Orica Limited
ABN 24 004 145 868

ASX Announcement

ORICA REPORTS FIRST HALF PROFIT OF $253 MILLION

Orica today announced a net profit after tax and individually material items of $253 million for the half year ended 31 March 2012, down $11 million compared with the previous corresponding period (pcp) of $264 million.

Orica experienced stronger demand in most mining markets and improved pricing which partly offset a $90 million impact to earnings before interest and tax (EBIT) arising from loss of containment incidents at Kooragang Island and the adverse impact from foreign exchange movements.

The Board has declared an interim dividend of 38 cents per ordinary share, franked at 14 cps.

Orica Managing Director & CEO Ian Smith said the financial result reflects a pleasing underlying performance in the business, particularly in mining markets in Australia, Asia and Latin America.

"We've experienced good volume growth in these markets which reflects solid underlying demand.

"As indicated in February, Kooragang Island has cost us $90 million EBIT in the period. The Ammonia Plant has now been successfully operating since February 2012 and we continue to work on improving our engagement with the local community.

"The impact of Kooragang Island has been predominantly felt in the Orica Mining Services business, with a 6% decrease in EBIT down to $313 million versus the pcp. Global ammonium nitrate volumes were up 8% with strong demand from mining markets in Australia, Asia and Latin America, as well as improved volumes in the construction markets in the Nordics. Economic conditions and mild weather have impacted on the US coal markets. Pricing conditions have generally improved particularly in the North American market. Again we have seen strong growth in Electronic Blasting Systems (EBS) with volumes up 23% versus the pcp.

"The Minova business has had an EBIT increase of 2% to $57 million compared to $55 million in the pcp. There has been continued strong demand in Australia and the Commonwealth of Independent States with steady volumes in most other mining markets. As expected, activity in tunnelling markets in most parts of Europe remained subdued. Competitive pressure has continued in some markets.

"Chemicals achieved a 1% increase in EBIT to $96 million compared to the pcp. Demand from mining markets remained strong, particularly for sodium cyanide and emulsifiers. Latin America again performed well with solid growth in all market segments. In most industrial markets in Australia and New Zealand conditions have been generally subdued.

“We are pleased with the significant progress we have made in the period in establishing a presence in the high growth Pilbara iron ore market in Western Australia. The proposed Joint Venture with Yara and Apache for the manufacture and distribution of ammonium nitrate in the region represents a unique opportunity to establish a leading position in this market, with reduced capital risk.

“I am pleased to announce that the ammonium nitrate plant in Bontang Indonesia started production in April. We anticipate a slow ramp up over the coming months with an aim to have a stable platform by year-end.

“The focus for the Company now is to capitalise on our unique opportunities for growth. We have already commenced a significant restructure program aimed at unleashing more value and making the Company more accountable, and customer and community focussed. This includes proposed Executive appointments for Manufacturing, Projects and Technology and the appointment of Gavin Jackman to the role of Global Head Corporate Affairs and Social Responsibility.

“We have also taken a significant step to enhance our global brand profile by teaming up with the first Australian team to secure the rights to participate in cycling’s UCI world tour, GreenEDGE,” Mr Smith said.

Orica expects Group net profit after tax (pre individually material items) in 2012 to be higher than that reported in 2011, subject to plant performance and global economic conditions.

7 May 2012

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ORICA LIMITED PROFIT REPORT

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2012

- **Statutory net profit after tax (NPAT) for the half year ended 31 March 2012 was $253M. The previous corresponding period (pcp) was $264M.**

FINANCIAL HIGHLIGHTS

- Sales revenue up 12% to $3.3B;
- Earnings before interest and tax(1) down 4%;
- Rolling trade working capital to sales(3) at 13.0% in line with the pcp;
- Earnings per ordinary share at 67.9c, down from 71.1c in the pcp;
- Gearing(6) of 41.1%, up from 27.0% in the pcp, due in part to the repurchase of the Step-Up Preference Securities (SPS);
- Interest cover of 6.4 times(8); and
- Interim ordinary dividend is 38 cents per share (cps) - franked at 14 cps.

BUSINESS HIGHLIGHTS

- Stronger demand in most mining markets and improved pricing partly offset the adverse $90M EBIT impact arising from loss of containment incidents at Kooragang Island;
- Foreign exchange movements, net of hedging, adversely impacted EBIT by $23M;
- Mining Services EBIT down 6% to $313M. The adverse financial impact of the Kooragang Island incidents was mostly offset by improved volumes in Australia, Asia and Latin America together with some improvement in pricing;
- Minova EBIT up 2% to $57M reflecting stronger sales volumes in Australia and Eastern Europe and the benefit of productivity programs, which offset the impact of continued competitive pressure in the US and Poland; and
- Chemicals EBIT of $96M, 1% ahead of the pcp. Strong demand from mining markets, particularly for sodium cyanide and emulsifiers, offset the impact of generally subdued conditions in most industrial markets in Australia and New Zealand.

Certain non-IFRS information has been included in this report. This information is considered by management in assessing the operating performance of the business and has not been reviewed by the Group's external auditor. These measures are defined in the footnotes to this report.

1) EBIT (Equivalent to Profit/loss from operations).

A$M	Six Months Ended March 2012	2011	Change F/(U)
Sales Revenue	3,290.7	2,949.3	12%
EBIT (1)	418.7	437.0	(4%)
Net interest expense	(65.3)	(62.5)	(4%)
Tax expense	(90.0)	(97.3)	8%
Non controlling interests	(10.1)	(13.4)	25%
NPAT and non controlling interests (2)	**253.3**	**263.8**	**(4%)**
Earnings per ordinary share (cents)	67.9	71.1	(5%)
Return on shareholders' funds	14.6%	15.1%	
Financial Items			
Interim ordinary dividend per share (cents)	38.0	37.0	3%
Interim ordinary dividend franking (%)	36.8%	48.6%	
Payout Ratio (4)	54.8%	50.9%	
Net debt (5)	2,297.9	1,318.2	(74%)
Gearing (6)	41.1%	27.0%	
Gearing (adjusted) (7)	41.1%	32.1%	
Interest cover (times) (8)	6.4	7.0	
Average exchange rate (A$/US$) (9)	103.2	99.5	(4%)

DIVIDEND

- The directors have declared an interim ordinary dividend of 38 cps – franked at 14 cps;
- It is anticipated that dividends in the near future are unlikely to be franked at a rate of more than 40%.

OUTLOOK – 2012

- We expect Group net profit after tax (pre individually material items) in 2012 to be higher than that reported in 2011, subject to plant performance and global economic conditions.

2) Equivalent to Orica statutory net profit.
3) Rolling 12-mth average TWC / 12-mth total sales.
4) Interim dividend cps x shares on issue at 31 March 2012 / NPAT.
5) Total interest bearing liabilities less cash and cash equivalents.
6) Net debt/(net debt + book equity).
7) Calculation as per Note (6) with SPS notionally treated as 50% Debt and 50% Equity in 2011.
8) Interest cover (times) net of capitalised interest.
9) Income Statement translation rate.

Note: numbers in this report are subject to rounding.

REVENUE

- Sales revenue of $3.3B increased by $341M (12%), driven primarily by:
  - Strong underlying demand in Australian, Asian and Latin American mining markets;
  - Improved weather conditions in Australia and Asia;
  - Improved AN pricing conditions, particularly in North America;
  - Higher average caustic and sodium cyanide prices.

  Partly offset by:
  - Unfavourable foreign exchange movements ($103M);
  - Pricing pressure in Minova from competitor activity; and
  - Softer demand for chemicals from industrial markets in Australia and New Zealand.
- Other income of $19M was $29M below the prior period due mostly to lower currency gains.

EARNINGS BEFORE INTEREST AND TAX (EBIT)

- EBIT decreased by 4% to $419M (pcp: $437M). Increased earnings were attributed to:
  - Net volume and margin improvements of $114M reflecting strong underlying demand in most mining markets, improved weather conditions, higher sodium cyanide production and higher AN, caustic and sodium cyanide prices; and
  - Non-recurrence of $17M Monclova plant closure costs incurred in the first half of 2011.

  More than offset by:
  - The shutdown of the Kooragang Island ammonia and AN plants following loss of containment issues ($90M);
  - Unfavourable foreign exchange movements ($23M);
  - Higher fixed costs of $22M, impacted by inflationary factors and higher depreciation;
  - Unfavourable lag impact on the recovery of ammonia and AN cost increases ($14M).

CORPORATE CENTRE & SUPPORT COSTS

- Corporate centre and other support costs of $47M were in line with the pcp ($48M).

INTEREST

- Net interest expense of $65M was 4% higher than the pcp ($63M) in line with higher debt levels;
- Capitalised interest for the year was $22M (pcp $18M); and
- Interest cover was 6.4 times (pcp 7.0 times).

Revenue Summary

A$M	Six Months Ended March 2012	2011	Change F/(U)
Mining Services	2,134.2	1,825.2	17%
Minova	433.0	410.8	5%
Chemicals	804.7	748.8	7%
Other & Eliminations	(81.2)	(35.5)	(129%)
Total sales revenue	**3,290.7**	**2,949.3**	**12%**
Other income	18.9	47.5	(60%)
Total	**3,309.6**	**2,996.8**	**10%**

Earnings Summary

A$M	Six Months Ended March 2012	2011	Change F/(U)
EBIT			
Mining Services	313.0	334.5	(6%)
Minova	56.6	55.4	2%
Chemicals	95.9	94.7	1%
Corporate Centre	(22.9)	(23.8)	4%
Other Support Costs	(23.9)	(23.8)	(1%)
Total EBIT	**418.7**	**437.0**	**(4%)**
Net Interest	(65.3)	(62.5)	(4%)
Tax expense	(90.0)	(97.3)	8%
Non controlling interests	(10.1)	(13.4)	25%
NPAT and non controlling interests	**253.3**	**263.8**	**(4%)**

TAX EXPENSE

- Tax expense was $90M with an effective tax rate of 25.5% (pcp: 26.0%).

NET PROFIT

- NPAT decreased 4% to $253M (pcp: $264M).

INDIVIDUALLY MATERIAL ITEMS

- There were no individually material items for the period (pcp: nil).

DEBT FACILITIES

- The weighted average tenor of drawn debt facilities is approximately 5 years;
- Total US Private Placement debt is $1.4B. USD40M is maturing in October 2012;
- Drawn debt under bilateral bank facilities and export credit agency funding was $1B and $96M respectively. Total facilities are $2.3B;
- In July 2011, Orica refinanced $2.1B of existing bilateral bank facilities across 1,2,3,4 and 5 year maturity dates. The weighted average tenor of bilateral bank facilities is now approximately 2.5 years.

BALANCE SHEET

- **Key balance sheet movements since March 2011 were:**
  - Trade working capital (TWC) has increased by $91M from the pcp as a result of an underlying increase of $86M and acquisitions of $15M, offset by a favourable foreign exchange impact of $10M;
  - The underlying increase in TWC mostly reflects an increase in debtors as a result of an improvement in demand in most market segments;
  - Rolling TWC to sales(2) is comparable to 2011 at 13.0%;
  - Net property, plant and equipment (PP&E) is $468M up on the pcp, mainly due to spend on growth projects ($415M), sustenance capital ($249M), capitalised interest ($40M) and PP&E from acquired businesses ($11M). These were offset by depreciation ($196M), foreign exchange translation ($36M) and disposals ($15M). Significant growth spend since the pcp within Mining Services included Bontang ($106M), Kooragang Island ($113M) and Nanling ($27M);
  - Intangible assets are up marginally since pcp mainly due to the acquisition of businesses/entities ($50M) and capital expenditure ($45M) offset by the impact of foreign exchange translation ($53M) and amortisation ($37M);
  - Net other liabilities have decreased by $142M. Major movements include earnout payments ($29M), reduced net derivative financial liabilities ($28M) and a net reduction of environmental provisions ($45M);
  - Net debt increased by $980M due primarily to the repurchase of the SPS ($500M) which were classified as equity, dividend payments and increased capital expenditure, offset by operating cash flows; and
  - Orica shareholders' equity decreased by $290M, mainly due to the repurchase of the SPS, decrease in the foreign currency translation reserve ($80M) offset by increased earnings net of dividends declared and an increase in shares on issue for settlement of dividends under the Dividend Reinvestment Plan.

Balance Sheet

A$M	March 2012	Sept 2011	March 2011
Inventories	695.6	614.5	575.0
Trade Debtors	875.7	846.1	787.9
Trade Creditors	(779.4)	(859.8)	(662.2)
Total Trade working capital	791.9	600.8	700.7
Net property, plant & equipment	2,823.5	2,709.7	2,356.0
Intangible assets	2,414.6	2,505.4	2,412.0
Net other liabilities	(445.4)	(532.2)	(587.2)
Net debt	(2,297.9)	(1,408.1)	(1,318.2)
Net Assets	**3,286.7**	**3,875.6**	**3,563.3**
Orica shareholders' equity	3,164.0	3,754.3	3,453.6
Non controlling interests	122.7	121.3	109.7
Equity	**3,286.7**	**3,875.6**	**3,563.3**
Gearing	**41.1%**	**26.6%**	**27.0%**
Gearing (adjusted) (1)	**41.1%**	**31.4%**	**32.1%**

- **Key balance sheet movements since September 2011 were:**
  - TWC increased by $191M due to an underlying increase of $212M and TWC from acquired businesses of $3M, offset by a favourable foreign exchange translation impact of $24M;
  - Net property, plant and equipment was up $114M mainly due to capital spend ($252M), capitalisation of interest ($21M) and acquisitions ($4M), offset by foreign exchange translation impacts ($61M), disposals ($3M) and depreciation ($100M);
  - Intangible assets decreased by $91M. Capital expenditure ($21M), capitalised interest ($1M) and acquisitions of business/entities ($7M) were more than offset by the impact of foreign exchange translation ($101M) and amortisation ($18M); and
  - Net debt increased by $890M largely due to the repurchase of the SPS ($500M), ordinary dividends paid in the first half of $167M and capital expenditure of $275M, partly offset by operating cash flows in the first half of $39M.

GEARING

- Gearing(3) increased to 41.1% from 27% at 31 March 2011. In accordance with accounting standards, the SPS were previously recognised as equity. The repurchase of the SPS in November 2011 was funded with debt and partly contributed to the increased gearing; and
- Adjusted gearing treated the SPS in 2011 as 50% equity and 50% debt (Standard & Poors credit rating treatment). At 31 March 2012, this is equal to gearing of 41.1% (pcp 32.1%).

1) Gearing recalculated with SPS (repurchased in November'11) notionally reclassified as 50% equity and 50% debt.
2) Rolling 12-month average TWC / 12-month total sales.
3) Net debt/(net debt + equity).

CASH FLOW

- Net operating cash inflows decreased by $103M to $39M, compared with the pcp mainly due to:
  - The impact of Kooragang Island of $90M;
  - A higher cash outflow from the movement in trade working capital of $82M, due mainly to an increase in trade debtors reflecting improved demand conditions;
  - Increased outflows from NTWC of $25M; and
  - Adverse FX movements on debt and reserves of $23M.
- Net investing cash outflows increased by $28M to $306M, compared with the pcp due to:
  - Higher sustenance capital of $17M;
  - Increased spending on growth capital projects of $6M; and
  - Increased spend on acquisitions of $10M from the pcp. The current period has included $29M of earnout payments.
- Net financing cash inflows increased by $86M to an inflow of $182M compared with the pcp, mainly due to:
  - A net increase in proceeds from external borrowings of $62M;
  - Reduced SPS distribution of $5M;
  - Lower dividends paid to Non Controlling Interest shareholders of $5M; and
  - Additional share proceeds of $21M primarily received for repayment of LTEIP loans.

  Partly offset by:
  - Increased payments ($6M) for shares purchased on market for the LTEIP plan.

ORICA SPS

- A distribution of $16M on the SPS was paid during the period of which $5M was classified as interest;
- The distribution rate of 6.52% was unfranked and the distribution rate was calculated as the sum of the 180 day BBSW plus a margin of 1.35%; and
- On 29 November 2011 Orica repurchased the SPS using existing bilateral banking facilities. The repurchased amount was $500M.

Statement of Cash Flows	**Six Months Ended March**		
			Change
A$M	**2012**	**2011**	**F/(U)**
Net operating cash flows			
EBIT	418.7	437.0	(4%)
Add: Depreciation	100.4	92.0	(9%)
Add: Amortisation	18.0	18.2	1%
EBITDA	537.1	547.2	(2%)
Net interest paid	(83.4)	(67.8)	(23%)
Net income tax paid	(72.9)	(129.7)	44%
Trade Working Capital mvt (1)	(190.5)	(108.6)	(75%)
Non Trade Working capital mvt (2)	(90.7)	(65.9)	
Other (incl FX)	(60.8)	(33.4)	
	38.8	141.8	
Net investing cash flows			
Capital spending			
Sustenance capital (4)	(97.4)	(80.7)	(21%)
Growth capital (3)	(177.4)	(171.7)	(3%)
Total Capital Spending (5)	(274.8)	(252.4)	(9%)
Acquisitions	(43.1)	(33.4)	(29%)
Proceeds from surplus asset sales, investments and businesses	11.5	7.7	49%
	(306.4)	(278.1)	
Net financing cash flows			$M
Net proceeds from share issues (inclusive of non controlling interests)	25.3	4.8	20.5
Net (payments)/proceeds from LTEIP (*)	(19.9)	(14.1)	(5.8)
Movement in borrowings	357.4	295.5	61.9
Dividends paid - Orica Limited	(166.6)	(166.2)	(0.4)
Distributions paid - SPS securities	(11.1)	(15.8)	4.7
Dividends paid - NCI shareholders	(3.1)	(7.8)	4.7
	182.0	96.4	85.6

(*) LTEIP - long term employee equity incentive plans

1) September (opening) Trade working capital less March (closing) Trade working capital.
2) Non trade working capital: Primarily includes other receivables, other assets, other payables and provisions.

   Movement: September (opening) Non trade working capital less March (closing) Non trade working capital.
3) Capital expenditure that results in earnings growth through either cost savings or increased revenue.
4) Capital expenditure other than growth expenditure.
5) Total growth and sustenance expenditure reconcile to total payments for property plant and equipment and intangibles as disclosed in the Statement of Cash flows.

KEY POINTS

- Loss of containment incidents at Kooragang Island and associated plant shutdowns negatively impacted EBIT by $87M**;**
- AN volumes up 8% with strong demand from mining markets in Australia, Asia and Latin America;
- Strong demand from metals markets in North America, partially offset by weak US coal markets;
- Strong growth in Electronic Blasting Systems (EBS) with volumes up 23% versus the pcp;
- Improved pricing conditions, particularly in the North American market; and
- Negative impact to EBIT from unfavourable foreign exchange movements, net of hedging, of $19M.

BUSINESS SUMMARIES

Australia/Asia

- EBIT of $161M, down 22% ($46M) on the pcp, due mostly to the shutdown of the Kooragang Island ammonia and AN plants following loss of containment issues;
- AN volumes up 15%. Excluding the impact from flooding and severe weather conditions in the first half of 2011, underlying volumes across the region were up 7%;
- Modest pricing improvements; and
- Negative lag in recovery of ammonia input costs.

North America

- EBIT of $40M, up 24% ($8M) on the pcp due to improved pricing and stronger demand from metals markets, offset partly by softer demand from coal markets;
- AN volumes down 4% on the pcp; and
- Favourable lag in recovery of input cost movements due to falling natural gas prices.

Latin America

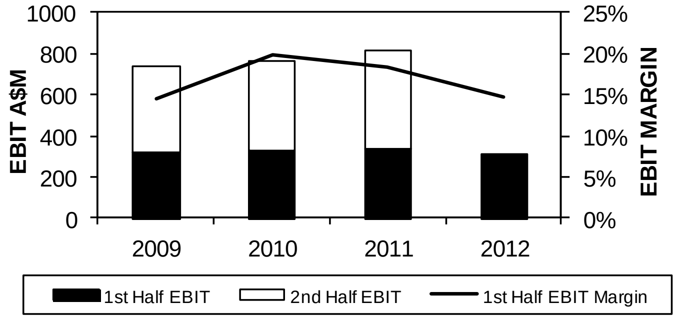
- EBIT of $43M, down 3% ($1M) on the pcp due to the transfer of specific commercial functions to the Global Hub;
- Strong underlying performance reflecting significantly improved demand with AN volumes up 25% versus pcp; and
- Steady pricing conditions and cost management.

EARNINGS

EBIT down 6% to $313M.

A$M	Six Months Ended March 2012	2011	Change F/(U)
Sales Revenue	2,134.2	1,825.2	17%
EBIT	313.0	334.5	(6%)
Operating Net Assets	3,598.6	2,936.5	23%
EBIT:			
Australia/Asia	161.0	207.4	(22%)
North America	40.2	32.3	24%
Latin America	42.9	44.2	(3%)
EMET	24.8	21.2	17%
Other	44.1	29.4	50%

EBIT TREND



Europe, Middle East and Turkey (EMET)

- EBIT of $25M, up 17% ($4M) on the pcp; and
- Improved volumes in construction markets in Norway offset by softer demand in Southern European quarry and construction markets.

Other (including the Global Hub)

- EBIT of $44M, up 50% ($15M) on the pcp; and
- Specific commercial functions in Latin America now transferred to the Global Hub.

PERSPECTIVES FOR 2012

- Firm demand in mining markets in Australia, Asia and Latin America;
- Softer demand from coal markets in North America;
- Slow recovery in infrastructure markets in North America and in Middle and Northern Europe. Southern European markets expected to remain weak; and
- Commissioning of the Bontang ammonium nitrate plant in Indonesia.

KEY POINTS

- Continued strong demand in Australia and CIS;
- Subdued activity in tunnelling markets in many parts of Europe due to difficult economic conditions;
- Steady volumes in most other markets;
- Continued competitive pressure in the US and Poland preventing margin recovery; and
- Continued focus on the introduction of new products and efficiency programs.

BUSINESS SUMMARIES

Americas

- Volumes generally in line with the prior period;
- Margins down on pcp due to competitor activity, though margins were in line with H2 2011;
- Input costs relatively stable; and
- Efficiency review underway.

Europe, Middle East and Africa (EMEA)

- Strong demand in CIS;
- Volumes remained solid in Czech Republic and Germany;
- Some volume improvements in Poland, however aggressive competition continued to impact margins;
- Generally subdued market conditions in tunnelling markets in Western Europe;
- Steady demand in South Africa; and
- Efficiency programs established in response to margin pressures.

Australia

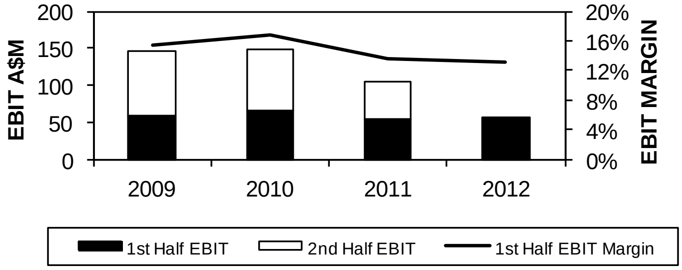
- Strong volume growth in the coal and hard-rock mining markets; and
- Margins positively impacted by increased sales of chemical related products and application services.

EARNINGS

EBIT up 2% to $57M.

	Six Months Ended March		
A$M	2012	2011	Change F/(U)
Sales Revenue	433.0	410.8	5%
EBIT	56.6	55.4	2%
Operating Net Assets	1,473.8	1,477.9	(0%)

EBIT TREND



China

- Lower volumes versus the pcp, however some improvement on H2 2011;
- Margin pressure due to increased competition from new market entrants; and
- Asian tunnelling/civils market presence developing.

PERSPECTIVES FOR 2012

- Volumes in Australia expected to remain firm;
- Softer demand conditions expected in the Appalachian mining region in North America;
- Demand from tunnelling expected to remain weak in parts of Western Europe due to difficult economic conditions; and
- Continue to pursue operational efficiencies and differentiated offerings across all regions.

KEY POINTS

- Strong demand from mining markets, particularly for sodium cyanide and emulsifiers;
- Generally subdued conditions in most industrial markets in Australia and New Zealand, partly impacted by the strong Australian dollar;
- Adverse impact caused by supply disruptions of ammonia and carbon dioxide from Kooragang Island;
- Increased competition negatively impacted margins in some segments within general chemicals;
- Solid growth in most market segments in Latin America; and
- Higher global caustic prices.

BUSINESS SUMMARIES

General Chemicals

- Sales up 8% on the pcp due mainly to higher commodity prices and strong trading volumes;
- Australian trading volumes improved with growth in mining markets;
- Latin America sales up 17% versus the pcp due to improvements in both the mining and industrial sectors;
- Soft demand from manufacturing markets in Australia;
- Difficult conditions in most market segments in New Zealand, with the Dairy market being the exception; and
- Margin pressure in Bronson and Jacobs due to the ongoing strength of the AUD.

Watercare

- Sales were down by 4% on the pcp due to unseasonal wet and mild summer conditions on the Australian East coast, offset partly by higher global caustic prices.

Mining Chemicals

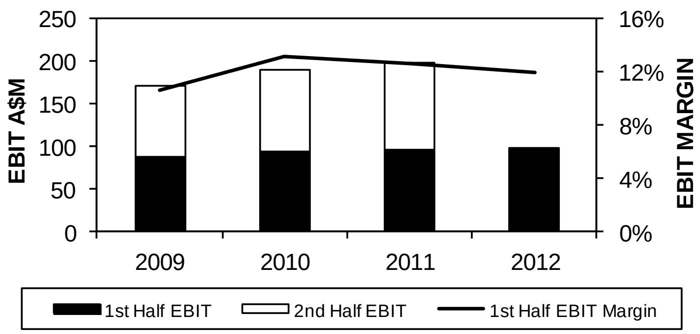
- Sales up 22% on the pcp due to improved volumes and pricing;
- Sodium cyanide production volumes 32% above the pcp due to the planned Yarwun plant shutdown in 2011 as part of the 95ktpa uprate;
- Demand for specialty emulsifiers increased by 11% on the pcp; and
- Results were unfavourably impacted by a stronger Australian dollar.

EARNINGS

EBIT up 1% to $96M.

A$M	Six Months Ended March 2012	2011	Change F/(U)
Sales Revenue	804.7	748.8	7%
EBIT	95.9	94.7	1%
Operating Net Assets	846.4	831.3	2%
Business Sales:			
General Chemicals	553.1	514.0	8%
Watercare	113.5	118.1	(4%)
Mining Chemicals	164.0	134.5	22%

EBIT TREND



PERSPECTIVES FOR 2012

- Sodium cyanide demand expected to remain high;
- Continued strength in mining markets in Australia, Latin America and Africa;
- Conditions in most non-mining market segments expected to remain difficult; and
- Global caustic prices expected to remain above the long term average.

In August 2011, an incident occurred at Orica's ammonia plant at Kooragang Island, Australia, which resulted in an amount of sodium chromate containing hexavalent chromium being released, traces of which were found in northern parts of the adjacent Stockton neighbourhood. Orica regrets the incident and is working with authorities and the community to rebuild trust in its Kooragang Island operations and to enhance its communications with stakeholders at other major sites. Orica has welcomed revised swab results in February 2012, with resultant estimates of Chromium VI emission off the Kooragang Island site found to be significantly less than those originally published after the 8 August incident last year. The original estimate of between 10kg and 20kg of Chromium VI emitted off site has now been corrected to 1 kg which in turn translates to an estimated 35 grams to 60 grams of Chromium VI deposited across Stockton.

At Yarwun, Orica is cooperating with the Department of Environment and Heritage Protection in relation to an investigation into the release of Total Cyanide in waste water from the Yarwun Trade Waste Facility into Gladstone Harbour in early 2012. There has been no harm to people or the environment as a result of this release.

Sustainability Governance

Orica has announced the formation of a new group, Corporate Affairs & Social Responsibility, which will have responsibility for community, government, media, safety, health and environment. The group will be led by an executive reporting directly to the CEO. Gavin Jackman has been appointed into this executive position and will begin at Orica in July.

Safety, Health & Environment (SH&E)

For the half year 2012, Orica achieved its lowest ever All Worker Recordable Case Rate (number of injuries and illnesses per 200,000 hours worked) of 0.37 and worked fatality free. Sadly, two members of the public died crossing busy highways by foot in separate vehicle incidents that involved company drivers.

Distribution incidents and serious learning incident reports were at the same level as the corresponding period last year. Maintaining discipline in application of the Company's SH&E systems, distribution selection and route risk assessments is critical.

Energy efficiency for the group has improved in comparison to the previous corresponding period, down to 2.11 GJ/t of production compared to 3.20 GJ/t of production. This was mainly due to the shut down of the ammonia plant at Kooragang Island - ammonia is Orica's most energy intensive product to manufacture. Water efficiency has also improved, going from 1.84 kL/t to 1.20 kL/t of production.

Product Stewardship

Orica has created a cross-business Group to review and advise on Orica's newly created Product Stewardship Model Procedure Suite. The new Procedure Suite focuses on control of risks associated with manufacture, storage, sale, transport, use and disposal of Orica's products. This Suite aims to give more prominence to Product Stewardship and the role it plays in sustainability as well as day to day business operations.

People & Community

Orica has 113 graduates in its global development program and expects an intake increase of nearly twenty five percent by the end of 2012. Currently, 30 percent of our graduates are female. The program is active in Australia, New Zealand, Asia and Latin America with North America coming online this year.

Seventeen vacation students started on the Orica Vacation Program in Australia and New Zealand, spending 12 weeks with Orica over the December to February period.

Orica is in the third year of implementing its agreed diversity strategy focussed on increasing cultural and gender diversity in the organisation. The focus is also enhancing capability of leaders to lead diverse teams and greater integration with indigenous communities in the regions in which Orica operates.

Orica was a sponsor of the National University of Singapore's Annual Global Business Plan Contest, achieving relationship building with the larger Singaporean community as well as reaching out to MBA students from across the globe.

Engagement & Communication

Orica was ranked 10th overall amongst ASX50 companies by the Net Balance Foundation and the ACCA (the Association of Chartered Certified Accountants) for the integrated reporting of our annual Sustainability Report. Key areas of the report that Orica performed particularly well in were: Board and management's approach to financial and non-financial matters, risk management and stakeholder engagement.

BUSINESS DEVELOPMENT

During the period, work continued on a number of growth projects, including:

- The commissioning of the ammonium nitrate plant in Bontang, Indonesia, with first production of ammonium nitrate on 19 April 2012;
- The expansion of the ammonium nitrate plant at Kooragang Island, Australia, to bring total capacity to 750ktpa. Long lead items have been ordered and site works are scheduled to start in the second half 2012, subject to statutory approval of minor modifications to initial project plans approved in 2009;
- The fully integrated non-electric detonator facility at Nanling, Hunan Province, China;
- The new emulsion plant at Kurri Kurri, Australia, which was commissioned in December 2011. The plant has capacity of 250ktpa;
- The first bulk emulsion plant in the Pilbara region. The plant will have up to 150ktpa capacity, and is currently on-track to be commissioned in the second half of 2012; and
- Continued planning for an ammonium nitrate plant in Peru.

MERGERS AND ACQUISITIONS

- In March, Orica announced it had signed a Heads of Agreement to form a Joint Venture with Yara and Apache to build a 330ktpa ammonium nitrate plant on the Burrup peninsula, Western Australia and distribute ammonium nitrate and other explosives products to mining customers in the Pilbara.

  Yara will be the operator of the ammonium nitrate plant and Orica will manage the sales and distribution.

  Orica will have a 45% interest in the Joint Venture. It is expected construction of the ammonium nitrate plant will commence in 2012.

  The final agreement is subject to concluding negotiations on the contract for the engineering, procurement and construction of the ammonium nitrate plant and Board approvals.

- In October, Minova purchased the self-drilling anchor business from Atlas Copco MAI GmbH. The acquisition extends Minova's product offering in the tunnelling and civils market.

Further Information

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