

Orica Limited

Risk Analysis for the Botany Groundwater Treatment Plant

Ernst & Young's Team

- **Glenn Carmody, Partner**
 - Partner in Financial Assurance
- **Liza Maimone, Partner**
 - Partner and National Head of Ernst & Young's Environment & Sustainability Services Practice
 - Bachelor of Engineering (Chemical)
 - Environmental Auditor appointed pursuant to the Environment Protection Act 1970 in the State of Victoria
- **Mathew Nelson, Senior Manager**
 - Bachelor of Engineering (Mechanical & Manufacturing)
 - Previous role as Operations Engineer at Qenos
- **Chris O'Hehir, Director**
 - Bachelor Economics (Economics, Statistics and Actuarial Studies)
- **Chris Daniels, Manager**
 - Master of Applied Science (Hydrogeology)

Scope of Work

- Our work was performed in accordance with Australian Auditing Standard AUS 904 'Engagements to Perform Agreed-Upon Procedures'. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed by us was that of Orica and the Department of Environment and Climate Change (DECC).

GTP Licence Requirements

- 1. Review and confirm the estimated annual and total remaining net operating and maintenance costs of the GTP and the associated monitoring and reporting costs over the life of the project.**
 - 1.1 Identified inputs into Orica's financial model and determined the costs related to the operation of key equipment in order to meet the minimum groundwater treatment requirements.
 - 1.2 Assessed the net costs included in the financial model against material current operating, maintenance, monitoring and reporting costs for the financial year ending 30 September 2006.
 - 1.3 Assessed potential risks (and opportunities) related to the material operating, maintenance, monitoring and reporting costs of the operation of the key elements of the GTP for 30 years.

Findings Summary

Based on the procedures performed by Ernst & Young, there were no material changes required to Orica's financial model.

GTP Licence Requirements

2. Review and advise on the risks associated Orica's ability and commitment to meet those costs during the life of the project and the probabilities of those risks.

- 2.1 Assessed Orica's ability to meet the net costs (including consideration of the financial risks identified in step 2), presented in their financial model and identified indicators of commitment to meet those net costs.

Findings Summary

Orica's overall credit rating of BBB+ is defined by Standard and Poor's as 'more than adequate capacity to pay its debts'. Overall, based on the procedures performed we did not identify anything to indicate that Orica would not be able to meet the net costs of operating the GTP or that they were not committed to doing so.

GTP Licence Requirements

3. Review and advise on the technical and environmental risks if the licensee is unable to meet the operating costs during the life of the project and the probability of those risks.

- 3.1 Identified and qualitatively assessed potential technical risks (e.g. personnel understanding of plant processes, operation of the thermal oxidiser) associated with a third party operating the GTP in the event that Orica is unable to meet net costs detailed in Orica's financial model.
- 3.2 Identified and qualitatively assessed potential environmental risks (e.g. loss of containment) related to the potential shutdown of operations of the GTP or transfer to a third party operator in the event that Orica is unable to meet net costs detailed in Orica's financial model.

Findings Summary

Orica has a good understanding of the potential risks should they be unable to meet the operating costs and have a good understanding of what will be required to mitigate these risks should they occur.