



Orica Limited
ABN 24 004 145 868
Registered Office:
Level 3, 1 Nicholson Street
East Melbourne Vic 3002
Australia

Notice of Meeting

Notice is hereby given that an Extraordinary General Meeting of Orica Limited will be held at Zinc, River Terrace, Federation Square, Corner Swanston and Flinders Streets, Melbourne on Friday, 29 July 2011 at 10.00am.

Business

Item 1 – Potential Buy-back of Orica Step-Up Preference Shares

To consider and, if thought fit, to pass the following resolution as a special resolution:

“That, in accordance with section 257D of the Corporations Act 2001 (Cth) and for all other purposes, approval is given:

- (i) to the terms of the proposed share buy-back agreements between the Company and each holder of Orica Step-Up Preference Shares, to effect a Repurchase of the Orica Step-Up Preference Shares for the Realisation Amount as described in the terms of issue of the Orica Step-Up Preference Shares; and
- (ii) for the buy-back of some or all of the Orica Step-Up Preference Shares under the terms of those buy-back agreements from any holder of Orica Step-Up Preference Shares with whom the Company determines to enter into a buy-back agreement,

the terms of the buy-back agreements and buy-backs being as further described in the terms of issue of the Orica Step-Up Preference Shares and the Explanatory Notes to this Notice of Meeting.”

Voting Exclusion

In accordance with the terms of the Orica Step-Up Preference Securities (**SPS**), no vote may be cast on this resolution by a holder of SPS, even if that holder of SPS also holds Orica ordinary shares.

No vote may be cast in favour of this resolution by an associate of a holder of SPS.

By order of the Board
Annette Cook

Company Secretary
10 June 2011

VOTING ENTITLEMENT

The Board has determined that a shareholder's voting entitlement at the meeting will be taken to be the entitlement of that person shown in the register of members as at 7.00pm on Wednesday, 27 July 2011.

Explanatory Notes to Shareholders

Item 1 – Potential Buy-back for repurchase of Orica Step-Up Preference Shares

In March 2006 Orica, together with a wholly owned subsidiary of Orica, issued \$500 million of Orica Step-Up Preference Securities (**SPS**) (which trade on ASX under code ORIPB). Each SPS comprises a preference share issued by Orica (**Orica Step-Up Preference Share**) and a note issued by the subsidiary (**Note**). The prospectus for the offer of SPS dated 17 February 2006 (**Prospectus**) is available at Orica's website www.orica.com/reports, under the heading "2006 Reports".

Unless otherwise defined, capitalised terms used in these Explanatory Notes have the same meaning as those terms in the terms of issue of the SPS contained in the Prospectus (**Terms of Issue**).

Under the Terms of Issue, the SPS' first Remarketing Date will occur on 30 November 2011. Options available to Orica in respect of the SPS at that Remarketing Date include:

- propose replacement terms for the SPS under a remarketing process as described in the Terms of Issue;
- leave the SPS on issue and increase the distribution payable on the SPS in accordance with the Terms of Issue by the Step-Up Margin of 2.25% over the current Margin (which would result in a Margin of 3.6% over a floating 6 month BBSW rate in place of the current Margin of 1.35% over a floating 6 month BBSW rate);
- Repurchase the SPS by means of redemption for the Realisation Amount, as defined in the Terms of Issue, being the face value of SPS of \$100 plus any accrued distribution on the SPS;
- Repurchase the SPS by means of a buy-back for the Realisation Amount being the face value of SPS of \$100 plus any accrued distribution on the SPS; or
- convert the SPS into the number of Orica ordinary shares calculated by dividing the Realisation Amount by a share issue price equal to a 2.5% discount to a 20 day volume weighted average price of Orica's ordinary shares.

Based on information presently available to the Board, Orica currently intends to repurchase the SPS rather than convert the SPS into ordinary shares or leave the SPS on issue on revised terms.

The buy-back requires shareholder approval under the Corporations Act 2001.

Orica could convert the SPS or redeem the SPS without the need for shareholder approval. However, conversion would involve dilution to existing ordinary shareholders through a further issue of ordinary shares at a discount, while redemption would require Orica to fund the Realisation Amount either from profits or the proceeds of a new issue of shares which may also be dilutive to existing ordinary shareholders.

Orica therefore wishes to obtain shareholder approval for the alternative of repurchasing the SPS by means of buying back the Orica Step-Up Preference Share component of the SPS. This approval would give Orica the flexibility to use funds other than profits or the proceeds of a new issue of shares for the Repurchase and would not require the issue of new ordinary shares. Orica would fund a buy-back using existing cash reserves or financing facilities or a combination of both.

These explanatory notes set out the details required to be provided to all shareholders of Orica by the Corporations Act in connection with the potential buy-back (**Potential Buy-back**).

Terms of Potential Buy-back

If Orica proceeds with the Potential Buy-back, the Orica Step-Up Preference Shares would be repurchased on 29 November 2011 in accordance with the Terms of Issue.

It is the Orica Step-Up Preference Share component of the SPS that would be bought back, rather than the Notes, which in accordance with the Terms of Issue will, following Orica deciding to Repurchase the Orica Step-Up Preference Shares, cease to be stapled to the Orica Step-Up Preference Shares and will be assigned from SPS holders to a subsidiary of Orica in accordance with the terms of the Notes. Following the Repurchase of the Orica Step-Up Preference Shares from SPS holders, the SPS will cease to be on issue.

The buy-back price per Orica Step-Up Preference Share would be equal to the Realisation Amount specified in the Terms of Issue. The Realisation Amount will be the face value of each Orica Step-Up Preference Share of \$100 in addition to any accrued dividend on the SPS.

Under the Terms of Issue, SPS holders have agreed to accept any buy-back offer made for their Orica Step-Up Preference Shares if Orica elects to Repurchase their Orica Step-Up Preference Shares through a buy-back.

Impact of the Potential Buy-back on Orica's share capital and control of Orica

Orica has 363,223,767 ordinary shares on issue and 5,000,000 Orica Step-Up Preference Shares on issue as a component of the SPS. If the Potential Buy-back was implemented in full, all of the Orica Step-Up Preference Shares would be repurchased and cancelled, so they would no longer remain on issue. There would be no new issue of ordinary shares.

The Orica Step-Up Preference Shares have limited voting rights. Orica does not expect the Potential Buy-back, if implemented in full or in part, to have any impact on the control of Orica.

Advantages of the Potential Buy-back

The Board believes that the Potential Buy-back is likely to have several advantages over the other possible scenarios available at November 2011 Remarketing Date under the Terms of Issue:

- If the SPS remain on issue and there is not a successful Remarketing Process, the Step Up Margin of 2.25% per annum would apply to the outstanding SPS, increasing the total Margin to 3.6% effective from 1 December 2011.
- If the SPS are converted into Orica ordinary shares, the Terms of Issue provide that the conversion price will be at a 2.5% discount to the market price of Orica ordinary shares for the 20 business day period ending 28 November 2011. As this price cannot be reliably estimated, Orica does not currently know the maximum number of ordinary shares that may be issued on conversion of the SPS. However, because of the 2.5% discount, any such issue would be dilutive to existing ordinary shareholders.

- If the SPS are redeemed instead of bought back, the Realisation Amount is the same, however, the redemption would require Orica to either use profits to fund the redemption or to make a further issue of shares which may be dilutive to existing ordinary shareholders.

Disadvantages of the Potential Buy-back

Since Orica is seeking flexibility to implement a buy-back if the Board finally determines it is the best alternative for Orica, the Board does not consider there to be disadvantages to passing the resolution. Some shareholders may prefer the SPS to remain on issue, in which case they may see the creation of flexibility for the SPS repurchase to be undertaken as a disadvantage.

Financial effect on Orica

The payment of the Realisation Amount will involve the payment of \$500 million by Orica in addition to the regular half year SPS distribution scheduled for 30 November 2011 of \$16.5 million. The SPS distribution is payable regardless of the Repurchase of the SPS. If the Board determines to buy-back the SPS, the buy-back would be funded by the use of existing cash reserves or financing facilities or a combination of both.

In accordance with a commitment made by Orica at the time of issuing the SPS, Orica would not buy-back the SPS unless it reasonably believes at the time of the buy-back that the buy-back will not cause Orica's credit rating assigned by Standard & Poor's to fall from the rating applying one business day prior to the date of the buy-back. Orica's Standard & Poor's credit rating is currently BBB+ and the Board does not expect that rating to be impacted by the implementation of the Potential Buy-back.

In addition, as required by the Corporations Act, Orica would only proceed with the Potential Buy-back if it is satisfied at the time of the proposed implementation that the buy-back would not materially prejudice Orica's ability to pay its creditors.

Directors' interest in Orica Step-Up Preference Shares

As at the date of this notice of meeting, the only Director who owns any SPS is Mr Graeme Liebelt who indirectly holds 427 SPS. If the Potential Buy-back is implemented, Mr Liebelt and any other Director who holds SPS at that time, would participate in the buy-back on the same terms as all other SPS holders.

Board Recommendation

The Board unanimously recommends that shareholders approve the resolution.

The Chairman intends to vote undirected proxies in favour of the resolution.