

To: The Manager  
Announcements  
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### **Public Announcement 2008 – 37AWC**

Attached is an investor presentation relating to the pro rata entitlement offer ("Entitlement Offer") by Alumina Limited.

A handwritten signature in black ink, appearing to read "Stephen Foster".

**Stephen Foster**  
**Company Secretary**

25 August 2008

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# 5 for 19 Pro Rata Entitlement Offer

John Bevan  
Chief Executive Officer

Ken Dean  
Chief Financial Officer



Monday, 25 August 2008

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# Important Notice

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# Executive Summary

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- Alumina has announced a fully underwritten 5 for 19, pro rata Accelerated Renounceable Entitlement Offer (AREO) to raise approximately \$910 million
  - Offer Price of \$3.00 representing a 29.1%<sup>1</sup> discount to closing price on 25 August 2008 and 24.5%<sup>1</sup> discount to theoretical entitlement price
- Raising funds to participate in AWAC projects to capture strong global demand for alumina
- Equity raising structured in the best interests of Alumina shareholders

A prospectus for the Retail Offer will be made available when offers of new Alumina ordinary shares are made under it, and that prospectus is expected to be lodged with ASIC on 1 September 2008. The prospectus will be sent to eligible retail shareholders after lodgement and be made available on Alumina's website. Any eligible retail shareholder who wishes to acquire new Alumina shares under the Retail Offer will need to complete, or otherwise apply in accordance with, the application form that will be in or will accompany the prospectus, and should consider the prospectus in deciding whether to subscribe for new Alumina shares.

1. Closing share price adjusted downwards for the 12 cents per share interim dividend for the half year ended 30 June 2008, as new Alumina ordinary shares will not be entitled to participate in that interim dividend

# Rationale for the Entitlement Offer

<b>Provides funding for growth projects</b>	<ul style="list-style-type: none"><li>■ Increases capacity to meet strong global demand for alumina</li><li>■ Alumar Refinery expansion project and Juruti Bauxite Mine represent long life strategic growth assets in a fast expanding region</li><li>■ Institutional and Retail Offers fully underwritten by the Joint Lead Managers, which provides funding certainty</li></ul>
<b>Strengthens financial structure</b>	<ul style="list-style-type: none"><li>■ Following completion of the Entitlement Offer, Alumina's Balance Sheet will be appropriately capitalised for the requirements of the expanded business</li></ul>
<b>Pro rata benefits for shareholders</b>	<ul style="list-style-type: none"><li>■ Eligible Shareholders entitled to participate equally</li><li>■ Attractive entry point for investors – 29.1%<sup>1</sup> discount to closing price on 25 August 2008, 24.5%<sup>1</sup> discount to theoretical ex-entitlement price</li><li>■ Non-participating and ineligible Shareholders may be able to realise value from their Entitlements through the Institutional Bookbuild / Retail Bookbuild</li></ul>

# Use of Proceeds

<p><b>Invest in AWAC's bauxite and alumina growth projects in Brazil</b></p>	<p>\$549 million</p>	<ul style="list-style-type: none"> <li>■ To finance Alumina's share of the additional investment in AWAC's Brazil projects as previously announced</li> <li>■ These assets will develop AWAC's asset base and enhance long term capacity</li> </ul>
<p><b>Strengthen Alumina's financial position</b></p>	<p>\$199 million</p>	<ul style="list-style-type: none"> <li>■ To fund increased AWAC working capital arising principally from higher input costs and inventory levels</li> <li>■ To capitalise Alumina for the needs of the business</li> </ul>
<p><b>Replace underwriting of DRP</b></p>	<p>\$138 million*</p>	<ul style="list-style-type: none"> <li>■ Entitlement Offer will replace funding for the Brazil projects that would otherwise have been raised by underwriting the Dividend Reinvestment Plan (DRP) for the 2008 interim dividend</li> <li>■ Alumina does not intend to underwrite the DRP for the 2008 final dividend</li> </ul>

\* Before any take-up of the non-discounted DRP

# AWAC Growth Projects



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# Juruti – A World Class Bauxite Deposit

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- Initial Production 2.6mtpa
- Located in developing region
- High quality bauxite
- Long life mine
- Options to further expand
- Significant infrastructure investment



# Juruti – Project Status

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- 59% construction complete
- 100% detailed engineering
- 96% procurement
- Port 70% civil engineering complete
- Railroad 55% civil engineering complete
- Total Project spend US\$2.06 billion
- First shipment mid-2009



# Alumar Refinery Expansion

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- AWAC-led J.V. project  
AWAC (54%) BHP Billiton (36%)  
Rio Tinto Alcan (10%)
- Located in expanding Latin America region
- 2.1mtpa expansion increases total capacity to 3.5mtpa
- Increases AWAC's long term capacity by 1.1mtpa or approximately 7.5%



# Alumar – Project Status

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- 57% construction performed
- Detailed engineering 100% complete
- 70% major equipment delivered
- Project total US\$1.62 billion (AWAC share)
- First production mid-2009



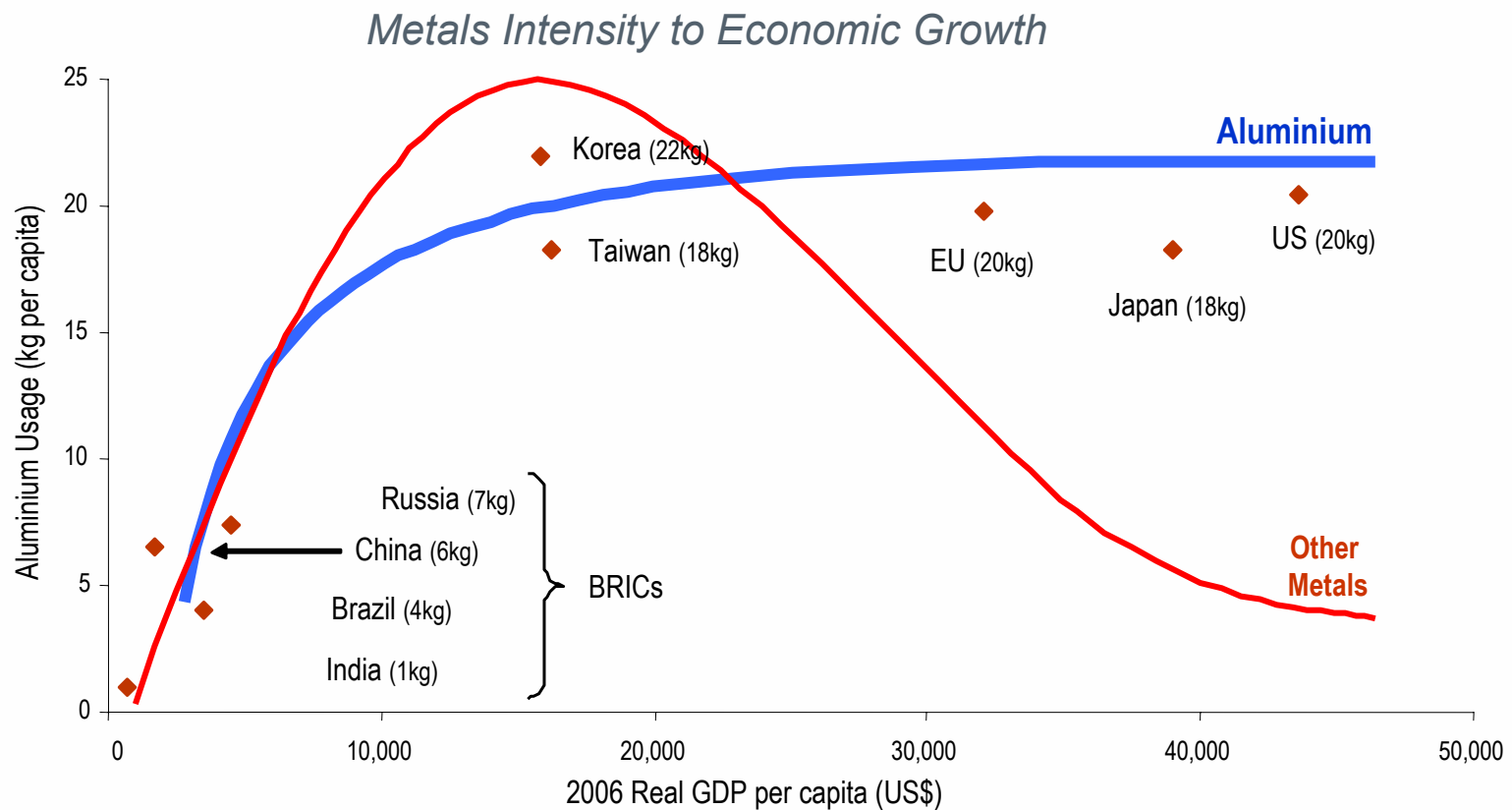
# Aluminium Industry Outlook



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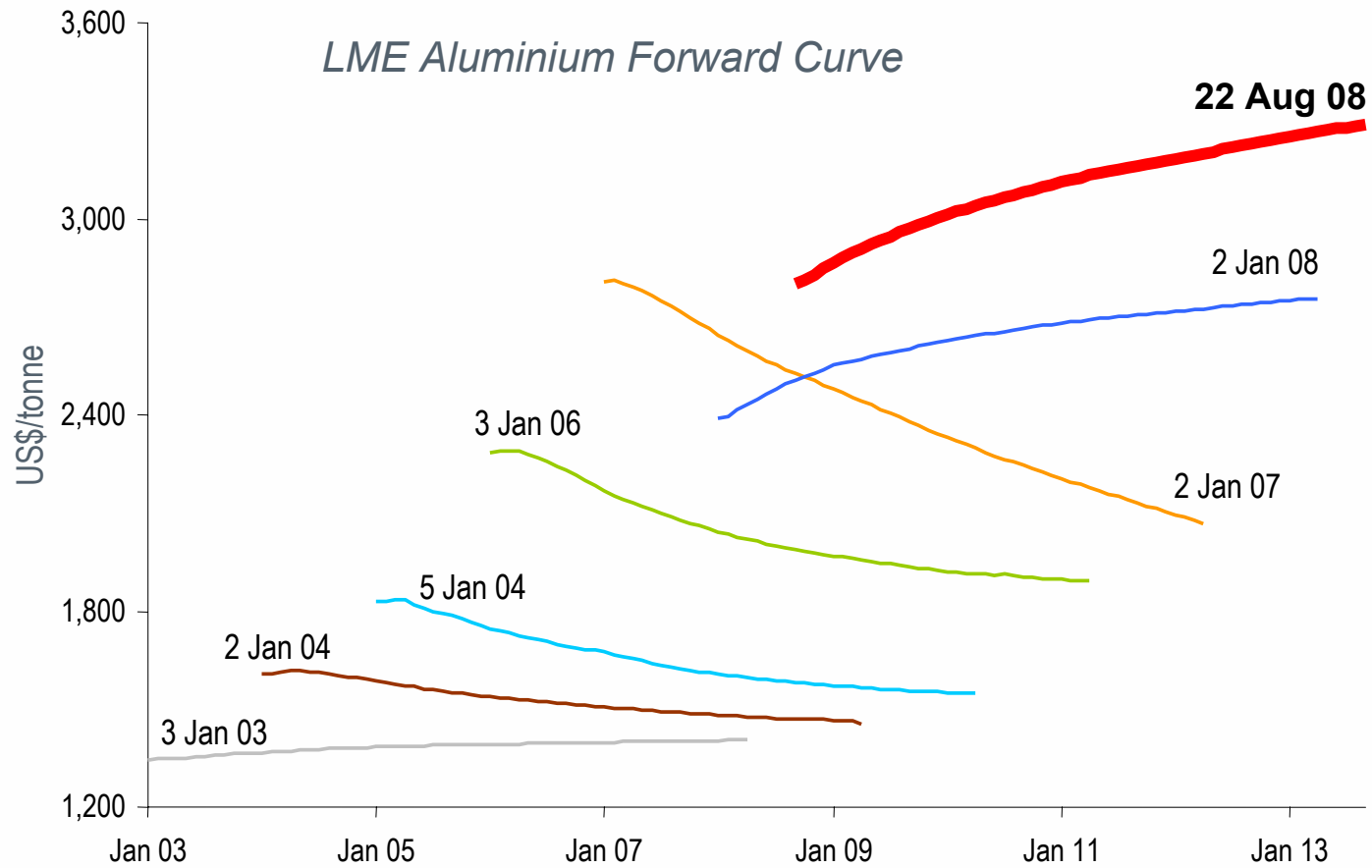
# Industrialisation & Urbanisation Drives Aluminium Demand

Demand for aluminium expected to double between 2005 and 2020



# Current Market Supports Strong Long-Term Pricing

Alumina price - a function of the LME Aluminium price



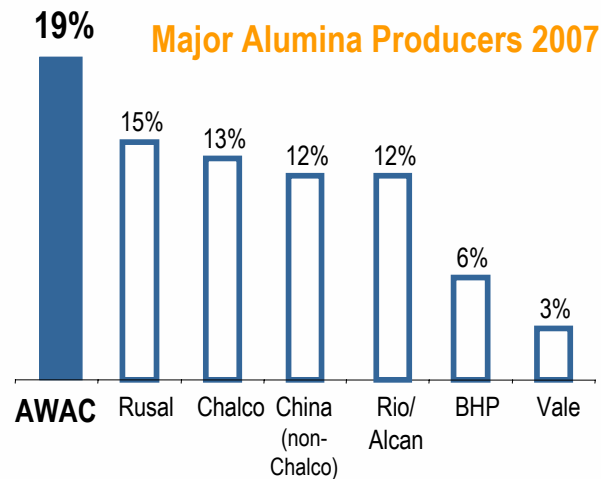
# AWAC – Global Market Leader



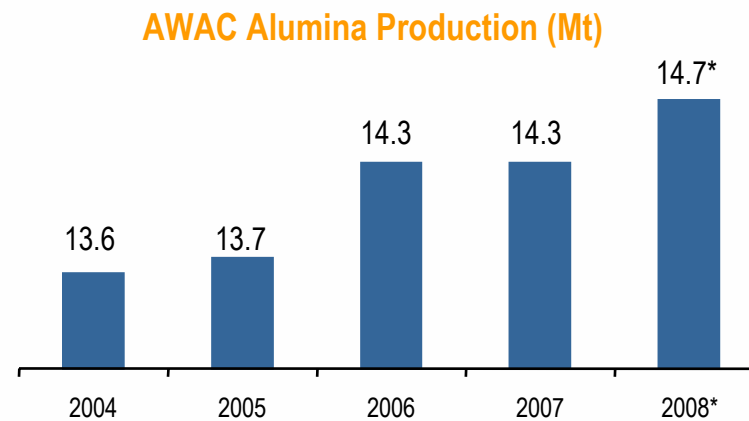
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# AWAC – Alcoa World Alumina & Chemicals

- World's largest alumina producer
- Global joint venture formed in 1995 between
  - Alcoa Inc. (60%) and
  - Alumina Limited (40%)
- Exclusive vehicle for each of Alcoa's and Alumina's bauxite and alumina interests



Source: Brook Hunt, Company information

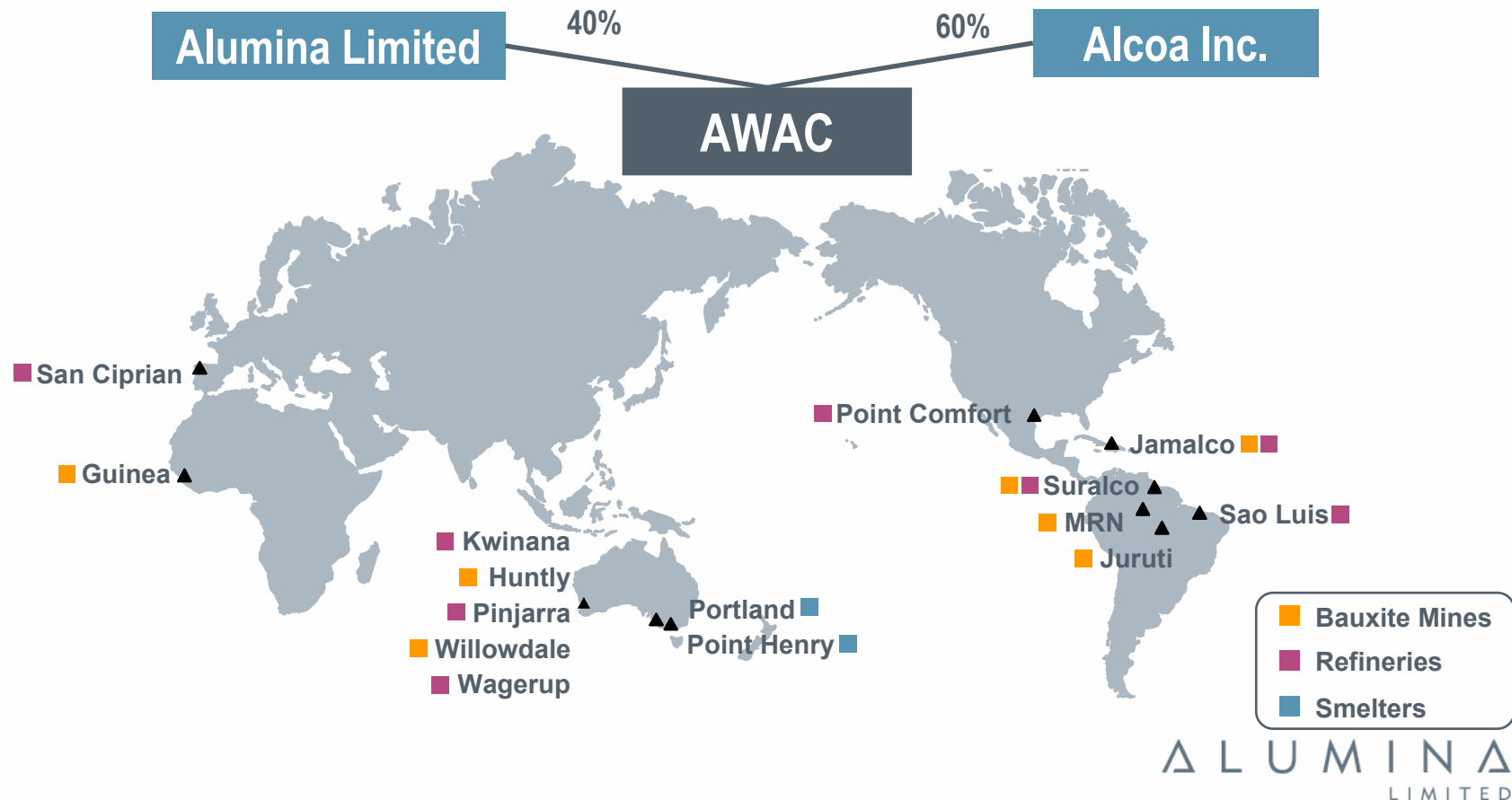


\* Company guidance

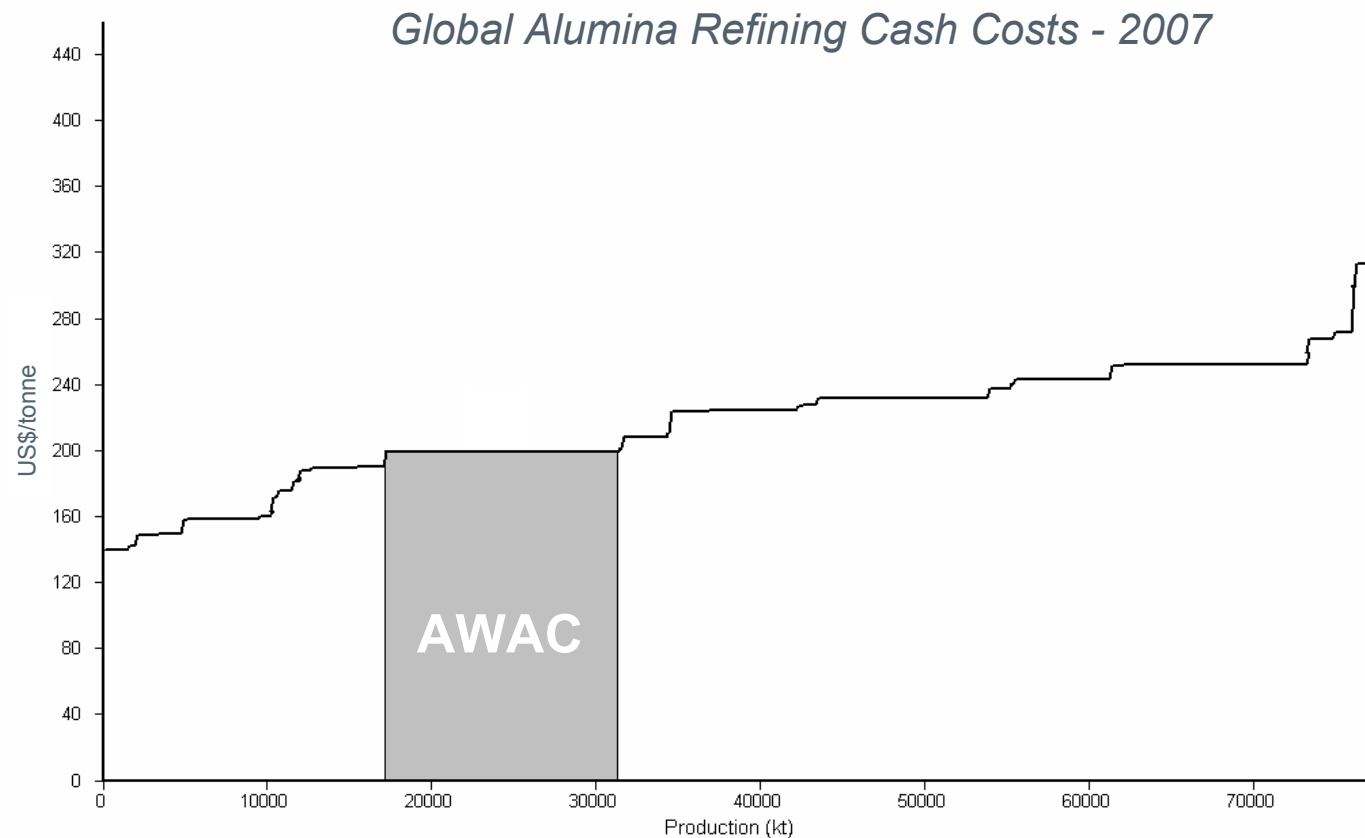
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# AWAC – The Global Bauxite & Alumina Business

Expansion in Brazil is developing AWAC's asset base and enhancing long term capacity



# AWAC's Competitive Cost Position in Refining



Source: Brook Hunt 2008

# Working Capital Investment For a Growing Business

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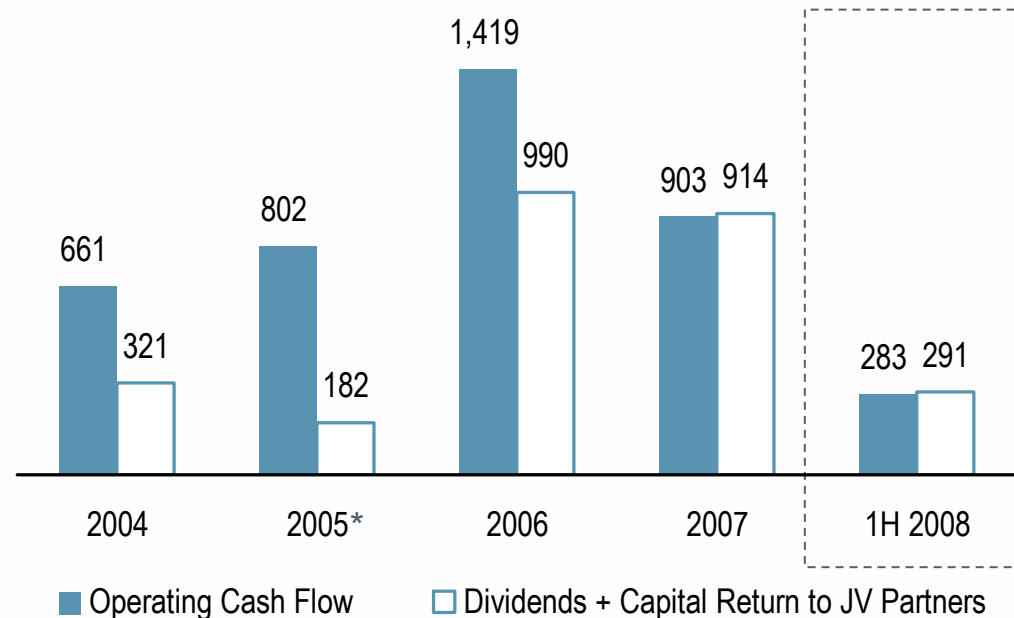
- Higher selling prices and input costs
- Increased stock holdings of key raw materials
- Higher WIP and finished goods values
- Higher net receivables



# AWAC History of Strong Cash Flow Distribution

Significant dividend and capital return distributed to joint venture partners

## AWAC Operating Cash Flow and Dividends + Capital Return (US\$M)



\* 2005 AofA dividend reduced as Cash Flow employed in Pinjarra expansion

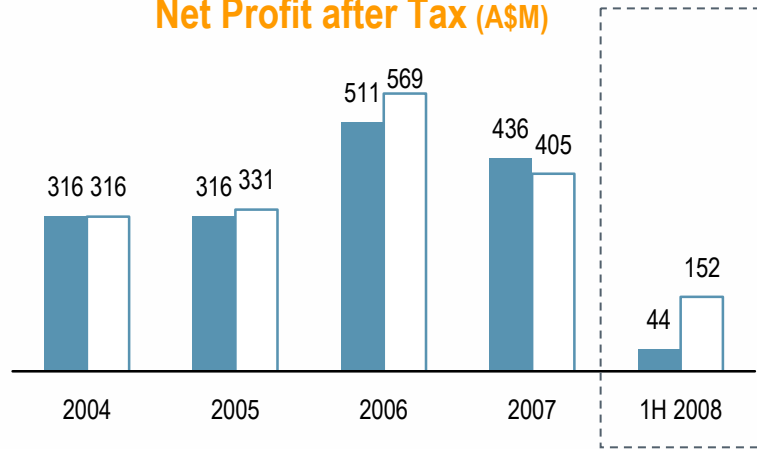
# Alumina Financial Strength



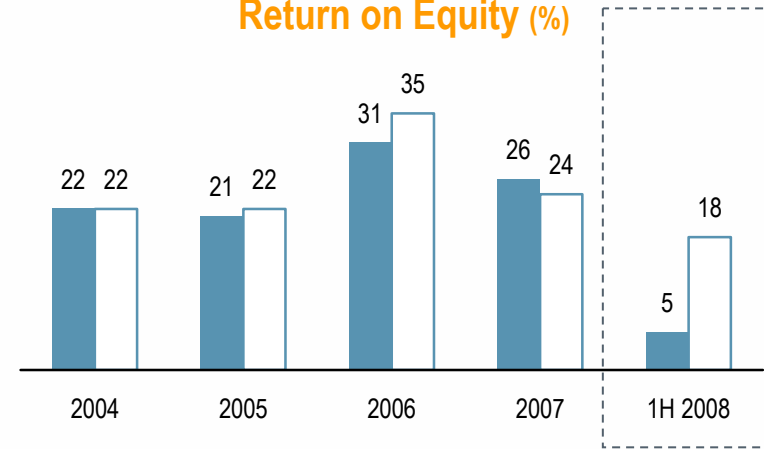
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# Financial Performance Overview

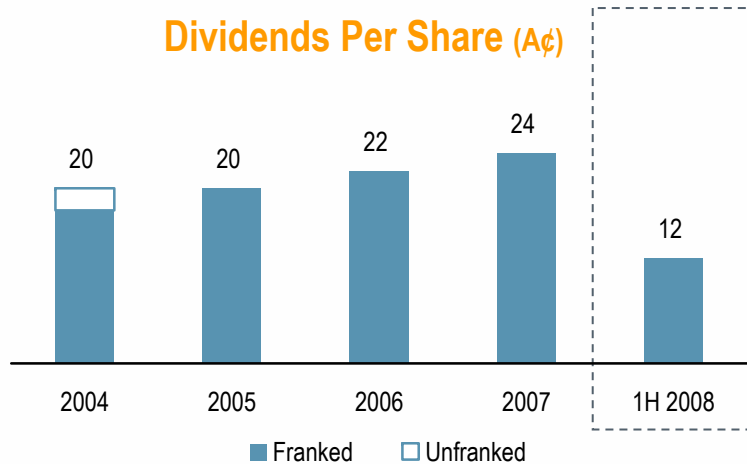
Net Profit after Tax (A\$M)



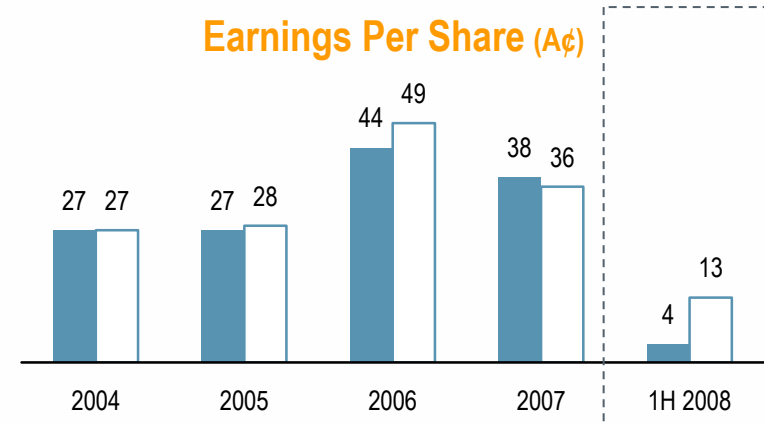
Return on Equity (%)



Dividends Per Share (A¢)



Earnings Per Share (A¢)



■ Franked □ Unfranked

■ NPAT □ Underlying Earnings

# Alumina – Capitalised for the Needs of the Business

## Alumina Pro-forma Balance Sheet

	30 June 2008 Reported (\$ millions)	Net Proceeds of Entitlement Offer (\$ millions)	30 June 2008 Pro-forma (\$ millions)
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	10.9	87.4	98.3
Total Current Assets	12.2	87.4	99.6
Total Non-current Assets	2,807.0	-	2,807.0
Total Assets	<b>2,819.2</b>	<b>87.4</b>	<b>2,906.6</b>
<b><u>LIABILITIES</u></b>			
Interest Bearing Liabilities	26.1	(26.1)	-
Total Current Liabilities	51.2	(26.1)	25.1
Interest Bearing Liabilities	1,087.9	(772.9)	315.0
Total Non-Current Liabilities	1,091.8	(772.9)	318.9
Total Liabilities	<b>1,143.0</b>	<b>(799.0)</b>	<b>344.0</b>
<b><u>NET ASSETS</u></b>	<b>1,676.2</b>	<b>886.4</b>	<b>2,562.6</b>
<b><u>EQUITY</u></b>	<b>1,676.2</b>	<b>886.4</b>	<b>2,562.6</b>

# Dividend Policy

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- Aggregate dividend distribution to be maintained, subject to business conditions, giving approximately 19cps after Entitlement Offer
- Distributions consistently fully franked
- Entitlement Offer will replace funds that would otherwise have been raised by underwriting the DRP for the 2008 interim dividend
- Alumina does not intend to underwrite the DRP for the 2008 final dividend
- Any future DRP underwriting and/or DRP discount will be decided at the appropriate time

# Summary of Key Risks\*

<b>Aluminium / alumina price</b>	<ul style="list-style-type: none"><li>Alumina's net income is affected by movements in the prices of aluminium and alumina</li></ul>
<b>Exchange rates</b>	<ul style="list-style-type: none"><li>Fluctuations in exchange rates can have a significant effect, including on earnings, profitability and construction costs</li></ul>
<b>Production costs</b>	<ul style="list-style-type: none"><li>An increase in AWAC's production costs or a decrease in production could reduce Alumina's profitability</li></ul>
<b>Capital costs</b>	<ul style="list-style-type: none"><li>An increase in the capital cost of AWAC's growth projects and operations would impact Alumina's profitability</li></ul>
<b>Minority interest</b>	<ul style="list-style-type: none"><li>Alumina does not hold a majority interest in AWAC, and decisions made by majority vote may not be in the best interests of Alumina</li></ul>
<b>AWAC dividends</b>	<ul style="list-style-type: none"><li>Alumina's cash flows depend on the availability of dividends from AWAC</li></ul>

\* Refer to the Pathfinder for further details on key risks

# Offer Details and Timetable



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# Offer Details\*

<b>Offer Size</b>	<ul style="list-style-type: none"> <li>5 for 19 accelerated pro rata entitlement offer to raise approximately \$910 million</li> <li>Approximately 303.4 million new Alumina Ordinary Shares to be issued</li> </ul>
<b>Offer Price</b>	<ul style="list-style-type: none"> <li>\$3.00 per share Offer Price</li> <li>29.1%<sup>1</sup> discount to Alumina closing share price on Monday, 25 August 2008</li> <li>24.5%<sup>1</sup> discount to theoretical ex-entitlement price</li> </ul>
<b>Institutional Offer</b>	<ul style="list-style-type: none"> <li>Institutional Entitlement Offer open from Monday, 25 August 2008 to Wednesday, 27 August 2008 – open to institutional investors in Australia and New Zealand and certain other jurisdictions</li> <li>Entitlements not taken up will be placed into the Institutional Bookbuild – to be undertaken from Thursday, 28 August 2008 to Friday, 29 August 2008</li> </ul>
<b>Retail Offer</b>	<ul style="list-style-type: none"> <li>Retail Entitlement Offer open from Monday, 1 September 2008 to Friday, 19 September 2008 – open to retail shareholders in Australia and New Zealand</li> <li>Entitlements not taken up will be placed into the Retail Bookbuild – to be undertaken from Thursday, 25 September 2008 to Friday, 26 September 2008</li> </ul>
<b>Record Date</b>	<ul style="list-style-type: none"> <li>Friday, 29 August 2008 (7:00pm Melbourne time)</li> </ul>
<b>Underwriters</b>	<ul style="list-style-type: none"> <li>Goldman Sachs JBWere Pty Ltd, Macquarie Capital Advisers Limited and UBS AG, Australia Branch</li> <li>Entitlement Offer fully underwritten (including Retail Offer)</li> </ul>

\* Dates and times are indicative and subject to change at the discretion of Alumina and the Joint Lead Managers

1. Closing share price adjusted downwards for the 12 cents per share interim dividend for the half year ended 30 June 2008, as new Alumina ordinary shares will not be entitled to participate in that interim dividend

# Offer Timetable\*

Monday, 25 August 2008 (after market close)	▪ Institutional Entitlement Offer opens
Tuesday, 26 August 2008	▪ Trading halt commences
Wednesday, 27 August 2008	▪ Institutional Entitlement Offer closes
Thursday, 28 August 2008 to Friday, 29 August 2008	▪ Institutional Bookbuild
Monday, 1 September 2008	▪ Trading halt lifted
Monday, 1 September 2008	▪ Retail Entitlement Offer opens
Tuesday, 9 September 2008	▪ Institutional Entitlement Offer and Institutional Bookbuild settlement
Friday, 19 September 2008	▪ Retail Entitlement Offer closes
Thursday, 25 September 2008 to Friday, 26 September 2008	▪ Retail Entitlement Offer Bookbuild
Thursday, 2 October 2008	▪ Retail Entitlement Offer and Retail Bookbuild settlement

\* Dates and times are indicative and subject to change at the discretion of Alumina and the Joint Lead Managers

# What You Need to Do

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## ■ Eligible Institutional Shareholders

- Read the pathfinder prospectus
- Read the procedures manual (provided by the underwriters)
- Return the Institutional Shareholding Declaration Form to Orient Capital by 4:00pm (AEST) on Tuesday, 26 August 2008
- Return the Entitlement Acceptance or Renunciation Form to Underwriters by 4:00pm (AEST) on Wednesday, 27 August 2008

## ■ Eligible Retail Shareholders

- Prospectus expected to be lodged with ASIC following completion of the Institutional Entitlement Offer on Monday, 1 September 2008
- Read the prospectus carefully and in full before making any investment decision
- Eligible retail shareholders who wish to acquire shares under the Retail Entitlement Offer will need to complete the personalised Entitlement and Acceptance Form accompanying the prospectus and return it to Computershare by 5:00pm (AEST) on Friday, 19 September 2008

# Questions & Answers

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## Investment Highlights

Positive industry outlook

Global scale and geographic diversity

AWAC's growth projects in Brazil

High quality, low cost AWAC assets

Strong AWAC earnings and cash flow generation

Opportunity to acquire shares in Alumina on attractive terms

# Contacts

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