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ORICA LIMITED 2018 ANNUAL GENERAL MEETING

**Speeches by Malcolm Broomhead, Chairman and
Alberto Calderon, Managing Director and Chief Executive Officer**

Malcolm Broomhead, Chairman

Balancing our investment in growth and delivering short-term returns for shareholders is central to the role of the Board and management team. Equally important is ensuring we strike the right balance between financial and non-financial priorities.

Our most important priority of course is safety, and I can report this year that we achieved our goal of zero fatalities. We also made good progress against initiatives that will deliver longer term growth. However, financial outcomes for the year did not meet our expectations, nor those of our shareholders. Earnings before interest and tax declined three per cent and statutory net profit after tax was a loss of \$48 million, including individually significant items of \$372 million. Alberto will speak in detail about this in his address.

We acknowledge the shortfall in financial performance and the Board has exercised discretion to reduce short-term financial incentives for the CEO and Executives by 75%. The incentive for the CEO was reduced to 18.34% of the maximum, and the average incentive for Executives including the CEO was reduced to 23.25% of the maximum. This compares to a 60% average for the prior year. We have also decided no pay increases will be awarded to Executives, except where there has been a change in role or responsibilities, and Directors' fees will remain frozen for the ninth successive year.

In determining returns to shareholders for the current year, we have maintained the dividend payment at 51.5 cents per share, the same as last year, reflecting a return of 60% of underlying profit.

Our job of course is to improve returns to shareholders in a sustainable way, and we share your sense of urgency to see an immediate improvement. While a lot of work has been done in the past few years to build a leaner, more resilient business, we were running fast to absorb the impact of external headwinds and the extent of the transformation has not been evident. The manufacturing issues in the first half of the year further obscured the benefits, and it has not been until the second half of the past financial year that we have begun to see a more accurate picture of the company's earnings potential and trajectory. Second half earnings were the highest since 2014, which for us was the tail-end of the mining boom. The management team has detailed plans to sustain and grow earnings from this baseline. At the Board level, we are monitoring progress, and looking to see that the organisation embeds the systems and processes it needs to deliver growth reliably and sustainably. We are also closely monitoring developments with our joint venture partner, Yara, as resolution of the issues at the Burrup ammonium nitrate plant in the Pilbara will add significantly to earnings in coming years, although the next 12 months will remain challenging.

To reflect our ambition and the management team's commitment to lift short-term returns, we have agreed simplified measures for short term incentives. In 2019 we will focus on just two financial

measures for the short-term incentive program: earnings before interest and tax, and one-year Return on Net Assets, or RONA.

Longer term improvement in RONA remains the overall objective and is the basis of the long-term incentive program. Our plans for future earnings growth focus heavily on the development and commercialisation of new technologies. This plays to our strengths and we believe technology is a core differentiator that will generate superior returns and deliver strong free cash flows.

In assessing performance against these longer-term goals, we saw good progress this year. Significant milestones were achieved in the commercialisation of new products and the acquisition of GroundProbe has significantly expanded our digital capability. The appointment of Denise Gibson to the Board in January has brought new insight and experience in relation to the commercialisation and management of our technology portfolio, and we will hear more from Denise later today.

While oversight of financial performance is critical, it's also the role of the Board to ensure we evolve to meet non-financial risks and the changing expectations of global communities. With customers in more than 100 countries and a workforce of more than 11,500 people comprising more than 80 nationalities, we are a truly global company. We operate in a highly regulated industry and making sure we meet the multitude of regulatory requirements and live up to the expectations of our many host communities can be a complex and challenging exercise.

As a Board we manage this on various fronts. Our Board sub-committees regularly review the health of the organisational and risk culture as well as safety, environment and community outcomes. There are clear avenues for business conduct issues to be raised and we also engage directly with the workforce and customers through site visits, and with financial stakeholders through one-on-one discussions.

The safety of our people and communities remains our most important priority. Over the past two years we have changed how we focus on safety in the workplace to increase awareness of major hazards and the controls that protect people from these hazards. While our progress is encouraging, there will always be more work to do in this space and it will remain a priority for the Board, the management team, and every employee at Orica.

We are also very mindful of the responsibility we have to ensure our products are used for their intended purpose. To this end, the management team has completed a review of the company's product security policies and controls, and further work to embed the implications of this review will occur over the coming year. As the industry leader, we play an important role in influencing how the broader industry evolves to meet new security challenges and we will continue to be an advocate for strong controls and work with regulatory bodies to progress these goals.

I've also spoken over the past few years about organisational culture and the changes we've made to create a more diverse and inclusive workplace. This year, we've built on the foundation of our company Charter and values with the launch of a refreshed Code of Business Conduct. It clearly articulates the expectations of our employees' personal conduct and is supported by a Speak Up service available to employees and external stakeholders in each of the countries in which we operate. In addition, we have made considerable progress in strengthening our ethics and compliance controls and training for employees.

I would like to make a quick comment on the macro-economic backdrop to our business. As a company operating in 54 countries and shipping products around the globe, we are keenly aware of the importance of free trade to an efficient and vibrant world order. It is concerning to see the current instances of protectionism and nationalistic tendencies and I sincerely hope this is a short-term occurrence and that the rules base World Trade Organisation principles will again become the norm.

In summation, and before I invite Alberto to the stage to talk about Orica's 2018 financial performance in more detail, I would like to reiterate the Board's confidence in the outlook for your company. The work that has been done over the past few years has created a stronger foundation to realise the benefits of the increased demand we are seeing for our products and services in the near term, and our investment in our people and technologies will further consolidate our industry leading position and drive future value for our stakeholders.

I now welcome your Managing Director and Chief Executive Officer, Alberto Calderon, to address you.

Alberto Calderon, Managing Director and Chief Executive Officer

Thank you, Chairman, and thank you shareholders for joining us today.

Safety

As always, I'll start with safety. We achieved our most important objective of zero fatalities in 2018. The work we have done to understand our major hazards and ensure controls are in place continues to touch every part of our organisation and is strengthening our safety culture.

While our Total Recordable Injury Frequency Rate increased slightly, the severity of injuries declined. There is never room for complacency when it comes to safety and we are focusing our efforts on further reductions in serious injuries. Aside from the obvious logic of this, we know the underlying causes of serious injuries and fatalities are different to those for less serious injuries. We will also put more work into analysing high potential events where there were no injuries, or only minor injuries, but there was potential for much greater harm. This will give us insights to focus attention on the areas of greatest potential harm. There is always more work to do, but I am confident we are making Orica a safer place to work and this will remain a priority.

FY18 Financial Results

In terms of financial performance, it was a difficult year and we were disappointed with the three per cent decline in earnings before interest and tax. This was largely the result of unplanned shutdowns at our manufacturing plants in the first half of the year and additional sourcing and freight costs associated with the Burrup plant. This plant is operated by our joint venture partner, Yara, and we market the product into the Pilbara region.

The plant had some successful discrete production runs and it produced good quality ammonium nitrate, but problems were identified toward the end of the commissioning process and repairs had to be made to the heat exchangers. It was subsequently determined these need to be replaced, and additional work to the absorption towers and some environmental issues need to be resolved. Over the past few months we have invested significant resources at a project management and engineering level to support our joint venture partner and will continue to do so through the coming year. We have also replaced our Board representatives with manufacturing and technical experts and elevated the project to CEO level with the Yara CEO and myself in regular discussions on progress. The remediation work is scheduled to be complete in the first half of the 2020 financial year and we expect to have around 20% utilisation for the current financial year.

We moved quickly to address the shortfall in earnings in the first half of the year. In the second half, we delivered much better manufacturing reliability at our own plants and earnings increased in every region and business. The result was an increase of 46% in earnings, bringing us back to levels of profitability we have not achieved since 2014 when the mining boom was ending.

Revenues have returned to growth after some years of decline, reflecting both improvements in the macro-economic environment and new contract wins. Ammonium nitrate sales volumes were up five per cent on last year with particularly strong demand in Australia and Indonesia and a strong contribution from North America. We also saw strong demand for our newer products with revenue

from new technologies as a proportion of total sales up more than 30% on last year. It was also pleasing to see customer satisfaction rates increase again this year.

This is an important validation of our investment in new technology and expertise. As the resources industry embraces big data and automation to lift returns, we are making the most of this opportunity. We believe market conversion to more modern, less commoditised products and services will improve margins for our customers, and for us.

We are making significant progress in the commercialisation of our technology. At the time of last year's AGM, we had just completed trials of our BulkMaster™ 7 delivery systems and wireless blasting system, WebGen™, and we were introducing our digital platform, BlastIQ™, to new customers.

We now have 20 BulkMaster™ 7s in the field, BlastIQ™ is being used at more than 100 customer sites around the world, and commercial sales of WebGen™ have commenced. We've just launched the next generation of BlastIQ™, we're rolling out at least another 20 BulkMaster™ 7's this year, and the next generation of WebGen™ is in development. For me, WebGen™ is the most exciting development our industry has seen since bulk explosives in the 1960s. It will fundamentally change how our customers think about mine planning. The safety and productivity gains it will deliver for our customers will be significant, and we will share in that.

The acquisition of GroundProbe™ early in the calendar year was a significant step in expanding our digital capability and customer offering. GroundProbe™ is a global market leader in the provision of critical monitoring and measurement technologies for the mining sector. It has integrated well into the business, it is contributing positively to earnings, and we are now focusing on leveraging our global network to accelerate its growth. We are also finding new ways to lift returns on our existing asset base and our expansion into agricultural markets on the east coast of Australia and a new joint venture in China are examples of this.

Capital efficiency and cost management continue to be a priority and we are very focused on maintaining the health of our balance sheet. Gearing at year end, after the acquisition of GroundProbe™ and an increase in our Burrup shareholding, was just below 36%. That's at the lower point of our target range of 35% to 45%.

Building Resilience

Culture is critical for delivering performance and the expertise of our people is a real differentiator for Orica. Rebuilding our culture has been an ongoing priority since 2015. We measure our progress on this through an annual organisational health index survey. The results improved again this year, putting us near the top of the second quartile, up from the third quartile in 2015. We were also able to significantly increase the number of critical roles filled by internal candidates this year and we believe this is a measure of success in rebuilding capability within the organisation.

We're also progressing our approach to reduce our direct exposure to a future carbon cost. We had some good results from trials of a new catalyst to abate carbon emissions and this will inform our approach into the next decade.

Looking ahead

We have firm plans to increase earnings in 2019 and the improved performance in the second half of 2018 sets our base for growth. We expect ammonium nitrate sales volumes to grow at around three per cent and EBIT growth from all regions and businesses except Latin America where a strategic review is underway. Improved reliability and utilisation rates at our operational plants will contribute to the improvement. We expect earnings to be skewed to the second half of the year as a result of the timing of new contracts coming on line in the Australia Pacific Asia region.

Beyond 2019 we expect a fully loaded Burrup plant, continuous improvements in manufacturing plant utilisation, and increasing volumes to lift earnings. Our evolving productivity solutions in

digital, automation and field measurement are also expected to contribute to higher returns for shareholders in the coming years.

In summary, we have confidence we will lift earnings this year and we have a clear path to continue this momentum. The outlook in demand for our products and services is strengthening, we are finding new ways to lift returns from our global asset base and our new technologies and expertise will drive value and lasting returns for shareholders into the future.

Finally, I'd like to take this opportunity to acknowledge the hard work and dedication of our very talented people at Orica, and also thank you, our shareholders, for your continued support.

The Chairman then moved to the formal items of business.

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ABOUT ORICA

Orica (ASX: ORI) is the world's largest provider of commercial explosives and innovative blasting systems to the mining, quarrying, oil and gas and construction markets, a leading supplier of sodium cyanide for gold extraction, and a specialist provider of ground support services in mining and tunnelling.

For more information about Orica, visit: www.orica.com