

ASX Announcement

CHAIRMAN'S ADDRESS FOR 2007 AGM

MR DON MERCER

Ladies and Gentlemen, this year has been a very active one for your company. There have been some significant additions to our business portfolio and positive changes within our existing business platforms.

Through all of this, I am happy to report that we have continued to grow and achieve excellent results. Orica's underlying earnings improved by 31 per cent and, pleasingly, we have seen growth in underlying earnings across all of our businesses.

In a short while, Managing Director Graeme Liebelt will tell you more of the detail behind these results and how they have been achieved.

As we mark the end of our first decade under the company name of 'Orica', we see a vastly different company to that of ten years ago. On becoming an independent company, we had around 9,500 employees operating in seven countries. Today we have more than 14,000 employees operating across more than 50 countries.

There have been significant acquisitions and divestments over that time. Behind each of them is a clear strategy of minimising the volatility of our earnings and establishing the competitive advantages necessary to succeed in our chosen markets. In pursuing this strategy we look for opportunities in existing or closely related markets where we can use the strength of our core businesses to achieve geographic and product expansion.

An excellent example of this is the acquisition of Minova which we formally acquired on the first of January this year. This business, is related to our existing mining services business, and helps to secure a strong position in the increasingly important underground mining sector. I am pleased to report that to date this business has performed to our high expectations and we believe it has excellent potential.

Maximising that potential was part of our rationale for the recent acquisition of Excel Mining Systems. They are the leading manufacturer and distributor of specialty bolts and accessories for strata support in underground mining in the USA.

It is worth taking a moment to look at the slide behind me to better appreciate the dimensions of this business.

This business is complementary to the Minova chemical based strata products. They share some common customers but do not have a complete geographic overlap – providing us opportunities for expansion. Individually, each of these businesses

strengthens our position in the growing underground mining segment. Combined as a business platform, they put us in the enviable position of offering our customers an integrated product and service suite with unique global reach.

We have changed the company significantly in recent years and, while we will continue to assess new opportunities, we see a great deal of value stemming from bedding down recent changes and effectively integrating newly acquired businesses.

Our very successful integration of the Dyno Nobel businesses into Orica, which delivered synergies ahead of projected timelines and is making an impressive contribution, is a positive endorsement of that steady approach.

We have a very attractive portfolio of businesses and we believe that they each offer good growth potential. We never assume we are at our peak. We believe we best serve our shareholders by viewing Orica as a continual work in progress – always with an opportunity to improve and deliver more.

Our Mining Services business is well positioned to take advantage of the potential offered by emerging high growth markets including China, India, Russia, Eastern Europe, Africa and Latin America. While this business, combined with the new Minova/Excel platform, represents the majority of overall earnings, our success story is not confined to the mining services chapter.

Our consumer products business is first rate with icon brands including Dulux, Selleys, Yates and Cabots. The business has market leading positions, further strengthened this year by our ongoing investment in brand awareness and research and development.

Our MIEX water treatment business, although in its infancy, presents some very exciting growth opportunities as water purification becomes increasingly important around the world.

Our Mining Chemicals division enjoys considerable competitive advantage enabling it to benefit further from the projected increase in global demand for sodium cyanide by gold producers over the next few years. In recent times we have made strategic investments to reach this privileged position including the successful commissioning this year of a further increase in capacity at our Yarwun sodium cyanide plant.

Chemnet continues to recover and, although facing some challenging market conditions, we anticipate further improvement now that its cost restructure is complete.

Our conservative balance sheet has, from time to time, been viewed with some curiosity. However we believe that our prudent gearing range has afforded us the luxury of being able to seize growth opportunities in a timely, quick-footed, fashion.

Following the Minova and Excel acquisitions our gearing is now above our target range of 35-45 per cent. We are planning a return to this range within 12 to 18 months. We remain committed to our BBB+ rating and active capital management where appropriate. Although recent acquisitions have stretched our balance sheet somewhat, we have support for our position from Standard & Poors.

The underwritten Dividend Reinvestment Plan has been designed to support Orica's BBB+ credit rating and we are delighted with the take-up of this. Our strict financial strategy has served our shareholders well and we will continue to adhere to that strategy.

At our previous meeting I commented that our so-called lazy balance sheet may be viewed with interest in what was then a 'frenzy' of private equity activity. And, during the year that interest was expressed to us by way of a conditional, non-binding approach. Sometimes portrayed publicly as an offer with a firm bid price attached to it, let me assure you ladies and gentlemen that it was nothing of the sort.

It was merely a suggestion that we open the doors to your company, for one party to delve more deeply so they might determine whether they liked what they saw sufficiently to make a firm offer. The so-called 'bid price' never had any real standing or guarantees attached to it. Nevertheless we took the approach very seriously, assessed it rigorously and subjected it to a great deal of due diligence before reaching the decision to reject it. We took that decision with complete confidence and we were unanimous that it was the correct position to take for our shareholders. We stand by it today. We have seen in recent times some high profile examples where companies have entertained such an approach only to have the process either fall over or have no firm offer made.

Based on what we know about our strategic growth plans and the opportunities we see before us, we saw, and continue to see, far more future value in your company than was reflected in the terms of that approach. We appreciate the faith our shareholders bestow in enabling us to make those decisions and we also understand the immense responsibility that accompanies that faith.

We also are aware of the natural desire to know as much about our strategic growth plans as possible. However, to disclose commercially sensitive initiatives before they are locked-in would severely compromise our chances of realising those plans and consequently reduce any potential value to our shareholders.

Dare I say that had we been shouting from the roof-tops about a number of the opportunities we've seized in 2007, before we had secured them, I would not be talking to you today about your company being well-placed for example to reap the benefits of the increasing trend towards underground mining.

In simple terms, we could show our hand, but if we did, it would be a hand no longer worth playing.

This is a terrific business and you can see that it has lots of opportunities. Our confidence in our ability to deliver on those stems largely from the high calibre of our employees around the world. They are spread across the continents and cover a multitude of languages and cultures. However, we remain defined by a strong set of values. It is pleasing, that our guiding principles have continued to be embraced by employees – new and long standing.

One of these important principles is our commitment to caring for each other and the communities and environments within which we operate. That includes a strong focus on workplace safety.

Possibly our most prominent environmental initiative this year has been our commitment to removing the store of HCB waste from our Botany site. Although these plans suffered a last minute set-back this year, we remain committed to finding a solution through export. We continue to have the support of the Australian and New South Wales Governments for this approach.

We are particularly pleased with the performance of our Botany groundwater treatment plant. It is not only successfully processing contaminated groundwater in sufficient volumes to contain the plume, but is recycling much of it for use in industrial manufacturing by ourselves and our neighbours at the Botany site.

Our environmental efforts extend beyond addressing the damage from our past, long ceased, manufacturing practices. We continue to donate monies to organisations involved in improving the environment and in 2007 allocated funds to three major organisations: Habitat for Humanity; Landcare Australia; and the OzGREEN program. Each of them was selected because of their strong commitment to caring for the physical environment.

However, perhaps more revealing of the Orica culture and values is the fact that many of our sites all around the world make individual contributions to addressing some of the need in their local communities. These are at the initiative of our local employees, whether it be donating school books in Papua New Guinea or sponsoring orphanages in Africa.

Those are values that we, as a board, support and encourage. Not only is it morally the right thing to do, it is myopic to assume that we can achieve maximum commercial success in these often close-knit communities by restricting our presence to commercial operations, ignoring a broader community role. The relative financial cost of these individual initiatives is small but the benefit to local communities is often very great indeed. We are proud that our employees feel empowered to ask that Orica help local communities. It is testimony to Graeme Liebelt, his management team, and the values they've embedded throughout the company, that this work takes place.

In closing I would like to thank Orica employees around the world for their contribution to another successful year, and you as shareholders for your continued support.

To tell you more about what has driven that success, I'll now hand over to Managing Director Graeme Liebelt.

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