amount and disputed the claim. In 2007, the Australian Tax Office refunded amounts paid and the expense previously recognised was reversed.

## 5. Dividends and distributions

|   | 2008<br>\$m  | 2007<br>\$m |
|---|--------------|-------------|
| <b>Dividends and distributions</b>  |              |             |
| Dividends paid or declared in respect of the year ended 30 September were:  |              |             |
| <b>Ordinary shares</b>  |              |             |
| interim dividend of 36 cents per share, 38.9% franked at 30%, paid 6 Jul 2007   | -            | 111.3       |
| interim dividend of 39 cents per share, 35.9% franked at 30%, paid 4 Jul 2008   | <b>122.1</b> | -           |
| final dividend of 48 cents per share, 43.75% franked at 30%, paid 15 Dec 2006   | -            | 148.0       |
| final dividend of 53 cents per share, 32.08% franked at 30%, paid 14 Dec 2007   | <b>162.4</b> | -           |
| <b>Cumulative non-redeemable 5% preference shares <sup>(1)</sup></b>  |              |             |
| interim dividend of 2.5 cents per share, 38.9 % franked at 30%, paid 31 Jul 2007  | -            | 0.05        |
| final dividend of 2.5 cents per share, 43.75% franked at 30%, paid 12 Jan 2007  | -            | 0.05        |
| final dividend of 2.5 cents per share, 32.08% franked at 30%, paid 18 Jan 2008  | <b>0.05</b>  | -           |
| Distributions paid in respect of the year ended 30 September were:  |              |             |
| <b>Step-Up Preference Securities</b>  |              |             |
| distribution at 6.995% per annum, per share, unfranked, paid 30 November 2006 for the period from 15 March 2006 to 30 November 2006 | -            | 24.9        |
| distribution at 7.820% per annum, per share, unfranked, paid 31 May 2007 for the period from 1 December 2006 to 30 May 2007         | -            | 19.5        |
| distribution at 7.8133% per annum, per share, unfranked, paid 30 November 2007 for the period from 31 May 2007 to 29 November 2007  | <b>19.6</b>  | -           |
| distribution at 8.7317% per annum, per share, unfranked, paid 2 June 2008 for the period from 30 November 2007 to 31 May 2008       | <b>21.9</b>  | -           |
| Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the period were as follows:  |              |             |
| paid in cash  | <b>155.2</b> | 218.5       |
| satisfied by issue of shares  | <b>129.4</b> | 14.8        |
| Dividends satisfied by the purchase of shares on market for dividend reinvestment plan <sup>(2)</sup>                               | -            | 26.1        |
| Distributions paid in cash  | <b>41.5</b>  | 44.4        |
| No distributions were satisfied by the issue/purchase of shares.  |              |             |

<sup>(1)</sup> Dividends on these shares have been charged to the Income Statement as borrowing costs as the shares are classified as liabilities. These were cancelled during the year.

<sup>(2)</sup> During the year, the Company bought nil (2007 1,089,528) shares on market to satisfy shareholders' dividend reinvestment plan requirements. The transaction costs have been charged directly against contributed equity.

### Subsequent events

Since the end of the year, the directors declared the following dividend:

Final dividend on ordinary shares of 55 cents per share, 36.36% franked at 30%, payable 5 December 2008.

The financial effect of the final dividend on ordinary shares has not been brought to account in the financial statements for the year ended 30 September 2008 and will be recognised in the 2009 annual financial statements.

### Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

It is anticipated that dividends will be partly franked at a rate of no more than 40%.

### Amount per security of foreign source dividend:

|                                    |                                     |
|------------------------------------|-------------------------------------|
| Interim dividend:                  | Interim dividend:                   |
| Current period - Ordinary Nil      | Previous period - Ordinary Nil      |
| Final dividend:                    | Final dividend:                     |
| Current period - Ordinary 25 cents | Previous period - Ordinary 20 cents |

## 6. Contributed equity

|  | 2008<br>\$m    | 2007<br>\$m |
|--|----------------|-------------|
| <b>Issued and fully paid:</b>  |                |             |
| Cumulative non-redeemable 5% preference shares - nil (2007 2,000,000) <sup>(1)</sup> | -              | -           |
| Step-Up Preference Securities - 5,000,000 (2007 5,000,000) <sup>(2)</sup>            | 490.0          | 490.0       |
| Ordinary shares - 359,196,325 (2007 307,912,707)                                     | <b>1,881.3</b> | 702.4       |

<sup>(1)</sup> On 14 January 2008, the 5% cumulative non-redeemable preference shares were cancelled for a cash payment of \$4.75 for each cancelled 5% preference share. The excess over the face value of \$7.5 million has been charged to the income statement. Under AASB 139, the 5% cumulative non-redeemable preference shares were treated as non-current interest bearing liabilities.

<sup>(2)</sup> The Group issued Step-Up Preference Securities (SPS) via a prospectus dated 17 February 2006. The SPS are stapled securities comprising a fully paid Preference Share and a fully paid unsecured note. The SPS have no fixed repayment date, but Orica has the right to repurchase them for cash or convert the SPS into a variable number of ordinary shares in Orica from November 2011 or earlier in certain circumstances. Holders rank ahead of ordinary shares but ranked behind cumulative non-redeemable preference shares and creditors. Distributions payable on the SPS are discretionary, payable semi-annually, non-cumulative, unfranked and payable based on the 180 day bill swap rate plus a margin of 1.35% per annum. Should the credit rating of SPS fall below Standard and Poor's BBB- or equivalent, or no longer be rated, then an additional 1% will be added to the distribution rate. Distributions are payable in priority to distributions on Orica shares, but ranked behind existing Orica preference shares. Where a distribution on SPS is not paid, Orica may not declare or pay any dividends, pay any interest, or distribute any income or capital on any security that ranks behind the SPS until Orica has paid SPS distributions scheduled for the twelve months following the missed distribution or Orica has paid an amount equivalent to the unpaid distributions in the last twelve months, or all SPS have been repurchased or converted, or a special resolution of the SPS holders has been passed approving such payment. Orica SPS holders do not have voting rights in shareholder meetings except in limited circumstances.

Under a Deed of Undertaking and Indemnity between Orica Limited and Australian Stock Exchange Limited (ASX), the ASX reserves the right (but without limiting its absolute discretion) to remove either or both of the Company and Orica New Zealand Securities Ltd (Orica NZ) from the official list if a) any of the SPS Preference Shares of the Company and Notes of Orica NZ cease to be stapled together, or b) if any SPS Preference Share or Notes are issued by either of the Company or Orica NZ which are not stapled to corresponding securities in the other entity.

## 6. Contributed equity (continued)

Movements in issued and fully paid shares of the Company since 1 October 2006 were as follows:

| Details   | Date             | Number of shares   | Issue price \$ | \$m            |
|---|------------------|--------------------|----------------|----------------|
| <b>Cumulative non-redeemable 5% preference shares</b>                           |                  |                    |                |                |
| Opening balance   | 1-Oct-06         | 2,000,000          |                | -              |
| <b>Balance at end of the year</b>   | <b>30-Sep-07</b> | <b>2,000,000</b>   |                | <b>-</b>       |
| Shares cancelled  | 14-Jan-08        | (2,000,000)        |                | -              |
| <b>Balance at end of the year</b>   | <b>30-Sep-08</b> | <b>-</b>           |                | <b>-</b>       |
| <b>Step-Up Preference Securities</b>  |                  |                    |                |                |
| Opening balance - gross <sup>(1)</sup>  | 1-Oct-06         | 5,000,000          | 100.0          | 500.0          |
| Opening balance - costs <sup>(1)</sup>  |                  |                    |                | (10.0)         |
| <b>Balance at end of the year</b>   | <b>30-Sep-07</b> | <b>5,000,000</b>   |                | <b>490.0</b>   |
| <b>Balance at end of the year</b>   | <b>30-Sep-08</b> | <b>5,000,000</b>   |                | <b>490.0</b>   |
| <b>Ordinary shares</b>  |                  |                    |                |                |
| Opening balance of ordinary shares issued                                       | 1-Oct-06         | 309,217,777        |                | 815.3          |
| Shares issued under the Orica executive option plans <sup>(6)</sup>             |                  | 1,926,006          |                | 14.6           |
| Shares issued under the Orica dividends reinvestment plan                       |                  | 491,901            |                | 14.8           |
| Share movements under the Orica LTEIP plan <sup>(7)</sup>                       |                  | -                  |                | (31.4)         |
| Shares issued under the Orica SESLP plan <sup>(8)</sup>                         |                  | -                  |                | 2.2            |
| Shares issued under the Orica GEESP plan <sup>(2)</sup>                         |                  | 20,502             |                | 1.7            |
| Share buy-back <sup>(3)</sup>   |                  | (3,743,479)        | 30.67          | (114.8)        |
| <b>Balance at end of the year</b>   | <b>30-Sep-07</b> | <b>307,912,707</b> |                | <b>702.4</b>   |
| Shares issued under the Orica executive option plans <sup>(6)</sup>             |                  | 62,802             |                | 0.4            |
| Shares issued under the Orica dividend reinvestment plan                        | 14-Dec-07        | 3,021,980          | 27.08          | 81.9           |
| Shares issued under the Orica dividend reinvestment plan                        | 4-Jul-08         | 1,630,562          | 29.12          | 47.5           |
| Shares issued under the Orica dividend reinvestment plan underwriting agreement | 14-Dec-07        | 2,922,919          | 27.78          | 81.2           |
| Shares issued under the Orica dividend reinvestment plan underwriting agreement | 4-Jul-08         | 2,519,795          | 29.88          | 75.3           |
| Share movements under the Orica LTEIP plan <sup>(7)</sup>                       |                  | 1,192,412          |                | 5.5            |
| Shares issued under the Orica Rights issue <sup>(4)</sup>                       | 6-Aug-08         | 26,860,076         |                | 604.3          |
| Shares issued under the Orica Rights issue <sup>(5)</sup>                       | 28-Aug-08        | 13,073,072         |                | 294.0          |
| Expenses related to the Orica Rights Issue <sup>(4) (5)</sup>                   |                  | -                  |                | (13.1)         |
| Shares issued under the Orica GEESP plan <sup>(2)</sup>                         |                  | -                  |                | 1.9            |
| <b>Balance at end of the year</b>   | <b>30-Sep-08</b> | <b>359,196,325</b> |                | <b>1,881.3</b> |

<sup>(1)</sup> Shares issued and costs incurred in 2006 pursuant to the Step-Up Preference Securities issued in accordance with the prospectus dated 17 February 2006.

<sup>(2)</sup> Shares issued under the Orica general employee exempt share plan.

<sup>(3)</sup> Shares bought back and cancelled over a period from May 2007 to July 2007.

<sup>(4)</sup> Shares issued under the Orica Rights issue prospectus dated 28 July 2008 - Institutional Offer.

<sup>(5)</sup> Shares issued under the Orica Rights issue prospectus dated 28 July 2008 - Retail Offer.

## 6. Contributed equity (continued)

| Details   | Date             | Number of shares | Issue price \$ | \$m           |
|---|------------------|------------------|----------------|---------------|
| <b>(6) Shares issued under the Orica executive option plan</b>  |                  |                  |                |               |
| 2006/2007   |                  |                  |                |               |
|   |                  | 10,000           | 5.09           | 0.1           |
|   |                  | 1,767,688        | 7.33           | 13.0          |
|   |                  | 5,500            | 7.73           | -             |
|   |                  | 12,191           | 8.44           | 0.1           |
|   |                  | 15,066           | 8.66           | 0.1           |
|   |                  | 41,168           | 9.60           | 0.4           |
|   |                  | 26,844           | 9.77           | 0.3           |
|   |                  | 10,000           | 9.78           | 0.1           |
|   |                  | 16,504           | 12.80          | 0.2           |
|   |                  | 21,045           | 16.77          | 0.3           |
| <b>Movement for the year</b>  | <b>30-Sep-07</b> | <b>1,926,006</b> |                | <b>14.6</b>   |
| <b>2007/2008</b>  |                  |                  |                |               |
|   |                  | <b>22,000</b>    | <b>5.09</b>    | <b>0.1</b>    |
|   |                  | <b>19,802</b>    | <b>7.33</b>    | <b>0.2</b>    |
|   |                  | <b>21,000</b>    | <b>5.14</b>    | <b>0.1</b>    |
| <b>Movement for the year</b>  | <b>30-Sep-08</b> | <b>62,802</b>    |                | <b>0.4</b>    |
| The options have been exercised at various times during the year. The weighted average of the fair value of shares issued was \$28.40 (2007 \$24.32). |                  |                  |                |               |
| <b>(7) Share movements under the Orica LTEIP plan</b>   |                  |                  |                |               |
| 2006/2007   |                  |                  |                |               |
| Shares bought back  | Various          | -                |                | (39.2)        |
| Shares issued - loan repayment  | Various          | -                |                | 7.8           |
| <b>Movement for the year</b>  | <b>30-Sep-07</b> | <b>-</b>         |                | <b>(31.4)</b> |
| <b>2007/2008</b>  |                  |                  |                |               |
| Shares issued   | <b>29-Jan-08</b> | <b>1,192,412</b> | <b>31.76</b>   | <b>-</b>      |
| Shares bought back  | <b>Various</b>   | <b>-</b>         |                | <b>(7.5)</b>  |
| Shares issued - loan repayment  | <b>Various</b>   | <b>-</b>         |                | <b>13.0</b>   |
| <b>Movement for the year</b>  | <b>30-Sep-08</b> | <b>1,192,412</b> |                | <b>5.5</b>    |
| <b>(8) Shares issued under the Orica SESLP plan</b>   |                  |                  |                |               |
| 2006/2007   |                  |                  |                |               |
| Shares issued - loan repayment  | Various          |                  |                | 2.2           |
| <b>Movement for the year</b>  | <b>30-Sep-07</b> | <b>-</b>         |                | <b>2.2</b>    |

Under the SESLP (2007) and LTEIP, eligible executives are provided with a three year, interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. The shares issued to the executives are either purchased on market or issued by Orica. Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements based on the value of the options. Shares issued under the plans are recognised as shares issued at nil value, with a share based payments expense recognised in the income statement based on the value of the options. Shares purchased on-market under the plans are recognised as a share buy-back. Repayments of share loans are recognised as share capital. Under the November 2006 and December 2007 LTEIP executive allocations, executives who leave Orica within three years are not entitled to deal with the shares. The shares are returned to Orica.

## 6. Contributed equity (continued)

### Options over unissued shares:

| Exercisable between                | Balance 30 Sep 06 | Issued/<br>reinstated<br>during<br>the period | Exercised<br>during<br>the period | Lapsed<br>during<br>the period | Balance 30 Sep 07 | Exercised<br>during<br>the period | Lapsed<br>during<br>the period | Balance 30 Sep 08 |
|------------------------------------|-------------------|---|-----------------------------------|--------------------------------|-------------------|-----------------------------------|--------------------------------|-------------------|
| 01 Jan 03 31 Dec 09                | 16,500            | -   | (5,500)                           | -                              | 11,000            | -                                 | -                              | 11,000            |
| 01 Jan 04 31 Dec 10                | 34,600            | -   | -                                 | -                              | 34,600            | (21,000)                          | -                              | 13,600            |
| 31 Dec 04 31 Dec 06                | 59,000            | -   | (10,000)                          | -                              | 49,000            | (22,000)                          | -                              | 27,000            |
| 31 Oct 05 31 Oct 07 <sup>(1)</sup> | 1,787,490         | -   | (1,767,688)                       | -                              | 19,802            | (19,802)                          | -                              | -                 |
| 31 Oct 05 31 Oct 07 <sup>(1)</sup> | 15,066            | -   | (15,066)                          | -                              | -                 | -                                 | -                              | -                 |
| 31 Oct 05 31 Oct 07 <sup>(1)</sup> | 12,191            | -   | (12,191)                          | -                              | -                 | -                                 | -                              | -                 |
| 31 Oct 05 31 Oct 07 <sup>(1)</sup> | 26,845            | -   | (26,844)                          | -                              | 1                 | -                                 | (1)                            | -                 |
| 31 Oct 05 31 Oct 07 <sup>(1)</sup> | 10,000            | -   | (10,000)                          | -                              | -                 | -                                 | -                              | -                 |
| 31 Oct 05 31 Oct 07 <sup>(1)</sup> | 41,168            | -   | (41,168)                          | -                              | -                 | -                                 | -                              | -                 |
| 10 Nov 05 31 Oct 07 <sup>(1)</sup> | 16,504            | -   | (16,504)                          | -                              | -                 | -                                 | -                              | -                 |
| 10 Nov 06 31 Oct 07 <sup>(1)</sup> | 21,045            | -   | (21,045)                          | -                              | -                 | -                                 | -                              | -                 |
| <b>Total</b>                       | <b>2,040,409</b>  | <b>-</b>                                      | <b>(1,926,006)</b>                | <b>-</b>                       | <b>114,403</b>    | <b>(62,802)</b>                   | <b>(1)</b>                     | <b>51,600</b>     |

<sup>(1)</sup> Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure.

|  | 2008<br>\$m    | 2007<br>\$m    |
|--|----------------|----------------|
| <b>Total equity reconciliation</b>   |                |                |
| Total equity at the beginning of the year                                    | 2,627.6        | 2,668.2        |
| Total changes recognised in statement of recognised income and expense       | 781.0          | 354.2          |
| Transactions with owners as owners   |                |                |
| Dividends paid   | (284.5)        | (259.3)        |
| Distributions paid   | (41.5)         | (44.4)         |
| Less tax credit on Step-Up Preference Securities distributions               | 13.4           | 13.9           |
| Share based payments reserve movements                                       | 6.5            | 2.7            |
| Transfer of reserves to Income Statement on disposal of foreign subsidiaries | -              | 2.9            |
| Equity reserve arising from purchase of minorities                           | 1.0            | (7.0)          |
| Total changes in contributed equity  | 1,178.9        | (112.9)        |
| Total changes in minority interest   | 36.0           | 9.3            |
| <b>Total equity at the end of the year</b>                                   | <b>4,318.4</b> | <b>2,627.6</b> |

## 7. Consolidated statement of reserves and retained earnings

|   | 2008<br>\$m    | 2007<br>\$m    |
|---|----------------|----------------|
| <b>Reserves and retained earnings</b>                                   |                |                |
| <b>(a) Reserves</b>   |                |                |
| Share based payments  | 28.1           | 21.6           |
| Cash flow hedging   | 5.2            | (4.5)          |
| Foreign currency translation  | 64.0           | (198.6)        |
| Equity - arising from purchase of minorities                            | (6.0)          | (7.0)          |
| <b>Balance at end of the year</b>                                       | <b>91.3</b>    | <b>(188.5)</b> |
| <b>Movement in reserves during the year</b>                             |                |                |
| Share based payments  |                |                |
| Balance at beginning of the year  | 21.6           | 18.9           |
| Share based payments expense  | 6.5            | 2.7            |
| <b>Balance at end of the year</b>                                       | <b>28.1</b>    | <b>21.6</b>    |
| Cash flow hedging   |                |                |
| Balance at beginning of the year  | (4.5)          | 3.1            |
| Movement for the year   | 9.7            | (7.6)          |
| <b>Balance at end of the year</b>                                       | <b>5.2</b>     | <b>(4.5)</b>   |
| Foreign currency translation  |                |                |
| Balance at beginning of the year  | (198.6)        | (68.6)         |
| Transfer to income statement on disposal of foreign subsidiaries        | -              | 2.9            |
| Translation of overseas controlled entities at the end of the year      | 262.6          | (132.9)        |
| <b>Balance at end of the year</b>                                       | <b>64.0</b>    | <b>(198.6)</b> |
| Equity - arising from purchase of minorities                            |                |                |
| Balance at beginning of the year  | (7.0)          | -              |
| Purchase of minority interests  | 1.0            | (7.0)          |
| <b>Balance at end of the year</b>                                       | <b>(6.0)</b>   | <b>(7.0)</b>   |
| <b>(b) Retained earnings</b>  |                |                |
| Retained earnings at the beginning of the year                          | 1,562.8        | 1,357.9        |
| Operating profit after income tax attributable to shareholders of Orica | 539.6          | 487.7          |
| Defined benefit fund superannuation movement (net of tax)               | (30.9)         | 7.0            |
| Dividends/distributions paid:   |                |                |
| Step-Up Preference Securities distributions                             | (41.5)         | (44.4)         |
| Less tax credit on Step-Up Preference Securities distributions          | 13.4           | 13.9           |
| Ordinary dividends – interim  | (122.1)        | (111.3)        |
| Ordinary dividends – final  | (162.4)        | (148.0)        |
| <b>Retained earnings at end of the year</b>                             | <b>1,758.9</b> | <b>1,562.8</b> |

## 8. Investments accounted for using the equity method

The consolidated entity has an interest in the following entities:

| Name of entity:                                  | Percentage of ownership interest held at end of period or date of disposal |           | Contribution to net profit                 |  |
|--|--|-----------|--|--|
|  | 30-Sep-08  | 30-Sep-07 | 30-Sep-08                                  | 30-Sep-07                                  |
|  | %  | %         | \$m  | \$m  |
| Emirates Explosives L.L.C. <sup>(1)</sup>        | -  | -         |  |  |
| Nelson Brothers, LLC                             | 50.0   | 50.0      | 25.6                                       | 24.9                                       |
| Nelson Brothers Mining Services, LLC             | 50.0   | 50.0      |  |  |
| Thai Nitrate Company Ltd                         | 50.0   | 50.0      |  |  |
| Australian Plantations Pty Ltd                   | 50.0   | 50.0      | Individually not material.<br>In aggregate | Individually not material.<br>In aggregate |
| Botany Industrial Park Pty Limited               | 33.4   | 33.4      |  |  |
| BXL Bulk Explosives Limited                      | 50.0   | 50.0      |  |  |
| Controladora DNS de RL de CV                     | 49.0   | 49.0      |  |  |
| Dyno Nobel Petrolera                             | 47.0   | 47.0      |  |  |
| Dyno Nobel UMMC LLC                              | 50.0   | 50.0      |  |  |
| Exor Explosives Limited                          | 50.0   | 50.0      |  |  |
| Geneva Nitrogen LLC                              | 50.0   | 50.0      |  |  |
| Geodynamics B.V.                                 | 27.3   | 27.3      |  |  |
| Irish Mining Emulsion Systems Ltd                | 50.0   | 50.0      |  |  |
| Makina Kimya Nitro Nobel Kimya                   |  |           |  |  |
| Sanayii A.S (Disposed 3 May 2007)                | -  | -         |  |  |
| MicroCoal Inc.                                   | 50.0   | 50.0      |  |  |
| MSW-Chemie GmbH                                  | 31.5   | 31.5      |  |  |
| Norabel Ignition Systems AB                      | 50.0   | 50.0      |  |  |
| Northwest Energetic Services, LLC <sup>(1)</sup> | -  | 33.3      |  |  |
| Orica Camel Coatings Ltd                         | 50.0   | 50.0      |  |  |
| OY Forcit  | 20.0   | 20.0      | 2.5  | 6.3  |
| PIIK Limited Partnership                         | 49.0   | 49.0      |  |  |
| Pigment Manufacturers of Australia Limited       | 50.0   | 50.0      |  |  |
| Pinegro Products Pty Ltd                         | 50.0   | 50.0      |  |  |
| Southwest Energy LLC                             | 50.0   | -         |  |  |
| Sprewa Sprengmittel GmbH                         | 24.0   | 24.0      |  |  |
| SVG&FNS Philippines Holdings Inc                 | 40.0   | 40.0      |  |  |
| Troisdorf GmbH                                   | 50.0   | 50.0      |  |  |
| Ulaex SA   | 50.0   | 50.0      |  |  |
| Wurgendorf GmbH                                  | 50.0   | 50.0      |  |  |
| <b>Total</b>                                     |  |           | <b>28.1</b>                                | <b>31.2</b>                                |

<sup>(1)</sup> Consolidated as a subsidiary: Emirates Explosives L.L.C. from 6 November 2006, Northwest Energetic Services, LLC from 1 December 2007.

## 9. Businesses acquired

### Consolidated - 2008

#### Acquisition of businesses and controlled entities

The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

#### Excel Mining

On 24 September 2007, Orica announced that it had signed an agreement to acquire all of Excel Mining Systems LLC. The acquisition was completed on 26 October 2007.

#### Other entities

Southern Blasting Services, Inc., on 1 October 2007; Deco-Pro China Limited, on 7 November 2007; Intermountain West Energy, Inc. on 1 December 2007; Northwest Energetic Service LLC shareholding increased to 51.3% (2007 33.3%), on 1 December 2007; Evolutia Chemicals SA, on 17 December 2007; BWZ Berg - und Industrietechnik GmbH, on 1 January 2008; Explozia Slovakia s.r.o., on 1 April 2008; D.C. Guelich Explosive Company, on 9 May 2008; Arnall Poland Sp z o.o., on 4 September 2008.

#### Businesses

Business assets of: CHC Resources, on 1 March 2008; Enviro Solutions Pty Ltd, on 17 March 2008; Strata Control Systems, on 23 May 2008; Cyantific Instruments Pty Ltd, on 1 May 2008; Iron Chemicals Australia, on 28 February 2008; Sindile Mining Supplies, on 15 July 2008.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date.

|   | Book<br>Values<br>\$m | Fair Value<br>Adjustments<br>\$m | Total<br>\$m |
|---|-----------------------|----------------------------------|--------------|
| <b>2008</b>   |                       |                                  |              |
| Consideration <sup>(1)</sup>  |                       |                                  |              |
| cash paid   | 895.5                 | -                                | 895.5        |
| net cash acquired   | (26.3)                | -                                | (26.3)       |
| deferred settlement   | 12.2                  | -                                | 12.2         |
| <b>Total consideration</b>  | <b>881.4</b>          | <b>-</b>                         | <b>881.4</b> |
| Fair value of net assets of businesses/controlled entities acquired |                       |                                  |              |
| trade and other receivables   | 46.1                  | -                                | 46.1         |
| inventories   | 35.3                  | 0.9                              | 36.2         |
| property, plant and equipment                                       | 34.9                  | -                                | 34.9         |
| intangibles including purchased goodwill                            | 308.5                 | -                                | 308.5        |
| other assets  | 4.2                   | 0.2                              | 4.4          |
| payables and interest bearing liabilities                           | (47.6)                | -                                | (47.6)       |
| provision for employee entitlements                                 | (2.3)                 | -                                | (2.3)        |
| provision for environmental   | (0.7)                 | (1.5)                            | (2.2)        |
| provision for taxation  | (0.8)                 | -                                | (0.8)        |
| contingent liabilities  | -                     | (2.1)                            | (2.1)        |
|   | 377.6                 | (2.5)                            | 375.1        |
| Less minority interest at date of acquisition                       | (1.5)                 | -                                | (1.5)        |
|   | 376.1                 | (2.5)                            | 373.6        |
| <b>Goodwill on acquisition</b>                                      |                       |                                  | <b>507.8</b> |

<sup>(1)</sup> The total consideration includes \$866.2 million for newly controlled entities, and \$3 million for the partial purchase of the minority share in controlled entities.

#### Results contributed by acquired entities since acquisition date:

|  |            |
|--|------------|
|  | <u>\$m</u> |
| Revenue for the period   | 345.9      |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period | 72.3       |

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 12 months to 30 September 2008 are as follows:

|                   |            |
|-------------------|------------|
|                   | <u>\$m</u> |
| Operating revenue | 452.4      |
| EBITDA            | 83.0       |

The unaudited information was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses.

## 9. Businesses acquired (continued)

### Consolidated - 2007

#### Acquisition of businesses and controlled entities

The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

#### Minova entities

In October 2006, Orica agreed to acquire the Minova group. The acquisition was completed on 1 January 2007.

#### Other entities

BST Manufacturing Inc on 1 February 2007.

Blast & Quarry Surveys Ltd on 28 September 2007.

Emirates Explosives LLC shareholding increased to 65% (2006 49%) on 6 November 2006.

#### Businesses

Business assets of Detacorp and SEC Holdings on 1 October 2006.

Chlor-alkali assets of CSBP Limited on 5 December 2006.

Business assets of Ultraviolet Technology of Australasia Pty Ltd on 20 February 2007.

Business assets of Wendouree Water Treatment Pty Ltd on 1 August 2007.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for accounting to be finalised following the acquisition date.

|   | Book<br>Values<br>\$m | Fair Value<br>Adjustments<br>\$m | Total<br>\$m |
|---|-----------------------|----------------------------------|--------------|
| <b>2007</b>   |                       |                                  |              |
| Consideration <sup>(1)</sup>  |                       |                                  |              |
| cash paid   | 931.5                 | -                                | 931.5        |
| acquisition costs   | 14.3                  | -                                | 14.3         |
| net cash acquired   | (10.8)                | -                                | (10.8)       |
| deferred settlement   | 18.8                  | -                                | 18.8         |
| <b>Total consideration</b>  | <b>953.8</b>          | <b>-</b>                         | <b>953.8</b> |
| Fair value of net assets of businesses/controlled entities acquired |                       |                                  |              |
| trade and other receivables   | 126.6                 | 1.5                              | 128.1        |
| inventories   | 39.9                  | 6.6                              | 46.5         |
| property, plant and equipment                                       | 56.4                  | -                                | 56.4         |
| intangibles including purchased goodwill                            | -                     | 170.9                            | 170.9        |
| other assets  | 5.5                   | 0.9                              | 6.4          |
| payables and interest bearing liabilities                           | (118.9)               | -                                | (118.9)      |
| provision for dividends   | (1.1)                 | -                                | (1.1)        |
| provision for employee entitlements                                 | (2.6)                 | -                                | (2.6)        |
| provision for environmental   | (0.3)                 | (6.3)                            | (6.6)        |
| provision for taxation  | (10.6)                | (56.3)                           | (66.9)       |
| contingent liabilities  | -                     | (2.0)                            | (2.0)        |
| other provisions  | (5.3)                 | -                                | (5.3)        |
|   | 89.6                  | 115.3                            | 204.9        |
| Less minority interest at date of acquisition                       | (3.9)                 | (0.3)                            | (4.2)        |
|   | 85.7                  | 115.0                            | 200.7        |
| <b>Goodwill on acquisition</b>                                      |                       |                                  | <b>753.1</b> |

<sup>(1)</sup> The total consideration includes \$914.5 million for newly controlled entities, Dyno costs of \$3.2 million, and \$20.5 million for the buy-out of the minority share in controlled entities.

## 9. Businesses acquired (continued)

### Results contributed by acquired businesses and entities since acquisition date

|                        | \$m   |
|------------------------|-------|
| Revenue for the period | 372.1 |
| EBITDA for the period  | 79.9  |

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 12 months to 30 September 2007 are estimated as follows:

|                        | \$m   |
|------------------------|-------|
| Revenue for the period | 500.4 |
| EBITDA                 | 91.2  |

The unaudited information was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses.

## 10. Businesses disposed

### Disposal of businesses/controlled entities

The following businesses/controlled entities were disposed of:

#### 2008

On 23 October 2007, Essential Oils of Tasmania business in Australia.  
On 30 September 2008, Orica decided to dissolve Deco-Pro China Limited.

#### 2007

On 31 October 2006, Welvic PVC business in Australia.  
On 1 December 2006, B&J Perlite and Vermiculite business in Australia.  
On 8 December 2006, Adhesives and Resins business in Indonesia.  
On 31 January 2007, Adhesives and Resins business assets in Australia and New Zealand.  
On 9 February 2007, Bridestowe lavender farm in Australia.  
On 30 June 2007, High Energy Materials business in Norway.

|   | Consolidated |             |
|---|--------------|-------------|
|   | 2008<br>\$m  | 2007<br>\$m |
| Consideration   |              |             |
| cash received   | 5.9          | 97.8        |
| deferred settlement   | -            | (9.0)       |
| Inflow of cash  | 5.9          | 88.8        |
| deferred settlement   | -            | 2.7         |
| Net consideration   | 5.9          | 91.5        |
| Carrying value of net assets of businesses/controlled entities disposed |              |             |
| trade and other receivables   | 11.5         | 21.4        |
| inventories   | 1.4          | 17.3        |
| property, plant and equipment   | 0.5          | 40.2        |
| intangibles   | 0.7          | -           |
| other assets  | -            | 2.5         |
| investment  | -            | 4.3         |
| payables and interest bearing liabilities                               | (0.3)        | (14.8)      |
| provision for employee entitlements                                     | -            | (5.7)       |
| provision for income tax  | (0.1)        | 0.1         |
|   | 13.7         | 65.3        |
| Less minority interest at date of disposal                              | (6.1)        | -           |
|   | 7.6          | 65.3        |
| (Loss)/profit on sale of business/controlled entities                   | (1.7)        | 26.2        |

## 11. Income tax expense

|  | 2008         | 2007          |
|--|--------------|---------------|
|  | \$m          | \$m           |
| <b>a) Income tax expense recognised in the income statement</b>  |              |               |
| Current tax expense  |              |               |
| Current year   | 172.9        | 163.4         |
| Deferred tax   | 36.9         | 5.4           |
| Over provided in prior years   | (6.3)        | (14.4)        |
| <b>Total income tax expense in income statement</b>  | <b>203.5</b> | <b>154.4</b>  |
| <b>b) Reconciliation of income tax expense to prima facie tax payable</b>                                    |              |               |
| <b>Income tax expense attributable to operating profit before individually material items</b>                |              |               |
| Prima facie income tax expense calculated at 30% on profit before individually material items                | 243.7        | 207.0         |
| Tax effect of items which (reduce)/increase tax expense:   |              |               |
| variation in tax rates of foreign controlled entities  | (1.6)        | (7.4)         |
| tax over provided in prior years   | (6.3)        | (14.4)        |
| non allowable share based payment  | 1.9          | 0.8           |
| other foreign deductions   | (32.6)       | (25.4)        |
| sundry items   | 6.8          | 5.6           |
| <b>Income tax expense attributable to profit before individually material items</b>                          | <b>211.9</b> | <b>166.2</b>  |
| <b>Income tax expense/(benefit) attributable to individually material items</b>                              |              |               |
| Prima facie income tax (benefit)/expense calculated at 30% on (loss)/profit from individually material items | (12.5)       | (6.7)         |
| Tax effect of items which (reduce)/increase tax expense:   |              |               |
| variation in tax rates of foreign controlled entities  | (0.2)        | (1.1)         |
| individually material items:   |              |               |
| non allowable Dyno Nobel integration costs   | 2.8          | 3.8           |
| non allowable Minova integration costs   | 0.8          | -             |
| non allowable Chemicals restructuring costs  | 0.7          | -             |
| non taxable profit on sale (A&R)   | -            | (7.7)         |
| non taxable writeback (Cropcare)   | -            | (4.8)         |
| non allowable impairment writedown (Marplex)   | -            | 4.7           |
| <b>Income tax benefit attributable to (loss)/profit from individually material items</b>                     | <b>(8.4)</b> | <b>(11.8)</b> |
| <b>Income tax expense reported in the income statement</b>   | <b>203.5</b> | <b>154.4</b>  |

## 12. Standby arrangements and credit facilities

Reconciliation of net debt:

|  | 2008<br>\$m    | 2007<br>\$m    |
|--|----------------|----------------|
| Current interest bearing liabilities     | 266.4          | 582.7          |
| Non current interest bearing liabilities | 1,075.4        | 1,093.7        |
| Less cash and cash equivalents           | (321.3)        | (370.7)        |
| <b>Net debt</b>                          | <b>1,020.5</b> | <b>1,305.7</b> |

Credit facilities:

|   | 2008<br>\$m | 2007<br>\$m |
|---|-------------|-------------|
| Unsecured bank overdraft facilities available   | 104.7       | 100.6       |
| Amount of facilities unused                     | 95.7        | 97.6        |
| Committed standby and loan facilities available | 3,377.9     | 2,294.2     |
| Amount of facilities unused                     | 2,325.0     | 1,120.0     |

The unsecured bank overdraft facilities are provided by banks. The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed standby and loan facilities range from 1 October 2009 to 24 October 2018 (2007 19 December 2008 to 24 October 2018).

## 13. Critical accounting judgements and estimates

Management determines the development, selection and disclosure of the consolidated entity's critical accounting policies, estimates and accounting judgements and the application of these policies and estimates. Management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable and in accordance with accounting standards. Changes in the assumptions underlying the estimates could result in a significant impact on the financial statements. The most critical of these assumptions and judgements are:

### *Contingent liabilities*

In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with our current or former sites. Where we believe that potential liabilities have a low probability of crystallising or it is not possible to quantify them reliably, we disclose them as contingent liabilities. These are not provided for in the financial statements but are disclosed in note 14. In view of the significance of environmental issues associated with Botany Groundwater (New South Wales, Australia), Botany Hexachlorobenzene (HCB) Waste and Botany Car Park Encapsulation they continue to be disclosed as contingent liabilities even though estimated costs have been recognised in the financial statements. Further details regarding contingent liabilities are set out in note 14.

### *Environmental and decommissioning provisions*

The business of the Group is subject to a variety of laws and regulations in the jurisdictions in which it operates or maintains properties. Provisions for expenses that may be incurred in complying with such laws and regulations are set aside if environmental inquiries or remediation measures are probable and the costs can be reliably estimated. For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been provided for. It is also assumed that the methods planned for environmental clean up will be able to treat the issues within the expected timeframe. With regard to the HCB Waste clean up, it is assumed that a licence to export waste for destruction overseas will be obtained. German authorities have rejected Orica's application to import the waste into Germany for treatment. Orica has lodged objections against these rejections. It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the status of laws, regulations and the information available about conditions in the various countries and at the individual sites. Significant factors in estimating the costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and new developments affecting costs, management's interpretation of current environmental laws and regulations, the number and financial position of third parties that may become obligated to participate in any remediation costs on the basis of joint liability, and the remediation methods which are likely to be deployed.

### 13. Critical accounting judgements and estimates (continued)

Environmental costs are estimated using either the work of external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs could impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated. In respect to the Botany Groundwater contamination, a provision was established in 2004 to cover the estimated costs associated with remediation until 2014. Costs are expected to be incurred after this date, but it is not possible to predict the timeframe over which remediation will be required or the form the remediation will take and therefore it is not possible to reliably estimate any associated costs. The discount rate used for environmental provisioning is Orica's weighted average cost of capital and this may vary from year to year.

#### *Legal proceedings*

The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could significantly impact the business and results of operations of the Group. Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the Group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Group could be materially affected by the unfavourable outcome of litigation. Litigation and administrative proceedings are evaluated on a case-by-case basis considering the available information, including that from legal counsel, to assess potential outcomes. Where it is considered probable that a future obligation will result in an outflow of resources, a provision is recorded in the amount of the present value of the expected cash outflows if these are deemed to be reliably measurable.

In the course of acquisitions and disposals of businesses and assets, Orica routinely negotiates warranties and indemnities across a range of commercial issues and risks, including environmental risks associated with real property. Management uses the information available and exercises judgement in the overall context of these transactions, in determining the scope and extent of these warranties and indemnities. In assessing Orica's financial position, management relies on warranties and indemnities received, and considers potential exposures on warranties and indemnities provided. It is possible that the financial position, results of operations and cash flows of the Group could be materially affected if circumstances arise where warranties and indemnities received are not honoured, or for those provided, circumstances change adversely.

#### *Defined benefit superannuation fund obligations*

The expected costs of providing post-retirement benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the consolidated statement of recognised income and expense. In all cases, the pension costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary and pension increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings of the Group.

#### *Property, plant and equipment and definite life intangible assets*

The Group's property, plant and equipment and intangible assets, other than indefinite life intangible assets, are depreciated/amortised on a straight line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives of assets at least annually but any changes to useful economic lives could affect prospective depreciation rates and asset carrying values.

#### *Financial instruments at fair value*

The Group measures a number of financial instruments at fair value. These fair values are based on observable market data which is used to estimate future cash flows and discount them to present value. Management's aim is to use and source this data consistently from period to period. While management believes these assumptions used are appropriate, a change in assumptions would impact the fair value calculations.

#### *Impairment of assets*

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell and value in use. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGUs.

### 13. Critical accounting judgements and estimates (continued)

The determination of value in use requires the estimation and discounting of future cashflows. The estimation of the cashflows considers all the information available at balance date which may deviate from actual developments. This includes, among other things, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows could impact the carrying value of the respective assets.

The carrying value of the Botany Groundwater Treatment Plant is based on the assumption that sufficient groundwater can be sourced and treated. It also assumes that treated water from the plant will be of sufficient quality for sale to industrial customers for prices based on those currently charged by Sydney Water. While some sales are already being made, ongoing testing of water quality is required to meet the needs of some customers and there is no guarantee that the outcome of this testing will be successful. Should the testing ultimately not prove successful, or sufficient groundwater not be available, an impairment expense may arise which would have an adverse impact on earnings. The carrying value of the Groundwater Treatment Plant included in property, plant and equipment at 30 September 2008 is \$62.9 million.

#### *Current asset provisions*

In the course of normal trading activities, management uses its judgement in establishing the net realisable value of various elements of working capital – principally inventory and accounts receivable. Provisions are established for obsolete or slow moving inventories, bad or doubtful receivables and product warranties. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Group.

#### *Taxation*

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recorded on the Balance Sheet and the amount of tax losses and timing differences not yet recognised. In these circumstances, the carrying amount of deferred tax assets and liabilities may change, resulting in an impact on the earnings of the Group.

### 14. Contingent liabilities and contingent assets

#### Environmental

##### *(i) General*

A number of sites within the Group have been identified as requiring environmental remediation or review. Appropriate implementation of remediation actions to meet Orica's obligations for these sites is continuing.

In accordance with the current accounting policy, provisions have been created for all known environmental liabilities that can be reliably estimated. For sites where the requirements have been assessed and are capable of reliable measurement, estimated regulatory and remediation costs have been capitalised, expensed as incurred or provided for. For environmental matters where there are significant uncertainties with respect to Orica's remediation obligations or the remediation techniques that might be approved, no reliable estimate can presently be made of regulatory and remediation costs. Any costs are expensed as incurred.

There can be no assurance that new information or regulatory requirements with respect to known sites or the identification of new remedial obligations at other sites will not require additional future provisions for environmental remediation and such provisions could be material.

Orica has entered into arrangements with the relevant regulatory authorities for a number of sites to investigate possible land and groundwater contamination and, where appropriate, undertake voluntary remediation activities on these sites. Where reliable estimates are possible and remediation techniques have been identified for these sites, provisions have been established in accordance with the current accounting policy.

##### *(ii) Significant environmental matters which are in progress at the date of this report are as follows:*

#### Botany Groundwater (New South Wales, Australia)

Orica is continuing to conduct extensive remediation activities, including the operation of a Groundwater Treatment Plant, to treat the groundwater at Botany, which is contaminated with pollutants from historical operations. The Groundwater Treatment Plant has been commissioned and a portion of the treated water is sold by Orica to other corporations to replace town drinking water in industrial uses. Testing of the quality of the recycled water is ongoing.

#### 14. Contingent liabilities and contingent assets (continued)

Orica is also investigating suitable remediation options for Dense Non-Aqueous Phase Liquid (DNAPL) source areas. No provision has been established for remediation activities in respect of DNAPL as a reliable estimate is not possible at this stage.

Orica has received preliminary results indicating elevated concentrations of mercury in soil and groundwater at the southern end of the Botany site and at adjacent offsite locations. An environmental consultant has been commissioned to assess and report on these concentrations of mercury. No provision has been established for remediation activities in respect of this matter as the extent of contamination is unknown.

##### Botany Hexachlorobenzene (HCB) Waste Clean Up (New South Wales, Australia)

In August 2006, Orica submitted its application for export approval of HCB waste to the Federal Government. In its application, Orica sought permission to export the HCB waste for final destruction at high temperature incinerators in Germany. In May 2007, the Federal Government issued a duly motivated statement of fact that Australia does not have the technical capability to treat Orica's HCB waste. In June 2007, German authorities rejected Orica's application to import the HCB waste into Germany. Orica has lodged objections against these rejections. In the event that Orica does not obtain the necessary regulatory approvals to export the waste overseas for destruction, it will continue to ensure the safe storage of the HCB waste at Botany. Orica provided for the estimated costs associated with export and treatment of the waste in 2006.

##### Botany Car Park Waste Encapsulation (New South Wales, Australia)

Soil and ash contaminated with low level chlorinated materials (including hexachlorobutadiene and HCB) are stored in an approved and licensed encapsulation on the Botany site, known as the Car Park Waste Encapsulation. Orica has investigated technologies that may be suitable to treat this material and has evaluated conventional destruction methods and has determined that direct thermal treatment of this waste is the preferred treatment technology. As required under the Botany site environmental licence conditions, Orica has submitted an application for planning approval of the proposed remediation. Orica has provided for estimated costs of treatment of the soil using thermal desorption technology.

##### Taxation

###### *(i) Tax investigations and audits*

Consistent with other companies of the size and diversity of Orica, the Group is the subject of periodic information requests, investigations and audit activities by the Australian Taxation Office ("ATO") and tax authorities in other jurisdictions in which Orica operates.

###### *(ii) Brazilian Tax Action*

The Brazilian Taxation authority is claiming unpaid taxes relating to the 1997 financial year of approximately \$25 million. ICI Plc, the vendor of the business to Orica, has been notified to preserve Orica's rights under the tax indemnity obtained upon acquisition of the business. The Brazilian Taxation authority has been granted security over the Lorena site in relation to these matters.

###### *(iii) Tax Audit – 1998 Sale of Pharmaceuticals Business*

On 13 October 2004, Orica Limited received a notice of amended assessment from the ATO for \$210.3 million (primary tax of \$95.3 million, penalties of \$23.8 million and interest of \$91.2 million). The amended assessment relates to the sale of the pharmaceuticals business to Zeneca in September 1998.

On 9 November 2004, Orica lodged an objection against the amended assessment. On 10 March 2005, the ATO disallowed the objection and, in March 2005, Orica applied to have the matter dealt with by the Federal Court.

After due consideration, the directors are of the opinion the ATO's case has no merit and accordingly no liability is recognised.

In accordance with the ATO administrative practice, Orica has paid 50% of the amended assessment, which has been recognised as a non-current receivable.

On 28 March 2006, the ATO advised Orica of an error with the interest calculation in relation to the amended assessment, reducing the interest component by \$10.2 million. On the basis of the 50% arrangement, Orica Limited received a refund of \$5.1 million from the ATO.

The ATO has indicated that if it is unsuccessful in defending the amended assessment against Orica, it may consider issuing an amended assessment for a similar amount to Orica Australia Pty Ltd in respect of the same transaction. The ATO considers that it is not in a position to decide if the second assessment should be issued until the outcome of the dispute with Orica Limited is known. Orica would also contest this matter.

#### 14. Contingent liabilities and contingent assets (continued)

Guarantees, indemnities and warranties

- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but in all cases the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.
- The consolidated entity has entered into various sales contracts where minimum savings are guaranteed to customers and such savings are expected to be achieved in the ordinary course of business.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial warranties and indemnities to the purchasers.

#### 15. Events subsequent to balance date

On 10 November 2008, the directors declared a final dividend of 55 cents per ordinary share payable on 5 December 2008. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2008 and will be recognised in the 2009 financial statements.

On 7 November 2008, Orica acquired Opel Chemical (Singapore) Private Limited which owns a decorative coatings business in China.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2008, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

#### Compliance statement

This report has been subject to audit by KPMG.

The entity has a formally constituted audit committee.

Annette Cook  
Company Secretary  
10th November 2008