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19 February 2020

ORICA ANNOUNCES ACQUISITION OF LEADING PERUVIAN EXPLOSIVES MANUFACTURER EXSA AND CAPITAL RAISING

HIGHLIGHTS

- Orica to acquire Peru's leading manufacturer and distributor of industrial explosives
- Acquisition will establish Orica as the number one player in Latin America's highest growth market with total material movement compound annual growth rate (CAGR) forecast at >4% to 2025¹
- Will create a step-change in Orica's manufacturing footprint, driving competitive advantage and an enhanced position in the Latin American market, with significant synergies (~US\$18 million) available by combining Orica and Exsa's operations
- Integration into Orica's global manufacturing footprint of a new, state of the art Initiating Systems (IS) manufacturing facility. By utilising latent capacity, it will be able to significantly increase production, transform IS manufacturing capability and serve Orica's demand across the Americas
- The acquisition price of Exsa of US\$203 million (~A\$302 million) on a debt free, cash free basis and assuming 100% acquisition², represents an expected acquisition multiple of 7.0x FY19 EBITDA post-synergies which are expected to be achieved by the third full year of ownership and 13.9x FY19 EBITDA pre-synergies³
- Acquisition to be cash funded through a capital raising comprising a fully underwritten A\$500 million institutional share placement and a non-underwritten share purchase plan capped at A\$100 million with remaining funds to provide greater balance sheet flexibility to support investment in Orica's core capital initiatives and growth engines
- The acquisition and placement are expected to be EPS neutral in the first full year of ownership and EPS accretive thereafter
- FY20 EBIT impact from Exsa is expected to be neutral after taking acquisition costs into account

Orica (ASX: ORI) has signed an agreement with interests associated with Grupo Breca (**Breca**) to acquire all of its shares in Breca Soluciones de Voladura S.A.C., and its associates' shares in Exsa S.A. (together representing 83.5% of the total shares outstanding in EXSA S.A.), payable in cash.

Exsa, which is listed on the Lima Stock Exchange (BVL: EXSAC1):(BVL: EXSAI1), is Peru's number one manufacturer and distributor of industrial explosives.

Orica Managing Director and CEO Alberto Calderon said: *"We are very pleased to announce the acquisition of Exsa, which will immediately establish Orica as the number one player in Peru, Latin America's highest growth market, and transform Orica's entire Initiating Systems footprint."*

"Exsa's world class Initiating Systems facility integrates the manufacture of almost every component of a detonator on site, providing meaningful and tangible synergies upon integration into the Orica network, with the ability to take advantage of significantly underutilised manufacturing capabilities."

“The deal also increases our exposure to copper and gold, and presents significant cross selling opportunities for us to introduce Orica’s technology products and services to Exsa’s broad customer base.

“The acquisition of Exsa perfectly complements our existing Latin American operations, where we already have a strong footprint.

“In addition to facilitating this acquisition, the capital raising will provide Orica with greater balance sheet flexibility to continue to invest in core capital initiatives and growth engines,” Mr Calderon said.

TRANSACTION OVERVIEW

The acquisition price of Exsa of US\$203 million (~A\$302 million)² on a debt free, cash free basis and assuming 100% acquisition, represents an expected acquisition multiple of 7.0x FY19 EBITDA post-synergies and 13.9x FY19 EBITDA pre-synergies³, expected to be achieved by the third full year of ownership.

Following the acquisition of Breca’s shares in Exsa, which is expected to complete by May 2020, Orica will launch tender offers in accordance with Peruvian law and market practice to Exsa’s other shareholders for the remaining 16.5% of the share capital in Exsa⁴. Completion of the tender offer process is expected by the end of calendar year 2020.

The acquisition will be cash funded through a capital raising comprising a fully underwritten A\$500 million institutional share placement and a non-underwritten share purchase plan capped at A\$100 million with the remaining funds to provide greater balance sheet flexibility to support investment in Orica’s core capital initiatives and growth engines.

ABOUT EXSA

Exsa provides technical assistance and support to the mining (particularly gold and copper) industries. It is the clear leader in Peru with significant share in both Peruvian underground and open pit markets. In FY19 it delivered revenue greater than US\$200 million and Orica-estimated normalised EBITDA of US\$18 million, after one off adjustments and changes to accounting policy to conform with Orica practice.

Exsa has an efficient supply chain, comprehensive sales distribution network and strategically located Ammonium Nitrate Emulsion assets in North, Central and South Peru. Its Initiation Systems and Packaged Explosives capability is market-leading with a new, semi-automated and integrated Initiation Systems manufacturing facility in Lurin, Peru.

ACQUISITION STRATEGIC RATIONALE

- Establishes Orica as the number one player in Peru, Latin America's highest growth market with total material movement forecast to grow >4% CAGR to 2025¹
- Creates second pillar to Orica's existing Latin America franchise, with Peru to match Chile's scale and significance within the Orica network by third full year of ownership
- New, state of the art Initiating Systems manufacturing facility in Lurin, Peru ("Nazca") is in the early stages of ramp-up and is significantly underutilised, with Orica well placed to heavily increase production and drive material network optimisation
- Creates a step-change in Orica's manufacturing footprint, driving competitive advantage and an enhanced position in the Latin American market
- Diversifies Orica's geographic and commodity exposures, increasing exposure to attractive commodities of copper and gold
- Significant expected run-rate synergies of approximately US\$18 million per annum from material manufacturing and supply chain savings and streamlined operational systems, expected to be realised by Orica's third full year of ownership
 - Importantly, the acquisition will materially lower Orica's cost of production across a range of products, notably resulting in an estimated cost saving of ~US\$ 12 cents per cap, creating the lowest cost and most significant cap producer in the entire Orica network
 - Synergies require approximately US\$20 million capex to implement
- Expected mid-teens Return On Net Assets (RONA) based on run rate synergies being achieved by third full year of ownership

DETAILS OF THE INSTITUTIONAL PLACEMENT

Orica is undertaking a fully underwritten placement of new fully paid ordinary shares in Orica ("New Shares") to eligible institutional investors to raise approximately A\$500 million ("Placement").

The Placement will be conducted at A\$21.19 per New Share ("Placement Price"), which represents:

- 5.0% discount to the last traded price of A\$22.31 on 18 February 2020
- 5.4% discount to the 5-day Volume Weighted Average Price ("VWAP") of A\$22.40 on 18 February 2020

The Placement will result in approximately 23.6 million New Shares being issued, representing approximately 6.2% of Orica's existing issued capital.

New Shares issued under the Placement will rank equally with existing Orica shares from their date of issue.

The Placement is fully underwritten by Goldman Sachs Australia Pty Ltd.

DETAILS OF THE SHARE PURCHASE PLAN

Following the completion of the Placement, Orica will offer existing eligible shareholders the opportunity to participate in a non-underwritten share purchase plan ("SPP"), subject to an aggregate cap of A\$100 million.

Under the SPP, eligible Orica shareholders, being shareholders who had a registered address in Australia or New Zealand on Orica's register at 7.00pm (Melbourne time) on 18 February 2020, will have the opportunity to apply for up to A\$30,000 of New Shares free of any brokerage, commission and transaction costs. The SPP will be priced at the lower of the Placement Price and a 2% discount to the 5-day VWAP of Orica shares up to, and including, the closing date of the SPP, which is currently scheduled for Tuesday, 17 March 2020.

New Shares issued under the SPP will rank equally with existing Orica shares from their date of issue.

Full details of the SPP will be set out in the SPP Offer Booklet, which will be released to the ASX and sent to eligible shareholders on or around 26 February 2020.

KEY DATES FOR THE PLACEMENT AND SPP

Description	Date
Record date for SPP	7.00pm (Melbourne time) 18 February 2020
Trading halt and announcement of the Acquisition, Placement and SPP	19 February 2020
Placement bookbuild	19 February 2020
Trading halt lifted – trading resumes on the ASX	20 February 2020
Settlement of New Shares under the Placement	24 February 2020
Issue and commencement of trading of New Shares issued under the Placement	25 February 2020
SPP offer opens and SPP booklet is dispatched	26 February 2020
SPP offer closing date	5.00pm (Melbourne time) 17 March 2020
SPP allotment date	24 March 2020
Despatch of holding statements and normal trading of New Shares issued under the SPP	25 March 2020

The above timetable is indicative only and subject to change. The commencement of trading and quotation of New Shares issued under the Placement and of SPP Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, Orica reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or in particular cases, without notice.

FY20 GUIDANCE

Following the recent cyclone in Karratha, Western Australia, the Burrup TAN plant start-up has been delayed from the beginning to the end of April 2020.

All other key assumptions for the 2020 financial year remain unchanged, as disclosed on 1 November 2010.

FURTHER INFORMATION

Further details are set out in the investor presentation released to the ASX today. The investor presentation contains important information including details about key risks and international offer restrictions with respect to the Placement.

ANALYST AND INVESTOR BRIEFING

Orica will will conduct a conference call in relation to the announcement today at 10.30am AEDST. We recommend that participants dial in 5 to 10 minutes prior to the presentation using the teleconference details below:

Australia Free Call	1800 148 258
Canada	1866 837 4489
Hong Kong	800 965 808
New Zealand	0800 667 018
Singapore	800 616 2170
United Kingdom	0800 056 9662
United States	1866 586 2813
International Dial	+61 (0) 2 8038 5271

Passcode: 759 8053

ADVISORS

Goldman Sachs is acting as sole lead manager, bookrunner and underwriter in relation to the Placement.

Citigroup Global Markets Australia Pty Ltd is acting as financial adviser to Orica on the Acquisition and capital raising.

Philippi Prietocarrizosa Ferrero DU & Uria (PPU) and Estudio Ehecopar (member firm of Baker & McKenzie International) are acting as joint legal advisers to Orica on the Acquisition and Herbert Smith Freehills is acting as legal adviser to Orica in relation to the Placement and SPP.

¹ Wood Mackenzie material movement (2019 June), Sales & Marketing Services for Mining (copper, gold and iron ore)

² Subject to completion adjustments including for movements in working capital

³ Post synergy multiple includes approximately US\$18 million run rate synergies expected to be achieved by the third full year of ownership. Acquisition multiple adjusted to include approximately US\$53 million of IFRS16 lease liabilities acquired as part of the Exsa acquisition

⁴ Refers to 16.5% of share capital of Exsa not held by Breca and its associates. Includes both voting and non-voting shares with separate procedures. There is no obligation on minority shareholders to accept Orica's tender offers.

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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

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This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of Orica, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of Orica's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of Orica, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to Orica as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of Orica, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.