

ALUMINA LIMITED PROSPECTUS

(ABN 85 004 820 419)

FOR THE 5 FOR 19 ENTITLEMENT OFFER OF APPROXIMATELY
303.4 MILLION NEW SHARES AT AN OFFER PRICE OF \$3.00 PER
NEW SHARE TO RAISE APPROXIMATELY \$910 MILLION

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE AN ELIGIBLE SHAREHOLDER YOU SHOULD READ THIS PROSPECTUS IN ITS ENTIRETY BEFORE DECIDING WHETHER TO ACCEPT THE OFFER OF NEW SHARES. YOUR ENTITLEMENT MAY HAVE VALUE AND YOU SHOULD THEREFORE CONSIDER WHETHER TO TAKE UP YOUR ENTITLEMENT RATHER THAN ALLOW IT TO LAPSE.

IF YOU DO NOT UNDERSTAND ANY PART OF THIS PROSPECTUS, OR ARE IN ANY DOUBT AS TO HOW TO DEAL WITH IT OR YOUR ENTITLEMENT, YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT, SOLICITOR AND/OR OTHER PROFESSIONAL ADVISER.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TRANSMITTED IN THE US OR DISTRIBUTED OR RELEASED, DIRECTLY OR INDIRECTLY, IN THE US OR TO ANY US PERSON, AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED.

JOINT LEAD MANAGERS AND
UNDERWRITERS



JBWere



UBS Investment
Bank



MACQUARIE

IMPORTANT INFORMATION

This prospectus is dated 1 September 2008 (**Prospectus**) and was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus.

This Prospectus expires on 30 September 2009. No New Shares will be issued on the basis of this Prospectus after that expiry date.

This Prospectus is important and requires your immediate attention.

You should read this Prospectus carefully and in its entirety before deciding whether to invest in New Shares. In particular, you should consider the risk factors that could affect the performance of Alumina or the value of an investment in Alumina, some of which are outlined in Section 5 of this Prospectus. Note, however, that the information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation, tax position or particular needs of individual investors.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading this Prospectus, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant, solicitor and/or other professional adviser.

The potential tax effects of the Retail Entitlement Offer will vary between investors. A summary of potential Australian and New Zealand tax implications is contained in Section 7 of this Prospectus. However, all investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

Investors should note that the past share price performance of Alumina provides no guidance as to its future share price performance.

Entitlements are not transferable. If you are an Eligible Retail Shareholder and decide not to take up all of your Entitlement, then New Shares attributable to the balance of your Entitlement not taken up may be sold as part of the Retail Bookbuild. Please carefully read and follow the instructions in Section 2 of this Prospectus and on the back of the accompanying Entitlement and Acceptance Form when taking up any of your Entitlement.

Alumina has applied for the grant by ASX of official quotation of the New Shares. ASX takes no responsibility for the contents of this Prospectus.

PROSPECTUS AVAILABILITY

Eligible Retail Shareholders in Australia and New Zealand can obtain a copy of this Prospectus during the period of the Retail Entitlement Offer on the Alumina website (www.aluminalimited.com) or by calling the Alumina Limited Shareholder Information Line on the numbers listed below under the heading 'Enquiries'. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The electronic version of this Prospectus on the Alumina website will not include an Entitlement and Acceptance Form. Neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be sent to investors in the US or that are, or are acting on behalf of or for the account or benefit of, a US Person, or otherwise distributed in the US.

FUTURE PERFORMANCE AND FORWARD LOOKING STATEMENTS

Neither Alumina nor any other person warrants or guarantees the future performance of the New Shares or any return on any investment made pursuant to this Prospectus.

The pro-forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of Alumina's view on its future financial condition and/or performance.

The forward looking statements in this Prospectus are based on Alumina's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Alumina and its Directors, that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Prospectus. These risks include, but are not limited to, the risks outlined in Section 5. Forward looking statements include those containing such words as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

AUSTRALIA

This Prospectus contains an offer to Eligible Retail Shareholders in Australia of continuously quoted securities (as defined in the Corporations Act) of Alumina, and has been prepared in accordance with section 713 of the Corporations Act.

NEW ZEALAND

The New Shares being offered under this Prospectus are being offered to Eligible Retail Shareholders in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and has not been registered, filed with or approved by any New Zealand regulatory authority, or under or in accordance with the Securities Act 1978 (New Zealand) or any other relevant law in New Zealand. It may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

FOREIGN JURISDICTIONS

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia and New Zealand. No action has been taken to register or qualify the Entitlement Offer (including the Retail Entitlement Offer), the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand. The Entitlement Offer is not being extended to any person outside Australia and New Zealand, other than to Eligible Institutional Shareholders as part of the Institutional Entitlement Offer and to Institutional Investors as part of the Institutional Bookbuild and the Retail Bookbuild. This Prospectus does not constitute an offer in the US or to a US Person (or to any person acting for the account or benefit of a US Person), or in any other place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of this Prospectus, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

Neither the Entitlements nor the New Shares have been or will be registered under the Securities Act or the securities laws of any state of the US and may not be offered or sold in the US or to, or for the account or benefit of, US Persons. In addition, Alumina is not registered as an 'investment company' under the Investment Company Act.

DISCLAIMER OF REPRESENTATIONS

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Prospectus.

Any information or representation that is not in this Prospectus may not be relied on as having been authorised by Alumina, the Joint Lead Managers or their respective related bodies corporate in connection with the Entitlement Offer.

DEFINED WORDS AND EXPRESSIONS

Some words and expressions used in this Prospectus have defined meanings, which are explained in the glossary in Section 9, as are certain rules of interpretation that apply to this Prospectus.

A reference to time in this Prospectus is to Australian Daylight Savings Time while in effect and otherwise to Australian Eastern Standard Time (AEST), unless otherwise stated. All financial amounts in this Prospectus are expressed in Australian currency, unless otherwise stated.

ENQUIRIES

If you are an Eligible Retail Shareholder and have any questions in relation to the Entitlement Offer, please contact your stockbroker, accountant, solicitor and/or other professional adviser. If you have questions in relation to the Shares upon which your Entitlement has been calculated, or how to complete the Entitlement and Acceptance Form or take up your Entitlement, please call the Alumina Limited Shareholder Information Line as set out below:

Within Australia 1300 556 050 (local call cost)

Outside Australia +61 3 9415 4027

The Alumina Limited Shareholder Information Line is open from 8.30am to 7.00pm (AEST) Monday to Friday during the Offer Period.

PRIVACY

Please read the privacy statement located in Section 8.13. It is important you understand that by making an Application you consent to the matters outlined in that statement.

CHAIRMAN'S LETTER

1 September 2008

Dear Shareholder,

On behalf of the Alumina Board, I am pleased to invite you to participate in the Entitlement Offer which was announced on 25 August 2008. The Entitlement Offer provides you with an opportunity to further participate in the continued growth of Alumina through the right to acquire Alumina Shares at \$3.00 per New Share. This represents a 29.1% discount to the closing price of Alumina Shares on ASX on 25 August 2008 of \$4.23¹ and a 24.5% discount to the Theoretical Ex-Rights Price of \$3.97².

This Entitlement Offer is available to eligible Alumina shareholders, who may acquire 5 New Shares for every 19 Existing Shares held as at 7.00pm (AEST) on 29 August 2008, subject to the terms of this Prospectus.

Background to the Entitlement Offer

Alumina's principal asset is its 40% interest in the Alcoa World Alumina and Chemicals (AWAC) joint venture with Alcoa Inc. AWAC is the largest alumina producer in the world, accounting for approximately 19% of global alumina production in 2007. AWAC's low cost assets, coupled with its long-term growth program, mean Alumina is well positioned to capitalise on continued strong global demand for alumina and aluminium, including growing demand from developing countries.

Alumina's share of the expected capital costs for the completion of AWAC's growth projects in Brazil, being the expansion of the Alumar refinery in São Luis and the development of the Juruti bauxite mine, has increased as announced on 21 July 2008. These new assets are expected to be commissioned in 2009, giving Alumina shareholders exposure to high quality, long life, strategic assets, with competitive operating costs relative to the global industry.

The Alumina Board has determined that an Entitlement Offer is an appropriate way to ensure that Alumina is capitalised to realise the full value of its growth opportunities. Importantly, the structure of the Entitlement Offer means Eligible Shareholders have the opportunity to maintain an undiluted interest in Alumina.

Entitlement Offer proceeds and uses

Alumina is seeking to raise approximately \$910 million under the Entitlement Offer, comprising a fully underwritten Institutional Entitlement Offer and associated Institutional Bookbuild, which have already been conducted and will raise approximately \$644 million, and a fully underwritten Retail Entitlement Offer and associated Retail Bookbuild, which will raise approximately \$266 million. The Retail Entitlement Offer will be open from 1 September 2008 to 5.00pm (AEST) on 19 September 2008.

The funds raised under the Entitlement Offer will be applied by Alumina:

- to meet its share of the capital costs of AWAC's growth projects in Brazil; and
- to strengthen its balance sheet so that Alumina is capitalised for the requirements of the business, including working capital requirements.

Some funds for these purposes would have been raised through the underwriting of the Dividend Reinvestment Plan in relation to the interim dividend for the half year ended 30 June 2008. However, as a result of making the Entitlement Offer, Alumina has decided that the reinvestment of this dividend will not be underwritten. It is also Alumina's intention that the reinvestment of the final dividend for 2008 will not be underwritten.

The completion of the Entitlement Offer will contribute to Alumina strengthening its financial structure for the future.

Other important information

Your Entitlement as an Eligible Retail Shareholder is set out in the personalised Entitlement and Acceptance Form which accompanies this Prospectus. You may take up all, or part, of this Entitlement. If you do not take up all of your Entitlement, you may or may not be paid some cash in respect of the part of your Entitlement you do not take up, depending on the results of the Retail Bookbuild to be conducted at the close of the Retail Entitlement Offer. The New Shares will rank equally from allotment in all respects with Existing Shares, but will not be entitled to the 2008 interim dividend to be paid on 14 October 2008.

This Prospectus contains details of the Entitlement Offer and other information relating to Alumina. You should read this Prospectus carefully (including assessing the risk factors outlined in Section 5) before deciding whether to take up your Entitlement. If you have any questions in respect of the Entitlement Offer, please call the Alumina Limited Shareholder Information Line on 1300 556 050 from within Australia or +61 3 9415 4027 from elsewhere during the Offer Period, visit the Alumina website (www.aluminalimited.com) and/or consult your stockbroker, solicitor, accountant and/or other professional adviser.

It is the current intention of each of your Directors to participate in the Retail Entitlement Offer to the full extent of his Entitlement.

Yours faithfully,



DONALD M MORLEY CHAIRMAN

1 As adjusted downwards for the 12 cents per Share interim dividend for the half year ended 30 June 2008, as New Shares will not be entitled to participate in that interim dividend. 25 August 2008 was the last day of ASX trading in Shares before Alumina announced the Entitlement Offer.
2 Calculated using \$4.23 as the pre-issue price of Shares, as adjusted downwards for the 12 cents per Share interim dividend referred to above. Please refer to Section 9 for the definition of Theoretical Ex-Rights Price.

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KEY ENTITLEMENT OFFER STATISTICS

Offer Price	\$3.00 per New Share
Entitlement ratio	5 New Shares for every 19 Shares held as at 7.00pm (AEST) on Friday, 29 August 2008
Number of New Shares to be issued under the Entitlement Offer ¹	Approximately 303.4 million
Gross Entitlement Offer proceeds ²	Approximately \$910 million

KEY DATES³

EVENT	DATE
Institutional Entitlement Offer opened	Monday, 25 August 2008
Institutional Entitlement Offer closed	Wednesday, 27 August 2008
Institutional Bookbuild	Thursday, 28 August 2008 to Friday, 29 August 2008
Record Date for the Entitlement Offer	7.00pm (AEST) on Friday, 29 August 2008
Lodgement of this Prospectus with ASIC	Monday, 1 September 2008
Retail Entitlement Offer opens	Monday, 1 September 2008
Settlement of the Institutional Entitlement Offer and Institutional Bookbuild	Tuesday, 9 September 2008
Issue of New Shares under the Institutional Entitlement Offer and Institutional Bookbuild, and normal trading of those New Shares expected to commence on ASX (on an ex-dividend basis under a separate ASX code to Existing Shares)	Wednesday, 10 September 2008
Retail Entitlement Offer closes	5.00pm (AEST) on Friday, 19 September 2008
Retail Bookbuild	Thursday, 25 September 2008 to Friday, 26 September 2008
Settlement of the Retail Entitlement Offer and Retail Bookbuild	Thursday, 2 October 2008
Issue of New Shares under the Retail Entitlement Offer and Retail Bookbuild	Friday, 3 October 2008
Normal trading of New Shares issued under the Retail Entitlement Offer and Retail Bookbuild expected to commence on ASX	Monday, 6 October 2008
Dispatch of payments (if any) from Retail Bookbuild	Tuesday, 7 October 2008
Dispatch of holding statements	Tuesday, 7 October 2008

1 Due to rounding of Entitlements and reconciliation of Entitlements under the Institutional Entitlement Offer to shareholdings as at the Record Date, the exact number of New Shares to be issued, and the number of New Shares to be issued under each part of the Entitlement Offer, will not be known until completion of the Entitlement Offer.

2 The Entitlement Offer is underwritten by the Joint Lead Managers. See Section 8.5 for a summary of the Underwriting Agreement. If the Underwriting Agreement is terminated, the full amount of the Entitlement Offer may not be received, or the Entitlement Offer may not proceed.

3 The above timetable is indicative only and subject to change. Alumina, in conjunction with the Joint Lead Managers and subject to the Corporations Act, the ASX Listing Rules and other applicable laws, has the right to vary any of the above dates without notice. The commencement of quotation of New Shares is subject to confirmation from ASX.

WHAT SHOULD YOU DO?

This Prospectus contains important information in relation to the Entitlement Offer. You should read it carefully and in its entirety, including Section 5 which identifies the major risks associated with an investment in Alumina. If you are in doubt as to the course of action you should follow, you should seek appropriate professional advice before making an investment decision. If you are an Eligible Shareholder, you may either take up all or some of your Entitlement or decline to take up your Entitlement (see Section 2 for further details).

INVESTMENT HIGHLIGHTS

1. POSITIVE INDUSTRY OUTLOOK

- Strong global growth of the aluminium market is expected to continue, with global demand for aluminium expected to more than double between 2005 and 2020
- This growth is expected to be driven primarily by demand from China and other developing countries. Growing demand from those countries has provided upward pressure on global demand and prices
- The intensity of use of aluminium in developing countries has, historically, risen substantially as GDP rises. This increasing intensity of use in developing countries is expected to be a strong driver of demand growth for aluminium

2. GLOBAL SCALE AND GEOGRAPHIC DIVERSITY

- Alumina has a 40% interest in AWAC, which is the world's largest alumina producer, representing approximately 19% of global alumina production in 2007
- AWAC has a diversified asset base, with interests in bauxite mining, alumina refining, aluminium smelting and shipping assets in Australia, Africa, Europe, North America and South America
- AWAC's asset base will be increased following commissioning of the Alumar refinery expansion and the Juruti bauxite mine development in Brazil. The Alumar refinery expansion is expected to reach mechanical completion by mid 2009 and first shipments from the Juruti bauxite mine are expected to occur in mid 2009

AWAC global operations

■ Bauxite Mines ■ Refineries ■ Smelters



3. AWAC'S GROWTH PROJECTS IN BRAZIL

The Alumar refinery expansion and Juruti bauxite mine development projects in Brazil represent an important investment in long life strategic assets which are part of the long-term growth of AWAC

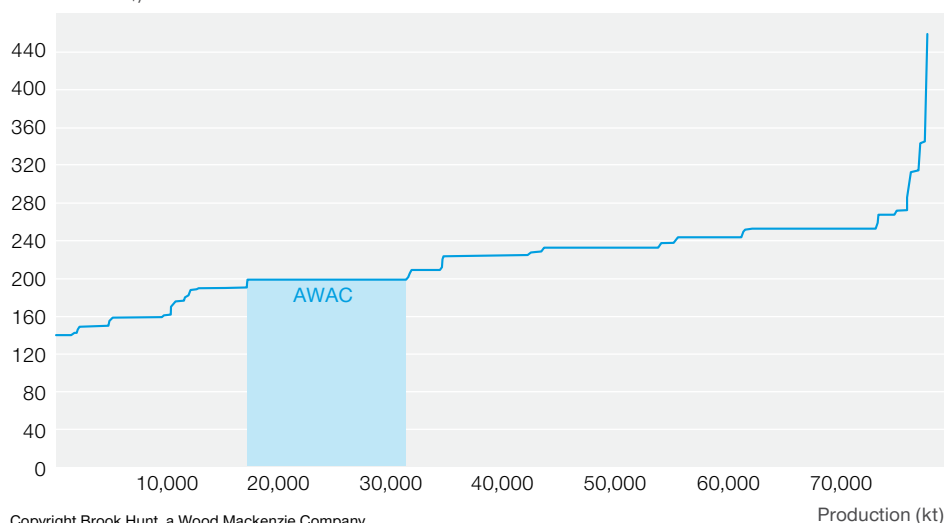
- The Alumar refinery in São Luis is currently undertaking a 2.1 million tonnes per annum expansion (AWAC has a 54% interest in this expansion) which will increase the total capacity to approximately 3.5 million tonnes per annum. The Alumar refinery, upon commissioning of the expansion in mid 2009, is expected to be a highly competitive world scale alumina refinery
 - Availability of relatively low cost energy: The major source of energy for the refinery is low sulphur steaming coal purchased from Colombia and Venezuela
 - Accessibility to infrastructure: A maritime terminal owned by the Alumar consortium and equipped with an alumina ship loader and bulk materials ship unloader is situated adjacent to the refinery
- Juruti is a long life, high quality bauxite deposit, and the mine will initially supply 2.6 million tonnes per annum of bauxite for AWAC's needs for the Alumar refinery expansion. The development at Juruti includes port and rail infrastructure to support future capacity expansions. It will provide a strategic addition to AWAC's long term bauxite resource base. The Juruti bauxite mine is planned to make initial shipments of bauxite in mid 2009

4. HIGH QUALITY, LOW COST AWAC ASSETS

- AWAC's assets include low cost, large scale refineries which provide enhanced margins through economies of scale
- AWAC's refining assets on average are positioned at the lower half of the alumina refining cash cost curve, which has resulted in sustainable profitability throughout commodity cycles
- AWAC's global network of mining and refining operations facilitates joint development of technical and process improvements, and capitalisation on those developments by deploying them in multiple locations
- AWAC's major operating locations enjoy efficient logistics for transport of product to its customers

Alumina refining cash cost curve for 2007

Cash Cost US\$/t



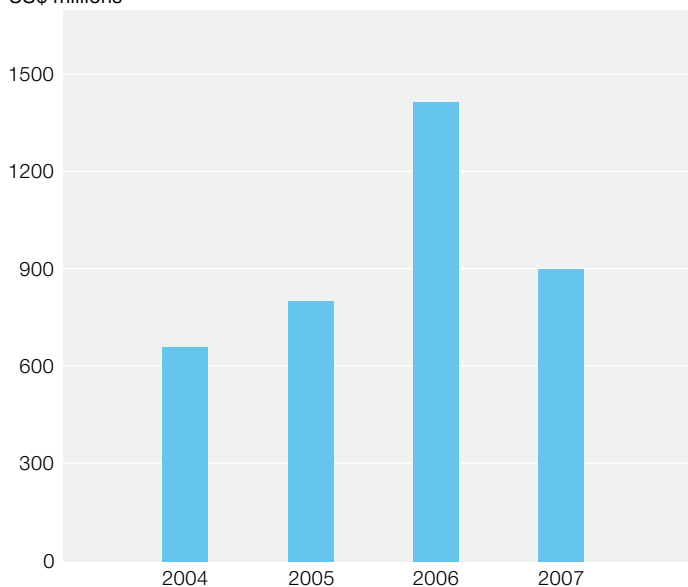
INVESTMENT HIGHLIGHTS (CONTINUED)

5. STRONG AWAC EARNINGS AND CASH FLOW GENERATION

- AWAC's cumulative operating cash flows¹ from 2004 to 2007 total US\$3.8 billion and the joint venture has consistently generated operating cash flows in excess of US\$600 million in each financial year from 2004. AWAC's operating cash flow for the first half of 2008 was US\$283 million
- Over the past five years, AWAC has distributed approximately \$1.6 billion in aggregate in gross cash dividends to Alumina

AWAC operating cash flow

US\$ millions



6. OPPORTUNITY TO ACQUIRE SHARES IN ALUMINA ON ATTRACTIVE TERMS

- If you participate in the Entitlement Offer as an Eligible Shareholder, you will be able to acquire additional Shares for \$3.00 each, which represents:
 - a 29.1% discount to the closing Share price on ASX on 25 August 2008² of \$4.23³; and
 - a 24.5% discount to the Theoretical Ex-Rights Price of \$3.97 (calculated using \$4.23³ as the pre-issue price of Shares)
- You will not be charged brokerage or commission on taking up all or part of your Entitlement under the Entitlement Offer
- Your shareholding in Alumina will not be diluted under the Entitlement Offer should you take up all of your Entitlement

¹ Operating cash flows are net of sustaining capital expenditure, but not of growth capital expenditure.

² The last day of ASX trading in Shares before Alumina announced the Entitlement Offer.

³ As adjusted downwards for the 12 cents per Share interim dividend for the half year ended 30 June 2008, as New Shares will not be entitled to participate in that interim dividend.

SUMMARY OF KEY RISKS

In addition to normal risks affecting any listed equity investment, an investment in New Shares is subject to risks associated with the businesses of both Alumina and AWAC (Alumina's 40% interest in which is its principal asset), which include those set out in Section 5.

Key risks include the following:

1. ALUMINA'S NET INCOME IS AFFECTED BY MOVEMENTS IN THE PRICES OF ALUMINIUM AND ALUMINA

AWAC's, and hence Alumina's, performance is dependant on the market prices of alumina and aluminium, which are affected by numerous factors outside Alumina's control. These include the overall performance of world economies, the related cyclicity of industries that are significant consumers of aluminium and the relative overcapacity or undercapacity of production (whether as a result of changes to production levels at existing facilities, the development of new facilities or the retirement of old facilities).

2. FLUCTUATIONS IN EXCHANGE RATES CAN HAVE A SIGNIFICANT EFFECT, INCLUDING ON EARNINGS, PROFITABILITY AND CONSTRUCTION COSTS

While a significant proportion of AWAC's costs are incurred in Australian dollars, its sales are denominated in US dollars. Accordingly, AWAC's future profitability may be adversely affected by a strengthening of the Australian dollar against the US dollar. AWAC's profitability and financial position may also be adversely affected by a strengthening against the US dollar of other currencies in which operating or capital costs are incurred by AWAC outside Australia, including capital costs incurred in Brazilian Real.

3. AN INCREASE IN AWAC'S PRODUCTION COSTS OR A DECREASE IN PRODUCTION COULD REDUCE ALUMINA'S PROFITABILITY

AWAC's operations are subject to conditions beyond its control that may increase its costs or decrease its production, including increases in the cost of key inputs (including energy, raw materials (including caustic soda), labour and freight), the non-availability of key inputs, weather and natural disasters, fires or explosions at facilities, unexpected maintenance or technical problems, key equipment failures, disruptions to or other problems with infrastructure, war or terrorist activities, supply disruptions and variations in geological conditions. In addition, industrial disruptions, loss of key staff, work stoppages, refurbishments and accidents at operations may adversely affect profitability.

Caustic soda is an important raw material input to AWAC's alumina production and has been experiencing substantial price increases. Continued price increases are likely in 2009.

4. AN INCREASE IN THE CAPITAL COSTS OF AWAC'S GROWTH PROJECTS AND OPERATIONS WOULD IMPACT ALUMINA'S PROFITABILITY

A significant increase in the capital costs associated with AWAC's growth projects and operations would impact Alumina's cash flow and profitability.

5. ALUMINA DOES NOT HOLD A MAJORITY INTEREST IN AWAC, AND DECISIONS MADE BY MAJORITY VOTE MAY NOT BE IN THE BEST INTERESTS OF ALUMINA

Other than certain key decisions which require Alumina's consent, AWAC's decisions are by majority vote. Alcoa Inc. has a 60% interest in AWAC and has a majority vote, so it may occur that AWAC decisions by majority vote are not in the best interests of Alumina.

6. ALUMINA'S CASH FLOWS DEPEND ON THE AVAILABILITY OF DIVIDENDS FROM AWAC

Alumina's cash flows are generated almost exclusively from distributions made by AWAC, by way of dividend or capital return. AWAC's joint venture partners determine the timing and magnitude of AWAC dividends and capital returns, subject to the relevant provisions of the AWAC Agreements. Alumina cannot unilaterally determine AWAC's dividend policy or the quantum or timing of dividends to be paid by AWAC, although any changes to the AWAC dividend policy would require Alumina's consent.

QUESTIONS AND ANSWERS

WHERE TO FIND
MORE INFORMATION

THE ENTITLEMENT OFFER

<p>What is the purpose of the Entitlement Offer?</p>	<p>The funds raised under the Entitlement Offer will be applied by Alumina:</p> <ul style="list-style-type: none"> - to meet its share of the capital costs of AWAC's growth projects in Brazil; and - to strengthen its balance sheet so that Alumina is capitalised for the requirements of the business, including increased working capital requirements. <p>Some funds for these purposes would have been raised through the underwriting of the Dividend Reinvestment Plan in relation to the interim dividend for the half year ended 30 June 2008. However, as a result of making the Entitlement Offer, Alumina has decided that the reinvestment of this dividend will not be underwritten.</p> <p>The completion of the Entitlement Offer will contribute to Alumina strengthening its financial structure for the future.</p>	<p>Chairman's Letter and Sections 1.3 and 3.3</p>
<p>What is the Entitlement Offer?</p>	<p>The Entitlement Offer is a pro rata entitlement offer made to Eligible Institutional Shareholders and Eligible Retail Shareholders. The Entitlement Offer comprises four steps:</p> <ul style="list-style-type: none"> - the Institutional Entitlement Offer (already completed); - the Institutional Bookbuild (already completed); - the Retail Entitlement Offer; and - the Retail Bookbuild. 	<p>Section 1.1</p>
<p>What is my Entitlement?</p>	<p>Each Eligible Shareholder is entitled to subscribe for 5 New Shares for every 19 Shares held as at the Record Date, subject to the terms of this Prospectus.</p> <p>Where fractions arise in the calculation of Entitlements, they will be rounded up to the next whole number of New Shares.</p> <p>You may take up all, or part, of your Entitlement.</p>	<p>Entitlement and Acceptance Form</p>
<p>What is the Offer Price?</p>	<p>The Offer Price is \$3.00 per New Share.</p> <p>This represents a discount of:</p> <ul style="list-style-type: none"> - 29.1% to \$4.23¹, the closing price on the last day of ASX trading in Shares before Alumina announced the Entitlement Offer; and - 24.5% to the Theoretical Ex-Rights Price of \$3.97, calculated using \$4.23 as the pre-issue price of Shares. 	
<p>Will the New Shares receive Alumina's 2008 interim dividend?</p>	<p>The New Shares will not participate in the 12 cents per Share interim dividend declared for the half year ended 30 June 2008, the record date for which is 23 September 2008. After that record date, the New Shares will rank equally in all respects with Existing Shares, including in relation to dividends.</p>	<p>Section 1.12</p>

¹ As adjusted downwards for the 12 cents per Share interim dividend for the half year ended 30 June 2008, as New Shares will not be entitled to participate in that interim dividend.

THE ENTITLEMENT OFFER (CONTINUED)		
How much will be raised from the Entitlement Offer?	<p>Alumina is seeking to raise approximately \$910 million under the Entitlement Offer.</p> <p>The Institutional Entitlement Offer and the Institutional Bookbuild (both already conducted) will raise approximately \$644 million through the issue of approximately 214.8 million New Shares.</p> <p>Alumina is seeking to raise approximately \$266 million under the Retail Entitlement Offer and the Retail Bookbuild through the issue of approximately 88.6 million New Shares.</p>	Sections 1.3 and 4
What are the key risks associated with an investment in New Shares?	<p>The key risks associated with an investment in New Shares are described in Section 5.</p> <p>Before making an investment decision you should read this Prospectus in its entirety and carefully consider these risk factors and consult your stockbroker, accountant, solicitor and/or other professional adviser.</p>	Section 5
Is the Entitlement Offer underwritten?	<p>Yes. The Entitlement Offer is fully underwritten by the Joint Lead Managers (being Goldman Sachs JBWere Pty Limited, Macquarie Capital Advisers Limited and UBS AG, Australia Branch) pursuant to the Underwriting Agreement. The fees payable to the Joint Lead Managers and a summary of the terms of the Underwriting Agreement are set out in Section 8.5.</p>	Section 8.5
PARTICIPATION IN THE RETAIL ENTITLEMENT OFFER		
Who is eligible to participate in the Retail Entitlement Offer?	<p>An Eligible Retail Shareholder is a person who:</p> <ul style="list-style-type: none"> - was registered as the holder of Shares as at 7.00pm (AEST) on Friday, 29 August 2008 (the Record Date); - has a registered address in Australia or New Zealand; - is not in the US, and is not a US Person or acting for the account or benefit of a US Person (to that extent); - is not an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder (in respect of persons holding shares as nominees for such Shareholders, see Section 8.10); and - is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer. 	
How do I find out what my Entitlement is?	<p>If you are an Eligible Retail Shareholder, for every 19 Existing Shares you held in that capacity as at the Record Date (7.00pm (AEST) on Friday, 29 August 2008), you are entitled to subscribe for 5 New Shares, subject to the terms of this Prospectus.</p> <p>Where fractions arise in the calculation of Entitlements, they will be rounded up to the next whole number of New Shares.</p> <p>Your Entitlement is set out on the personalised Entitlement and Acceptance Form accompanying this Prospectus.</p> <p>If you did not receive your personalised Entitlement and Acceptance Form, you should call the Alumina Limited Shareholder Information Line on 1300 556 050 (local call cost within Australia) or on +61 3 9415 4027 (from outside Australia) at any time from 8.30am to 7.00pm (AEST) Monday to Friday during the Offer Period.</p>	Entitlement and Acceptance Form

QUESTIONS AND ANSWERS (CONTINUED)

WHERE TO FIND
MORE INFORMATION

PARTICIPATION IN THE RETAIL ENTITLEMENT OFFER (CONTINUED)		
What can I do with my Entitlement?	<p>You can do one of the following:</p> <ul style="list-style-type: none"> – take up your Entitlement in full; – take up part of your Entitlement; or – do nothing. <p>If you do not take up all of your Entitlement, depending on the outcome of the Retail Bookbuild, you may be paid some cash in respect of that part of your Entitlement not taken up or you may receive nothing.</p> <p>If you do not take up all of your Entitlement, your percentage shareholding in Alumina will fall.</p>	Section 2
Can I trade my Entitlement?	No. Entitlements cannot be traded on ASX or any other exchange, or be privately transferred.	Section 1.8
What happens if I take up only part of my Entitlement, or if I do nothing?	<p>If you are an Eligible Retail Shareholder and you do not take up all of your Entitlement by the Closing Date, a number of New Shares equal to the number of New Shares not taken up under your Entitlement will be offered for subscription to certain Institutional Investors in the Retail Bookbuild.</p> <p>If the amount paid per New Share under the Retail Bookbuild (ie the Clearing Price) is greater than the Offer Price, you will be paid a cash amount equal to the difference. If the Clearing Price under the Retail Bookbuild is not greater than the Offer Price, you will be paid nothing.</p> <p>The amount paid per New Share under the Institutional Bookbuild was \$3.70 per New Share, which represents a \$0.70 premium to the Offer Price of \$3.00.</p> <p>There can be no guarantee that the price at which the New Shares are acquired by participants in the Retail Bookbuild will be higher than the Offer Price or that the price at which New Shares were subscribed for under the Institutional Bookbuild will be matched in the Retail Bookbuild (or vice versa).</p> <p>If you do not apply for your full Entitlement, your percentage shareholding in Alumina will fall.</p>	Section 1.6.2
Will my shareholding in Alumina be diluted?	If you do not take up your Entitlement, or take up less than your full Entitlement, there will be a reduction in your percentage shareholding in Alumina following completion of the Entitlement Offer. If you take up your Entitlement in full, your shareholding in Alumina will not be diluted.	
What is the Retail Bookbuild?	New Shares attributable to the Entitlements not taken up by Eligible Retail Shareholders, together with New Shares attributable to the Entitlements that would have been offered to Ineligible Retail Shareholders if they had been entitled to participate in the Retail Entitlement Offer, will be offered under a bookbuild process to certain Institutional Investors. This is the Retail Bookbuild.	Section 1.6.2

PARTICIPATION IN THE RETAIL ENTITLEMENT OFFER (CONTINUED)		
Can I apply for additional New Shares above my Entitlement?	No. The number of New Shares offered to Eligible Shareholders under the Entitlement Offer is on a pro rata basis in relation to holdings of Existing Shares.	
How do I accept the Retail Entitlement Offer?	<p>If you are an Eligible Retail Shareholder and wish to take up all or part of your Entitlement, you have two options:</p> <ul style="list-style-type: none"> - Option 1: If paying by cheque, bank draft or money order, complete the personalised Entitlement and Acceptance Form in accordance with the instructions on that form, and then return that form to the Share Registry together with payment of the full Application Monies in respect of the New Shares you wish to take up (which cannot be more than your full Entitlement). The completed Entitlement and Acceptance Form and cheque, bank draft or money order must be received by the Share Registry before 5.00pm (AEST) on Friday, 19 September 2008 in the envelope enclosed with this Prospectus or otherwise at the following address: GPO Box 505 Melbourne VIC 8060 Australia - Option 2: If paying by BPAY[®], pay the full Application Monies in respect of the New Shares you wish to take up (which cannot be more than your full Entitlement) in accordance with the instructions on the personalised Entitlement and Acceptance Form. Payment by BPAY[®] must be received by the Share Registry before 5.00pm (AEST) on Friday, 19 September 2008. <p>If you are paying by BPAY[®]:</p> <ul style="list-style-type: none"> - you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that form; and - you must check the processing cut off time for BPAY[®] transactions with your financial institution, and take that into consideration when making payment, as that cut off time may be earlier than the Closing Date of the Retail Entitlement Offer. 	Section 2
TAX IMPLICATIONS		
What are the tax implications of the Entitlement Offer?	A summary of the general tax implications for Australian and New Zealand resident Eligible Retail Shareholders is set out in Section 7. The discussion is in general terms and is not intended to provide specific advice in relation to circumstances of any particular Shareholder. Eligible Shareholders should seek their own tax advice before deciding how to deal with their Entitlements.	Section 7
FEES AND COSTS OF ENTITLEMENT OFFER		
What are the fees and costs of the Entitlement Offer?	Fees and costs associated with the Entitlement Offer total approximately \$23.8 million and will be paid out of the proceeds of the Entitlement Offer.	Sections 8.5 and 8.9

QUESTIONS AND ANSWERS (CONTINUED)

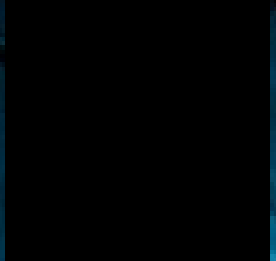
WHERE TO FIND
MORE INFORMATION

INFORMATION ABOUT ALUMINA AND THE FINANCIAL EFFECT OF THE ENTITLEMENT OFFER ON ALUMINA

<p>What is Alumina's business?</p>	<p>Alumina is a leading Australian company listed on ASX and the New York Stock Exchange. Alumina's strategy is to invest in global bauxite mining, alumina refining and selected aluminium smelting operations through its 40% ownership of AWAC, the world's largest alumina producer. Alcoa Inc. owns the remaining 60% of AWAC and manages the joint venture's operations.</p>	<p>Section 3</p>
<p>What is the financial effect of the Entitlement Offer on Alumina?</p>	<p>The financial effect of the Entitlement Offer on Alumina is discussed in Section 4.</p>	<p>Section 4</p>
<p>What is the effect of the Entitlement Offer on the Dividend Reinvestment Plan?</p>	<p>The Dividend Reinvestment Plan will continue. However, as a result of making the Entitlement Offer, Alumina has decided that the Dividend Reinvestment Plan will not be underwritten in relation to the interim dividend declared for the half year ended 30 June 2008. It is also Alumina's intention that the final dividend for 2008 will not be underwritten.</p> <p>Relevant Shareholders may elect to vary their participation in the Dividend Reinvestment Plan. A letter has been sent to all Eligible Retail Shareholders explaining how this can be done. If you have not received this letter, you should call the Alumina Limited Shareholder Information Line on 1300 556 050 (local call cost within Australia) or on +61 3 9415 4027 (from outside Australia) at any time from 8.30am to 7.00pm (AEST) Monday to Friday during the Offer Period.</p>	<p>Section 3.6.1</p>

FURTHER INFORMATION

<p>How can Eligible Retail Shareholders obtain further information?</p>	<p>If you would like further information you can:</p> <ul style="list-style-type: none"> - contact your stockbroker, accountant, solicitor and/or other professional adviser; and/or - call the Alumina Limited Shareholder Information Line on 1300 556 050 (local call cost within Australia) or on +61 3 9415 4027 (from outside Australia) at any time from 8.30am to 7.00pm (AEST) Monday to Friday during the Offer Period.
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SECTION 1

DETAILS OF THE
ENTITLEMENT OFFER

1.1 OVERVIEW

Alumina is seeking to raise approximately \$910 million through an Entitlement Offer to Eligible Shareholders. Alumina is offering Eligible Shareholders the opportunity to subscribe for 5 New Shares for every 19 Shares held as at the Record Date.

The Offer Price per New Share is \$3.00. It is expected that approximately 303.4 million New Shares will be issued under the Entitlement Offer.

The Entitlement Offer comprises four parts.

1. **Institutional Entitlement Offer** – Eligible Institutional Shareholders were invited to take up all or part of their Entitlement.
2. **Institutional Bookbuild** – New Shares attributable to the Entitlements not taken up by Eligible Institutional Shareholders, together with New Shares attributable to the Entitlements that would have been offered to Ineligible Institutional Shareholders if they had been entitled to participate in the Institutional Entitlement Offer, were offered under a bookbuild to certain Institutional Investors.
3. **Retail Entitlement Offer** – Eligible Retail Shareholders are sent this Prospectus together with a personalised Entitlement and Acceptance Form and required to decide whether or not they will take up all or part of their Entitlement.
4. **Retail Bookbuild** – New Shares attributable to the Entitlements not taken up by Eligible Retail Shareholders, together with New Shares attributable to the Entitlements that would have been offered to Ineligible Retail Shareholders if they had been entitled to participate in the Retail Entitlement Offer, will be offered under a bookbuild to certain Institutional Investors.

Steps 1 and 2 have already been completed.

1.2 UNDERWRITING OF THE ENTITLEMENT OFFER

The Entitlement Offer has been fully underwritten by the Joint Lead Managers pursuant to the Underwriting Agreement. This means that the Joint Lead Managers will subscribe at the Offer Price for any New Shares that are not subscribed for by Eligible Shareholders or new Institutional Investors under the Institutional Bookbuild and the Retail Bookbuild. A summary of the Underwriting Agreement, which contains a number of termination events, is set out in Section 8.5. If the Underwriting Agreement is terminated by the Joint Lead Managers, the Entitlement Offer may not proceed, in which case Application Monies that have not resulted in the issue of New Shares would be refunded without interest.

1.3 USE OF PROCEEDS

Under the Entitlement Offer, Alumina expects to raise approximately \$910 million before expenses. The Institutional Entitlement Offer and the Institutional Bookbuild were conducted between (and including) Monday, 25 August 2008 and Friday, 29 August 2008 and will raise approximately \$644 million in total. Alumina is seeking to raise approximately \$266 million from the Retail Entitlement Offer and Retail Bookbuild, which will be conducted between (and including) Monday, 1 September 2008 and Friday, 26 September 2008. Fees and costs related to the Entitlement Offer are expected to be approximately \$23.8 million.

As announced on 21 July 2008, Alumina has an increased share of the expected capital expenditure requirements of AWAC, being the development of its bauxite mine at Juruti and the expansion of the São Luis alumina refinery, both in Brazil. Alumina holds a 40% interest in AWAC.

Alumina is raising equity for the following purposes:

- to meet its share of the capital costs of AWAC's growth projects in Brazil; and
- to strengthen its balance sheet so that Alumina is capitalised for the requirements of the business, including increased working capital requirements.

These would have been partly funded through the underwriting of the Dividend Reinvestment Plan in relation to the interim dividend for the half year ended 30 June 2008. However, as a result of making the Entitlement Offer, Alumina has decided that the reinvestment of this dividend will not be underwritten.

Net proceeds from Entitlement Offer	\$886 million
Utilisation:	\$886 million
Invest in AWAC's bauxite and alumina growth projects in Brazil:	\$549 million ¹
— Finance Alumina's share of the additional investment in AWAC's Brazil projects as previously announced	
— These assets will develop AWAC's asset base and enhance long term capacity	
Strengthen Alumina's financial position:	\$199 million
— To fund increased AWAC working capital arising principally from higher input costs and inventory levels	
— To capitalise Alumina for the needs of the business	
Suspension of planned Dividend Reinvestment Plan underwriting:	\$138 million ²
— Entitlement Offer will replace funds that would otherwise have been raised by the Dividend Reinvestment Plan for the 2008 interim dividend	
— Alumina does not intend to underwrite the Dividend Reinvestment Plan for the 2008 final dividend	

1.4 CAPITAL STRUCTURE

The effect of the Entitlement Offer on the capital structure of Alumina is set out in the table below.

	NUMBER OF SHARES ³
Before the Entitlement Offer (as at Friday, 22 August 2008)	1,152.9 million
Institutional Entitlement Offer and Institutional Bookbuild	214.8 million
Retail Entitlement Offer and Retail Bookbuild	88.6 million
Total	1,456.3 million

1.5 REASONS FOR USING THE ENTITLEMENT OFFER TO RAISE CAPITAL

The Entitlement Offer structure is seen by Alumina to provide a number of benefits to Alumina and Shareholders as a whole, including:

- as explained below, Eligible Shareholders have the potential opportunity to receive some cash for Entitlements not taken up. Ineligible Retail Shareholders and Ineligible Institutional Shareholders also have the opportunity to receive some cash for Entitlements they would have received had they been eligible to participate in the Entitlement Offer;
- any cash realised in the Retail Bookbuild that is in excess of the Offer Price per New Share will be paid pro rata to each Eligible Retail Shareholder (to the extent they did not take up their full Entitlement) and each Ineligible Retail Shareholder. This cash amount per New Share (the **Retail Premium**) may be zero or, if it is greater than zero, may be more or less than the Institutional Premium (see Section 1.7.2);
- Eligible Shareholders do not have to pay any brokerage or other transaction costs to receive any Retail Premium or to subscribe for New Shares;
- Eligible Retail Shareholders have the benefit of knowing the outcome of the Institutional Entitlement Offer and Institutional Bookbuild before deciding whether or not to take up their Entitlements; and
- as the Institutional Entitlement Offer and Institutional Bookbuild were conducted at the beginning of the Entitlement Offer, Alumina will receive approximately \$644 million from the Institutional Entitlement Offer and Institutional Bookbuild a few weeks before the Retail Entitlement Offer is finalised.

¹ This assumes an exchange rate of A\$1.00=US\$0.86.

² Before any participation in the Dividend Reinvestment Plan by Shareholders in respect of the 2008 interim dividend.

³ Due to rounding of Entitlements and reconciliation of Entitlements under the Institutional Entitlement Offer to shareholdings as at the Record Date, the exact number of New Shares to be issued, and the number of New Shares to be issued under each part of the Entitlement Offer, will not be known until completion of the Entitlement Offer.

1.6 RETAIL ENTITLEMENT OFFER AND RETAIL BOOKBUILD

1.6.1 RETAIL ENTITLEMENT OFFER

OVERVIEW

Under the Retail Entitlement Offer, Eligible Retail Shareholders are invited to take up their Entitlements at a price of \$3.00 per New Share.

WHO CAN PARTICIPATE IN THE RETAIL ENTITLEMENT OFFER

The Retail Entitlement Offer is only open to Eligible Retail Shareholders.

Alumina reserves the right to reject any Application that it believes comes from a person who is not an Eligible Retail Shareholder.

WHAT ELIGIBLE RETAIL SHAREHOLDERS CAN APPLY FOR UNDER THE RETAIL ENTITLEMENT OFFER

Under the Retail Entitlement Offer, Eligible Retail Shareholders are entitled to apply for 5 New Shares for every 19 Shares held as at the Record Date, subject to the terms of this Prospectus.

This is called your Entitlement.

This ratio is equal to the ratio for the issue of New Shares under the Institutional Entitlement Offer. The Record Date is also the record date that applied to Eligible Institutional Shareholders for the Institutional Entitlement Offer.

The number of New Shares for which an Eligible Retail Shareholder is prima facie entitled to apply is shown on the personalised Entitlement and Acceptance Form that accompanies the copy of this Prospectus sent to each Eligible Retail Shareholder. Where fractions arise in the calculation of Entitlements, they will be rounded up to the next whole number of New Shares.

OFFER PRICE

The Offer Price is \$3.00 per New Share. This is payable on taking up your Entitlement and is the same price to be paid for New Shares by Eligible Institutional Shareholders under the Institutional Entitlement Offer.

TAKING UP ENTITLEMENTS

Eligible Retail Shareholders can take up their Entitlements in full or in part by returning their Entitlement and Acceptance Form and payment to the Share Registry, or by BPAY[®] payment instruction, by no later than 5.00pm (AEST) on Friday, 19 September 2008 (the **Closing Date**). Payment may be made via cheque, bank draft, money order or BPAY[®] payment by following the instructions as set out on the Entitlement and Acceptance Form.

Returning a completed Entitlement and Acceptance Form or paying the Offer Price for New Shares by BPAY[®] payment will be taken to constitute a representation by the Eligible Retail Shareholder that they:

- have received a copy of this Prospectus accompanying the Entitlement and Acceptance Form and have read those documents in full;
- declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY[®] payment instruction is given, the Application may not be varied or withdrawn except as required by law;
- agree to being issued the number of New Shares they applied or paid for; and
- authorise Alumina and the Joint Lead Managers and their officers or agents to do anything on their behalf necessary for New Shares to be issued to them, including to act on instructions received by the Share Registry using the contact details in the Entitlement and Acceptance Form.

Eligible Retail Shareholders may elect to apply for all, some or none of the New Shares offered to them under the Retail Entitlement Offer.

The Entitlements are personal and cannot be traded, transferred, assigned or otherwise dealt with.

ENTITLEMENTS NOT TAKEN UP

New Shares of an equivalent number to Entitlements not taken up under the Retail Entitlement Offer will be offered for subscription under the Retail Bookbuild (see Section 1.6.2). Those New Shares will be offered for subscription together with New Shares of an equivalent number to Entitlements that would have been offered to Ineligible Retail Shareholders if they had been entitled to participate in the Retail Entitlement Offer.

1.6.2 RETAIL BOOKBUILD

OVERVIEW

The Retail Bookbuild will be conducted by the Joint Lead Managers pursuant to a bookbuild sale process on or about Thursday, 25 September 2008 and Friday, 26 September 2008. Certain Institutional Investors will be invited by the Joint Lead Managers to participate in the Retail Bookbuild. They will be invited to bid for New Shares, up to an aggregate maximum in number equal to the sum of:

- New Shares not taken up by Eligible Retail Shareholders; and
- New Shares that would have been offered to Ineligible Retail Shareholders if they had been entitled to participate in the Retail Entitlement Offer.

BOOKBUILD PRICE

The Clearing Price under the Retail Bookbuild may or may not be greater than the Offer Price.

If the Clearing Price is not greater than the Offer Price:

- Alumina will receive the Offer Price in respect of all New Shares issued under the Retail Bookbuild; and
- no cash will be payable to any Eligible Retail Shareholder or Ineligible Retail Shareholder.

If the Clearing Price is greater than the Offer Price:

- Alumina will receive the Offer Price in respect of all the New Shares issued under the Retail Bookbuild; and
- the excess, being the Retail Premium, will be received by the Joint Lead Managers and then paid to:
 - each Eligible Retail Shareholder who did not take up their Entitlement in full (according to the number of New Shares they were entitled to take up but did not); and
 - each Ineligible Retail Shareholder (according to the number of New Shares they would have been entitled to take up if they were an Eligible Retail Shareholder).

Alumina will not be entitled to the benefit of any Retail Premium.

The Clearing Price will not be below the Offer Price because the Offer is fully underwritten by the Joint Lead Managers. If there is insufficient demand to clear the Retail Bookbuild at the Offer Price, the Joint Lead Managers will take up any shortfall at the Offer Price.

If the Underwriting Agreement is terminated prior to settlement under the Retail Bookbuild and, in those circumstances, the Retail Bookbuild is not completed:

- no New Shares will be issued under the Retail Bookbuild;
- no cash will be payable to any Eligible Retail Shareholder or any Ineligible Retail Shareholder; and
- the Retail Entitlement Offer will close undersubscribed and an amount less than the total amount sought under the Retail Entitlement Offer (and therefore the Entitlement Offer) will be raised.

The ability to procure subscribers for New Shares under the Retail Bookbuild and the ability to obtain any Retail Premium will depend on various factors, including market conditions. It is possible that the Clearing Price under the Retail Bookbuild may not be greater than the Offer Price, in which case no Retail Premium would be payable. The fact that the Institutional Premium was \$0.70 per New Share (see Section 1.7.2) is not an indication of whether there will be a Retail Premium or of what the Retail Premium may be. To the maximum extent permitted by law, neither Alumina nor the Joint Lead Managers, nor their respective related bodies corporate, nor the directors, officers, employees, agents or advisers of any of them, will be liable, including for negligence, for any failure to procure subscribers under the Retail Bookbuild at a price equal to or in excess of the Offer Price.

Payment of any Retail Premium to any existing or former Shareholder will be made either by:

- cheque mailed to that person's address as last recorded in Alumina's register of members; or
- direct credit, but only where that person has previously nominated to receive payment of dividends by direct credit and has not withdrawn that nomination.

In all cases, the payment method used will be at Alumina's election. It is anticipated that any cheques will be dispatched and any payments made on or about Tuesday, 7 October 2008.

1.7 INSTITUTIONAL ENTITLEMENT OFFER AND INSTITUTIONAL BOOKBUILD

The Institutional Entitlement Offer and the Institutional Bookbuild were conducted between (and including) Monday, 25 August 2008 and Friday, 29 August 2008.

The Institutional Entitlement Offer and the Institutional Bookbuild will (once settlement occurs) raise approximately \$644 million for Alumina through the issue of approximately 214.8 million New Shares. Settlement of the Institutional Entitlement Offer and Institutional Bookbuild is expected to occur on Tuesday, 9 September 2008. Those New Shares are then expected to be issued and commence trading on ASX on Wednesday, 10 September 2008.

1.7.1 INSTITUTIONAL ENTITLEMENT OFFER

Under the Institutional Entitlement Offer, Eligible Institutional Shareholders were invited to subscribe for 5 New Shares at the Offer Price for every 19 Shares held as at the Record Date.

Under the Institutional Entitlement Offer, Eligible Institutional Shareholders subscribed for approximately 138.6 million New Shares. As a result, approximately 76.2 million New Shares were offered for subscription under the Institutional Bookbuild.

1.7.2 INSTITUTIONAL BOOKBUILD

Under the Institutional Bookbuild, certain Institutional Investors were invited to bid by the Joint Lead Managers for approximately 76.2 million New Shares, being that number of New Shares equal to the sum of:

- New Shares not taken up by Eligible Institutional Shareholders under the Institutional Entitlement Offer; and
- New Shares that would have been offered to Ineligible Institutional Shareholders if they had been entitled to participate in the Institutional Entitlement Offer.

The Clearing Price under the Institutional Bookbuild was \$3.70 per New Share. As the Clearing Price under the Institutional Bookbuild was higher than the Offer Price, the excess (the **Institutional Premium**) will be paid to:

- each Eligible Institutional Shareholder who did not take up their Entitlement in full (according to the number of New Shares they were entitled to take up but did not); and
- each Ineligible Institutional Shareholder (according to the number of New Shares they would have been entitled to take up if they had been eligible to participate in the Institutional Entitlement Offer).

The Offer Price per New Share will be received by Alumina.

The fact that the Institutional Premium was \$0.70 per New Share is not an indication that there will be a Retail Premium or of what the Retail Premium may be.

1.7.3 NO OFFER UNDER THE RETAIL ENTITLEMENT OFFER TO ELIGIBLE INSTITUTIONAL SHAREHOLDERS OR INELIGIBLE INSTITUTIONAL SHAREHOLDERS

The Retail Entitlement Offer does not constitute an offer to any person who is not an Eligible Retail Shareholder including:

- any Eligible Institutional Shareholder (whether or not it accepted the Institutional Entitlement Offer);
- any Ineligible Institutional Shareholder; or
- a nominee for such a person, in respect of Existing Shares held for such a Shareholder.

1.7.4 NO OFFER UNDER THE RETAIL ENTITLEMENT OFFER TO HOLDERS OF NEW SHARES

Any person allocated New Shares under the Institutional Entitlement Offer or Institutional Bookbuild does not have any entitlement to participate in the Retail Entitlement Offer in respect of those New Shares.

1.8 NO TRADING OF ENTITLEMENTS

Entitlements cannot be traded on ASX or any other exchange or privately transferred.

However, New Shares equivalent to the number of Entitlements not taken up under the Retail Entitlement Offer will be offered for subscription under the Retail Bookbuild (described in Section 1.6.2). If you do not take up all of your Entitlement, you may be paid some cash for that part of your Entitlement not taken up (refer to Sections 1.6.2 and 2) or you may be paid nothing.

1.9 EFFECT OF THE ENTITLEMENT OFFER ON A SHAREHOLDER'S PERCENTAGE INTEREST IN ALUMINA

The Retail Entitlement Offer is a pro rata offer to Eligible Retail Shareholders. Eligible Retail Shareholders who take up their Entitlements in full will not have their percentage shareholdings in Alumina diluted by the Entitlement Offer (subject to immaterial movements as a result of rounding of Entitlements). The percentage shareholdings of Eligible Retail Shareholders who do not take up all of their Entitlements will be diluted.

1.10 RECONCILIATION

The Entitlement Offer is a complex structure and in some instances investors may believe that they will own more Shares than they ultimately did as at the Record Date. This results in a need for reconciliation. If reconciliation is required, it is possible that Alumina may need to issue a small quantity of additional New Shares (**Top-Up Shares**) to ensure all Eligible Institutional Shareholders and Eligible Retail Shareholders receive their full Entitlements. The price at which these Top-Up Shares would be issued is not known but would be no lower than the Offer Price.

1.11 RIGHTS OF ALUMINA AND THE JOINT LEAD MANAGERS

Alumina reserves the right to reduce the number of New Shares or the amount of the Institutional Premium or Retail Premium allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or if they or their nominees fail to provide information requested to substantiate their claims.

If any Shareholder subscribes under the Entitlement Offer for New Shares in excess of its Entitlement, then, in the absolute discretion of Alumina and the Joint Lead Managers, the relevant Shareholder may be required to:

- transfer to the Joint Lead Managers a number of Shares equal to the excess at the Offer Price of \$3.00; and/or
- subscribe for the excess New Shares above the actual Entitlement at the Institutional Bookbuild Clearing Price or Retail Bookbuild Clearing Price (less any subscription monies already paid).

If any Shareholder over-claims its Entitlement and therefore receives proceeds in the Retail Bookbuild or Institutional Bookbuild in excess of the proceeds to which it was actually entitled based on its holding of Shares as at the Record Date, then the Joint Lead Managers, on behalf of Alumina, may:

- require the Shareholder to repay the Joint Lead Managers the excess; and/or
- require the Shareholder to remit to the Joint Lead Managers the number of Shares over-claimed at the Offer Price of \$3.00.

1.12 RANKING OF NEW SHARES

New Shares will be issued on a fully paid basis and will rank equally in all respects with Shares on issue as at the Record Date, except that the New Shares will not participate in the interim dividend declared for the half year ended 30 June 2008, the record date for which is 23 September 2008. After that record date, the New Shares will rank equally in all respects with Existing Shares, including in relation to dividends.

A summary of the rights and liabilities attaching to the New Shares is set out in Section 8.4.

1.13 ASX QUOTATION AND TRADING OF NEW SHARES

Alumina has applied to ASX for official quotation of the New Shares. Subject to approval being granted, it is expected that normal trading of New Shares issued under the Institutional Entitlement Offer and the Institutional Bookbuild will commence on Wednesday, 10 September 2008. It is expected that normal trading will commence in relation to New Shares issued under the Retail Entitlement Offer and the Retail Bookbuild on Monday, 6 October 2008.

If ASX does not grant approval for official quotation of the New Shares within three months after the date of this Prospectus, none of the New Shares offered under the Retail Entitlement Offer will be issued, unless ASIC grants Alumina an exemption permitting the issue.

Holding statements for New Shares issued under the Retail Entitlement Offer are expected to be dispatched to Eligible Retail Shareholders on Tuesday, 7 October 2008. It is the responsibility of each applicant to confirm their holding before trading in New Shares. Any applicant who sells New Shares before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. Alumina and the Joint Lead Managers disclaim all liability whether in negligence or otherwise (and to the maximum extent permitted by law) to persons who trade New Shares before receiving their holding statements, whether on the basis of confirmation of the allocation provided by Alumina, the Share Registry or the Joint Lead Managers.

1.14 APPLICATION MONIES

All Application Monies will be held by Alumina in a bank account on trust for applicants until the New Shares are issued or, if the New Shares are not issued, until the Application Monies are returned to the applicants. The bank account will be established and maintained by Alumina solely for the purpose of depositing Application Monies and retaining those funds for as long as required under the Corporations Act.

Interest earned on the Application Monies will be for the benefit of, and will remain the property of, Alumina and will be retained by Alumina whether or not the allotment and issue of New Shares takes place.

If the New Shares are not issued, all Application Monies will be refunded by Alumina as soon as practicable, without interest, and Entitlements will cease to have any value.

1.15 TREATMENT OF FOREIGN SHAREHOLDERS

1.15.1 GENERAL

Neither this Prospectus nor the Entitlement and Acceptance Form constitutes an offer in the US (or to, or for the account or benefit of, US Persons) or in any jurisdiction in which, or to any persons to whom, it would not be lawful to make such an offer.

Eligible Retail Shareholders resident outside Australia and New Zealand should consult their professional advisers as to whether, in order to enable them to take up their Entitlements, any governmental or other consents are required or other formalities need to be observed.

Eligible Retail Shareholders holding Shares on behalf of persons who are resident outside Australia and New Zealand are responsible for ensuring that taking up their Entitlements does not breach the laws and regulations in the relevant overseas jurisdiction. The making of an Application (whether by the return of a duly completed Entitlement and Acceptance Form or by the making of a BPAY® payment) will constitute a representation that there has been no breach of such laws or regulations. Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed.

1.15.2 UNITED STATES

The Retail Entitlement Offer is not being made in the US or to, or for the account or benefit of, US Persons. In addition, Alumina is not registered as an 'investment company' under the Investment Company Act. Accordingly, Eligible Retail Shareholders (including nominees) who hold Shares on behalf of persons in the US or that are US Persons may not take up their Entitlements or subscribe for New Shares on behalf of such persons, and may not send to such persons this Prospectus, the Entitlement and Acceptance Form or any other material relating to the Entitlement Offer.

Each purchaser of New Shares under the Retail Entitlement Offer will be deemed to have represented, warranted and agreed that:

- neither the Entitlements nor the New Shares have been, or will be, registered under the Securities Act or any US state or other securities laws, and may not be offered, sold or otherwise transferred in the US or to, or for the account or benefit of, a US Person;
- it is not in the US, and is not a US Person or acting for the account or benefit of a US Person;
- it will not send this Prospectus, the Entitlement and Acceptance Form or any other material relating to the Entitlement Offer to any person in the US or that is a US Person; and
- if in the future it decides to sell or otherwise transfer its New Shares, it will only do so in regular way transactions on ASX where neither it nor any person acting on its behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a US Person.

1.15.3 NEW ZEALAND

The New Shares being offered under this Prospectus are being offered to Eligible Retail Shareholders in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and has not been registered, filed with or approved by any New Zealand regulatory authority, or under or in accordance with the Securities Act 1978 (New Zealand) or any other relevant law in New Zealand. It may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

1.15.4 INELIGIBLE RETAIL SHAREHOLDERS

Alumina is of the view that it is unreasonable to extend the Retail Entitlement Offer to Ineligible Retail Shareholders, having regard to:

- the number of Ineligible Retail Shareholders;
- the number and value of the New Shares which would be offered to Ineligible Retail Shareholders if they were Eligible Retail Shareholders; and
- the cost of complying with the legal requirements, and requirements of the regulatory authorities, in the respective overseas jurisdictions.

Accordingly, the Retail Entitlement Offer is not being extended to any Shareholder with a registered address outside Australia and New Zealand. Alumina will notify all Ineligible Retail Shareholders of the Retail Entitlement Offer and advise that Alumina is not extending the Retail Entitlement Offer to Ineligible Retail Shareholders.

Alumina has appointed the Joint Lead Managers to offer for subscription, through the Retail Bookbuild, New Shares equal to the number of New Shares that Ineligible Retail Shareholders would have been able to subscribe for had they been entitled to participate in the Retail Entitlement Offer, as described in Section 1.6.2.

1.16 TAXATION IMPLICATIONS

The taxation implications of the Retail Entitlement Offer, including the implications of acquiring, holding and disposing of New Shares and receiving, taking up and renouncing Entitlements, will vary depending upon the particular circumstances of each Shareholder. Accordingly, all investors should obtain their own professional advice before concluding on the particular taxation treatment that will apply to them, whether or not those investors participate in the Retail Entitlement Offer and acquire New Shares.

General tax implications in Australia and New Zealand for Eligible Retail Shareholders are discussed in further detail in Section 7.

1.17 DISCLAIMER

Alumina and the Joint Lead Managers disclaim all liability (to the maximum extent permitted by law) in respect of the determination as to whether a Shareholder is an Eligible Retail Shareholder, an Eligible Institutional Shareholder, an Ineligible Retail Shareholder or an Ineligible Institutional Shareholder. This disclaimer on liability applies notwithstanding that the Clearing Price achieved under the Retail Bookbuild may be higher or lower than the Clearing Price achieved under the Institutional Bookbuild.



SECTION 2

ACTIONS REQUIRED OF
ELIGIBLE SHAREHOLDERS

This Prospectus is important and requires your immediate attention. Before deciding on how to deal with your Entitlement, you should carefully read this Prospectus in its entirety, including the risk factors set out in Section 5. If you do not understand any part of this Prospectus, or are in any doubt as to how to deal with your Entitlement, you should consult your stockbroker, accountant, solicitor and/or other professional adviser.

Eligible Shareholders may do any of the following:

- take up their Entitlement in full; or
- take up part of their Entitlement; or
- do nothing.

The Entitlement Offer is a pro rata offer to Eligible Shareholders. Eligible Shareholders who take up their Entitlements in full will not have their percentage shareholdings in Alumina diluted by the Entitlement Offer (subject to immaterial movements as a result of rounding of Entitlements). The percentage shareholdings of Eligible Shareholders who do not take up all of their Entitlements will be diluted.

2.1 IF YOU ARE AN ELIGIBLE RETAIL SHAREHOLDER AND WISH TO TAKE UP ALL OR PART OF YOUR ENTITLEMENT

If you are an Eligible Retail Shareholder and you wish to take up all or part of your Entitlement, you have two options.

OPTION 1: SUBMIT YOUR COMPLETED ENTITLEMENT AND ACCEPTANCE FORM TOGETHER WITH CHEQUE, BANK DRAFT OR MONEY ORDER

To follow this **Option 1**, you should:

- complete the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with the instructions set out on that form, and indicate the number of New Shares you wish to subscribe for; and
- return the form to the Share Registry (address details below) together with a cheque, bank draft or money order which must be:
 - in respect of the full Application Monies (being \$3.00 multiplied by the number of New Shares you wish to subscribe for – if you are not taking up all of your Entitlement, you will need to calculate this amount yourself);
 - in Australian currency drawn on an Australian branch of a financial institution; and
 - made payable to 'Alumina Limited – Entitlement Offer Account' and crossed 'Not Negotiable'.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies is insufficient to pay in full for the number of whole New Shares you have applied for in your Entitlement and Acceptance Form, you will be taken to have applied for such lower number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your Application will be rejected. If your cheque does not clear due to insufficient funds in your account, your Application will be rejected.

Cash payments will **not** be accepted. Receipts for payment will not be issued.

You need to ensure that your completed Entitlement and Acceptance Form and cheque, bank draft or money order reaches the Share Registry at the following address by no later than 5.00pm (AEST) on Friday, 19 September 2008 (subject to variation):

GPO Box 505
Melbourne VIC 8060
Australia

For the convenience of Eligible Retail Shareholders, an envelope addressed to the Share Registry has been enclosed with this Prospectus. If mailed in Australia, no postage stamp is required.

Entitlement and Acceptance Forms (and payments for Application Monies) will not be accepted if received after the Closing Date or at Alumina's registered or corporate offices.

You may **not** apply for more than the Entitlement shown on your Entitlement and Acceptance Form. The Entitlement stated on your Entitlement and Acceptance Form may be in excess of your actual Entitlement where, for example, you are acting on behalf of a US Person. If Alumina determines that you have applied for more than your actual Entitlement, any Application Monies received for more than your total Entitlement will be refunded on or around Tuesday, 7 October 2008.

You should note that if you do not take up all of your Entitlement, the New Shares representing the part of your Entitlement that you do not take up may be sold through the Retail Bookbuild and you will be paid cash if there is a Retail Premium (see Section 1.6.2). You should also note that, if you do not take up all of your Entitlement, then – although you will continue to own the same number of Shares and may acquire some New Shares – your percentage shareholding in Alumina will fall.

OPTION 2: PAY VIA BPAY® PAYMENT

To follow this **Option 2**, you should pay the full Application Monies (being \$3.00 multiplied by the number of New Shares you wish to subscribe for – if you are not taking up all of your Entitlement, you will need to calculate this amount yourself) via BPAY® payment in accordance with the instructions set out on the personalised Entitlement and Acceptance Form (which includes the biller code and your unique customer reference number). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution.

Please note that should you choose to pay by BPAY® payment:

- you do **not** need to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that form; and
- if you do not pay for your full Entitlement, you will be taken to have applied for such lower whole number of New Shares as your Application Monies will pay for.

You need to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (AEST) on Friday, 19 September 2008 (subject to variation).

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY® are received by 5.00pm (AEST) on Friday, 19 September 2008 (subject to variation).

You may **not** apply for more than the Entitlement shown on your Entitlement and Acceptance Form. The Entitlement stated on your Entitlement and Acceptance Form may be in excess of your actual Entitlement where, for example, you are acting on behalf of a US Person. Any Application Monies received for more than your total Entitlement will be refunded on or around Tuesday, 7 October 2008.

You should note that if you do not take up all of your Entitlement, the New Shares representing the part of your Entitlement that you do not take up may be sold through the Retail Bookbuild and you will be paid cash if there is a Retail Premium (see Section 1.6.2). You should also note that, if you do not take up all of your Entitlement, then – although you will continue to own the same number of Shares and may acquire some New Shares – your percentage shareholding in Alumina will fall.

2.2 IF YOU ARE AN ELIGIBLE RETAIL SHAREHOLDER AND YOU DO NOTHING

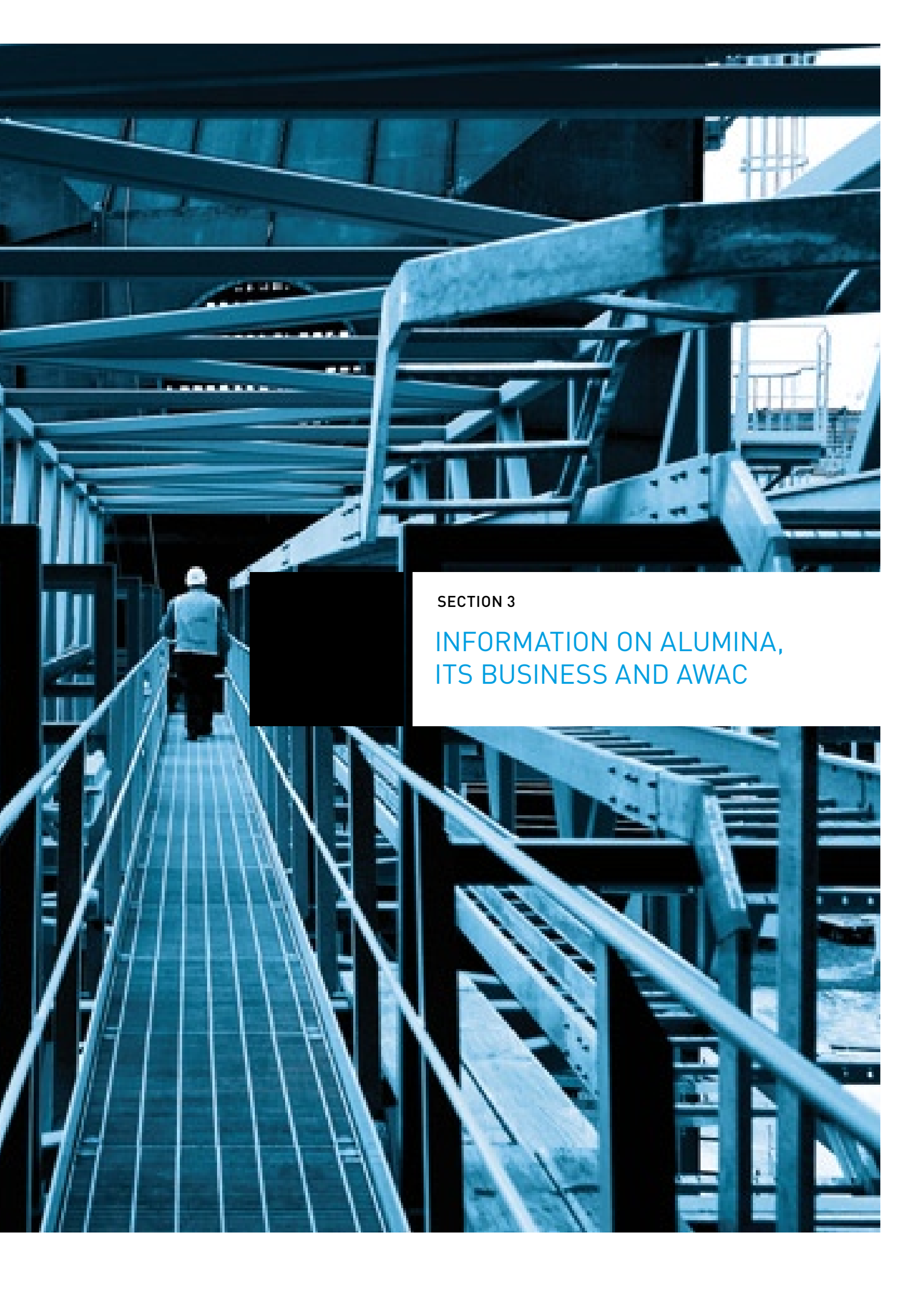
If you are an Eligible Retail Shareholder and you do nothing, then New Shares representing your Entitlement may be sold through the Retail Bookbuild and you will be paid cash if there is a Retail Premium (see Section 1.6.2).

You should also note that, if you do not take up your Entitlement, then – although you will continue to own the same number of Shares – your percentage shareholding in Alumina will fall.

2.3 FURTHER INFORMATION

If you are an Eligible Retail Shareholder and:

- have any questions in relation to the Shares upon which your Entitlement has been calculated; or
 - have questions on how to complete the Entitlement and Acceptance Form or take up your Entitlement; or
 - have lost your personalised Entitlement and Acceptance Form and would like a replacement form,
- please call the Alumina Limited Shareholder Information Line on 1300 556 050 (local call cost within Australia) or on +61 3 9415 4027 (from outside Australia) at any time from 8.30am to 7.00pm (AEST) Monday to Friday during the Offer Period.



SECTION 3

INFORMATION ON ALUMINA,
ITS BUSINESS AND AWAC

3.1 OVERVIEW

Alumina is a major Australian publicly traded company, headquartered in Melbourne, and with Shares listed on ASX and ADRs on the New York Stock Exchange. Alumina's strategy is to participate in bauxite mining, alumina refining, alumina-based chemicals production and selected aluminium smelting operations globally, solely through AWAC. While not itself a legal entity, AWAC is the reference term given to an unincorporated joint venture between Alumina and Alcoa Inc. This joint venture was established in 1995, combining the bauxite, alumina and alumina-based chemicals businesses and interests of Alumina (then known as WMC Limited) and Alcoa Inc. The assets of the joint venture are held 40% by the Alumina Group and 60% by Alcoa Inc. Alcoa Inc. is also the manager of the joint venture.

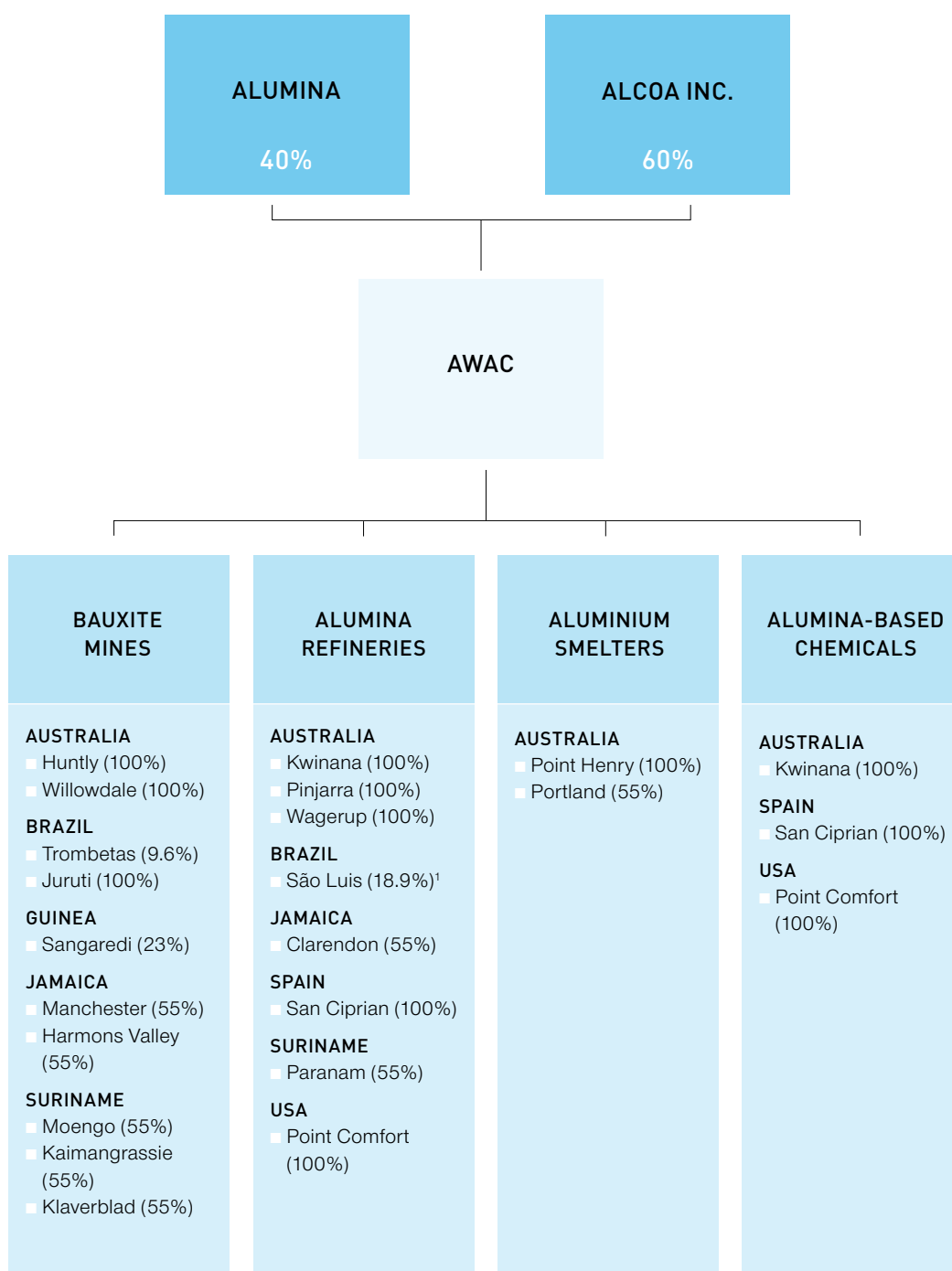
Alumina's principal asset is its 40% interest in the AWAC joint venture, and the dividends Alumina receives from AWAC represent Alumina's earnings almost exclusively. AWAC is the world's largest alumina producer, accounting for approximately 19% of world production in 2007. It has interests in bauxite mining, eight alumina refineries and two aluminium smelters within Australia, the United States, Brazil, Suriname, Jamaica, Spain and Guinea, as well as a shipping operation.

3.2 PRINCIPAL ACTIVITIES OF AWAC

AWAC has interests in the following assets:

- A 100% interest in the bauxite mining, alumina refining and aluminium smelting operations of Alcoa of Australia. Alcoa of Australia's principal operations comprise:
 - a 100% interest in three alumina refineries, located at Pinjarra, Wagerup and Kwinana (each in Western Australia), which have an aggregate nameplate production capacity of over 8.9 million tonnes per annum of alumina;
 - a 100% interest in two bauxite mines, Huntly and Willowdale (each in Western Australia), which are long life and proximate to the Pinjarra, Kwinana and Wagerup alumina refineries;
 - a 100% interest in the 190,000 tonnes per annum Point Henry aluminium smelter and the 140 megawatt generating station at Anglesea, and a 55% interest in the 358,000 tonnes per annum Portland aluminium smelter, each in Victoria; and
 - a 20% interest in the Dampier to Bunbury Natural Gas Pipeline in Western Australia.
- A 55% interest in certain assets in Jamaica (held through Alcoa Minerals of Jamaica LLC), including various bauxite mines and a 1.4 million tonnes per annum alumina refinery.
- A 100% interest in a 2.3 million tonnes per annum alumina refinery at Point Comfort, Texas in the US.
- A 55% interest in certain assets in Suriname (held through Suriname Aluminum Company LLC, otherwise known as Suralco), including various bauxite mines and a 2.2 million tonnes per annum alumina refinery.
- An 18.9% interest in the 1.5 million tonnes per annum Alumar alumina refinery in São Luis, Brazil and a 54% interest in the expansion of that refinery.
- A 9.6% interest in the bauxite mining operations of Mineração Rio Do Norte, which are located in Trombetas, Brazil.
- A 100% interest in the Juruti bauxite deposit in Brazil.
- A 100% interest in a 1.5 million tonnes per annum alumina refinery and alumina-based chemicals operation at San Ciprian, Spain.
- A 45% interest in Halco, a bauxite consortium that owns a 51% interest in Compagnie des Bauxites de Guinée, which owns and operates the Boké mining operations at Sangaredi in Guinea, Africa.
- A 100% interest in Alcoa Steamship, which owns and operates four combination shipping vessels.

THE CHART BELOW ILLUSTRATES AWAC'S GLOBAL MINING, REFINING, SMELTING AND CHEMICALS INTERESTS.



¹ AWAC has a 54% interest in the expansion project for additional capacity.

The predominant source of AWAC's revenue is from the sale of alumina. Contracts for the sale of alumina are usually long term contracts, most of which are priced as a percentage of the price of aluminium traded on the London Metal Exchange.

AWAC's customers for the sale of smelter grade alumina include major aluminium smelters in Australia, North and South America, the Middle East, China, Russia, South Africa and Europe. AWAC's largest customer for its alumina production is Alcoa Inc.'s primary smelting group, which accounted in 2007 for approximately 45% of AWAC's alumina production. Sales by AWAC to Alcoa Inc. are on arm's length terms.

In addition to its bauxite, alumina, aluminium and alumina-based chemicals assets, AWAC also owns and operates a shipping operation that provides transport for AWAC's alumina business and to third parties, including Alcoa Inc. This operation includes six combination shipping vessels (including four owned by Alcoa Steamship), which operate between Western Australia and Victoria, Australia and the US and within the Caribbean.

It is expected that during 2009 contract sales pricing on approximately one quarter of AWAC's third party alumina sales (excluding alumina sales to Alcoa Inc.) will expire and be replaced with new contractual pricing. In addition, certain alumina supply contracts will expire in 2009 and not be renewed, and it is anticipated AWAC will have increased alumina production capacity. AWAC has entered into certain new alumina supply contracts commencing in 2009.

3.3 PROJECTS

AWAC is developing a new 100% owned bauxite mine at Juruti in Brazil, with construction 59% complete as at 30 June 2008 (including the completion of 100% of detailed engineering, 96% of procurement, 55% of civil engineering in respect of the railroad and 70% of civil engineering in respect of the port). The mine will initially produce 2.6 million tonnes of bauxite per year to supply AWAC's requirements at the expanded São Luis alumina refinery. First shipments of bauxite from the mine are anticipated to occur in mid 2009.

A 2.1 million tonnes per annum expansion of the Alumar alumina refinery in São Luis, Brazil is underway and expected to reach mechanical completion by mid 2009, with construction 57% complete as at 30 June 2008 (including the completion of 100% of detailed engineering and the delivery of 70% of major equipment). AWAC is funding, and will be entitled to, 54% of the expansion project (being an entitlement to approximately 1.1 million tonnes per annum of the expansion). The expansion will increase the refinery's total capacity to approximately 3.5 million tonnes per annum.

Alumina announced on 21 July 2008 that the estimated cost of the Juruti bauxite mine development had increased to US\$2.06 billion, and that the estimated cost of AWAC's 54% share in the Alumar refinery expansion had increased to US\$1.62 billion. Alumina's 40% share of these increases is approximately US\$344 million and US\$128 million respectively.

The capital costs of these assets will be depreciated according to AWAC's accounting policy of allocating asset costs, net of residual values, over the estimated useful lives of the assets. AWAC's depreciation charge is expected to increase substantially following the commissioning of the new assets.

Pre-feasibility studies continue examining the potential to expand AWAC's Wagerup refinery. These studies are anticipated to continue through 2009.

Alumina does not anticipate material capital expenditure by AWAC in 2009 on projects to increase alumina production capacity other than the Brazil growth projects.

3.4 AWAC AGREEMENTS

The principal documents establishing and governing the operation of AWAC are the Formation Agreement, the Charter and the Enterprise Funding Agreement (the **AWAC Agreements**). While there are other ancillary agreements which relate to the AWAC structure and operations, the key aspects of the AWAC arrangements which are set out below are contained in the AWAC Agreements.

3.4.1 SCOPE OF AWAC

The scope of AWAC includes the following:

- *Bauxite and alumina*: the exploration, searching and prospecting for and the mining of bauxite and other aluminous ores as well as the refining and other processing of these ores into alumina, and other necessary but ancillary facilities.
- *Industrial chemicals*: the research, development, production, marketing and sale of industrial chemicals, comprised initially of the output of the existing Alcoa Inc. and Alcoa of Australia facilities for industrial alumina-based chemicals and other agreed mineral-based chemicals, or as may be agreed from time to time.
- *Integrated operations*: the ownership and operation of certain primary aluminium smelting, aluminium fabricating and other necessary but ancillary facilities that are run as part of an integrated operation at certain of the locations existing on the formation of AWAC.

3.4.2 EXCLUSIVE VEHICLE REQUIREMENTS

AWAC is the exclusive vehicle for the pursuit of the interests of Alumina and Alcoa Inc. (and their affiliates as defined) in the bauxite, alumina and inorganic industrial (alumina-based) chemicals businesses included within the scope of AWAC, and neither party can compete, within that scope, with AWAC so long as they maintain an ownership interest in AWAC. In addition, Alumina may not compete with the businesses of the integrated operations of AWAC (being the primary aluminium smelting and fabricating facilities and certain ancillary facilities that exist at the formation of AWAC).

3.4.3 ROLES OF ALUMINA AND ALCOA INC. IN AWAC

INDUSTRIAL LEADER

Under the general direction of the Strategic Council, Alcoa Inc. is the 'industrial leader' and provides the operational management of AWAC and of all affiliated operating entities within AWAC.

STRATEGIC COUNCIL

The Strategic Council is the principal forum for Alcoa Inc. and Alumina to provide direction and counsel to the AWAC entities in respect of strategic and policy matters. The Alcoa Inc. and Alumina representatives on the boards of the AWAC entities are required, subject to their general fiduciary duties, to carry out the directions and the decisions of the Strategic Council. The Strategic Council has five members, three appointed by Alcoa Inc. (of which one is Chairman) and two by Alumina (of which one is the Deputy Chairman). Decisions are made by majority vote except for matters which require a 'super majority' vote, which is a vote of 80% of the members appointed to the Strategic Council.

The following decisions require a super majority vote:

- a change of the scope of AWAC;
- a change in AWAC's dividend policy;
- sale of all or a majority of the assets of AWAC;
- equity calls on behalf of AWAC totalling, in any one year, in excess of US\$1 billion; and
- loans to Alcoa Inc., Alumina or their respective affiliates by AWAC entities (including loans between AWAC entities).

OTHER MANAGEMENT AND PERSONNEL ROLES

Alumina is entitled to representation in proportion to its AWAC ownership interest on the board of each entity in the AWAC structure, including Alcoa of Australia.

3.4.4 CAPITAL REQUIREMENTS

The cash flows of AWAC and borrowings are the preferred sources of funding for the needs of AWAC. AWAC may make annual capital calls of Alumina and Alcoa Inc. of up to US\$1 billion in aggregate following approval by a majority vote of AWAC's Strategic Council, and of more than US\$1 billion in aggregate following approval by a super majority vote of the Strategic Council. Please refer to Section 3.4.3 for further details in respect of the operation of the Strategic Council and Section 5.11 for further details of the dilution risks facing Alumina.

3.4.5 AWAC LEVERAGING POLICY

The affiliated operating entities within AWAC must maintain a limit of debt (net of cash) in the aggregate equalling not more than 30% of total capital, where total capital is defined as the sum of debt (net of cash) plus any minority interest plus shareholder equity.

3.4.6 AWAC DIVIDEND POLICY

AWAC must distribute by way of dividends, in each financial year, at least 30% of the net income of the prior year of each of the entities comprising AWAC, unless the Strategic Council agrees by a super majority vote to pay a smaller dividend. AWAC must also endeavour to distribute dividends above 30% of the net income of AWAC, consistent with prudent financial management and in the context of the strategic and business objectives of AWAC.

3.4.7 ENTERPRISE FUNDING AGREEMENT ARRANGEMENTS

Under the Enterprise Funding Agreement, Alcoa of Australia pays dividends in excess of 30% of its net income, to the extent required, to fund capital requirements of AWAC (including Alcoa of Australia's own capital funding requirements). These excess dividends are payable on a monthly or quarterly basis. The Enterprise Funding Agreement sets out certain circumstances when such a dividend would not be payable, including to the extent there is insufficient cash available or such payment would be made otherwise than out of profits or cause Alcoa of Australia to be unable to pay all its debts as and when they become due or payable.

3.5 ALUMINA'S DIVIDEND POLICY

Alumina's dividend policy has been, subject to business conditions, to maintain annual dividends of at least 24 cents per Share fully franked. It is Alumina's current intention, subject to business conditions, that the current aggregate half year dividend payment amount of \$138 million under this dividend policy be divided equally across all Shares on issue in the future, including any New Shares. Assuming that all the New Shares anticipated to be issued under the Entitlement Offer are issued, the application of the current aggregate dividend payment amount across all issued Shares following such issue would result in an aggregate annual dividend of approximately 19 cents per Share fully franked.

The New Shares will not participate in the 12 cents per Share interim dividend declared for the half year ended 30 June 2008, the record date for which is 23 September 2008. After that record date, the New Shares will rank equally in all respects with Existing Shares, including in relation to dividends.

3.6 RECENT DEVELOPMENTS

3.6.1 DIVIDEND REINVESTMENT PLAN

On 31 January 2008, Alumina announced that it was introducing a new dividend reinvestment plan allowing shareholders to reinvest dividends in additional Shares (**Dividend Reinvestment Plan**). The Dividend Reinvestment Plan applied to the 2007 final dividend paid in March 2008 and the issue of Shares equal to the aggregate 2007 final dividend payment was fully underwritten. As a result of making the Entitlement Offer, Alumina has decided that the Dividend Reinvestment Plan will not be underwritten in relation to the interim dividend declared for the half year ended 30 June 2008. It is also Alumina's intention that the reinvestment of the final dividend for 2008 will not be underwritten.

3.6.2 FINANCING FACILITIES

As at 30 June 2008, in addition to the US\$350 million Convertible Bonds, Alumina had US\$1.175 billion of committed financing facilities, of which approximately US\$400 million was undrawn. Of these facilities, none matures in 2008, US\$53 million matures in March 2009 and US\$250 million matures in July 2009.

3.6.3 CONVERTIBLE BONDS

On 16 May 2008, Alumina Finance (a wholly owned subsidiary of Alumina) completed the issue of US\$350 million in aggregate principal amount of 2.0% coupon senior unsecured bonds convertible into Shares (the **Convertible Bonds**). The Convertible Bonds will mature on 16 May 2013 (the **Maturity Date**). The obligations of Alumina Finance under the Convertible Bonds have been unconditionally and irrevocably guaranteed by Alumina. Holders of Convertible Bonds may require Alumina Finance to redeem any outstanding Convertible Bonds on 16 May 2011 at face value together with accrued but unpaid interest. The Convertible Bonds are listed on SGX.

Generally, holders of Convertible Bonds may convert the Convertible Bonds into Shares at any time prior to close of business on the tenth business day prior to the Maturity Date. The effect of the Entitlement Offer on the rights of holders of Convertible Bonds is described in Section 8.8.

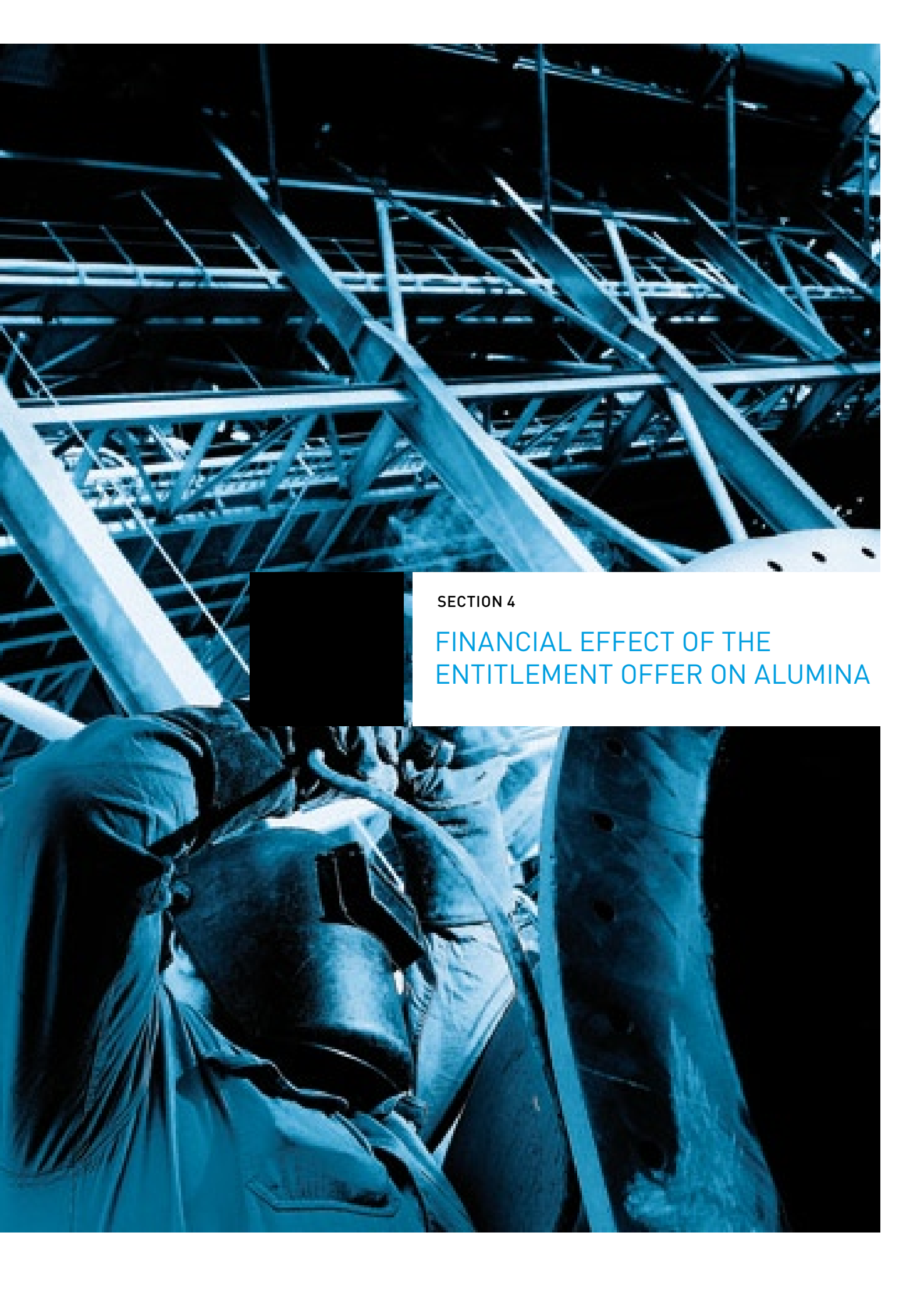
3.6.4 ALBA LITIGATION

On 27 February 2008, Alcoa Inc. received notice that Aluminium Bahrain B.S.C. (**Alba**) had filed suit against Alcoa Inc. and Alcoa World Alumina LLC (an AWAC operating entity and, collectively, **Alcoa**), and others, in the US District Court for the Western District of Pennsylvania. The complaint alleges that certain Alcoa entities and their agents have engaged in a conspiracy over a period of 15 years to defraud Alba, have illegally bribed officials of the government of Bahrain and/or officers of Alba in order to force Alba to purchase alumina at excessively high prices and to pressure Alba to enter into an agreement by which Alcoa would purchase an equity interest in Alba, and have assigned portions of existing supply contracts between Alcoa and Alba for the sole purpose of facilitating alleged bribes and unlawful commissions. The complaint also alleges that Alcoa and the other defendants violated the US Racketeer Influenced and Corrupt Organizations Act (**RICO**). Alba's complaint seeks compensatory, consequential, exemplary, and punitive damages, rescission of the 2005 alumina supply contract, and attorneys' fees and costs. Alba seeks treble damages with respect to its RICO claims.

Following a notification by Alcoa Inc. on 26 February 2008 to the US Department of Justice (the **DOJ**) and the US Securities and Exchange Commission (the **SEC**) that it recently became aware of the claims, it had already begun an internal investigation and intended to cooperate fully in any investigation that the DOJ or SEC may commence, on 17 March 2008 the DOJ notified Alcoa that it had opened a formal investigation. Alumina understands that Alcoa has been cooperating with the government.

The Court has ordered the suit filed by Alba to be administratively closed and that all discovery be stayed to allow the DOJ to fully conduct an investigation without the interference and distraction of ongoing civil litigation, and that the case will be reopened at the close of the DOJ's investigation.

The litigation and the DOJ investigation are in their preliminary stages. Alumina understands that Alcoa Inc. is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss, but is reviewing these allegations and intends to vigorously defend the claim. No member of the Alumina Group, nor any of its employees, is a defendant in the litigation.



SECTION 4

FINANCIAL EFFECT OF THE
ENTITLEMENT OFFER ON ALUMINA

The selected consolidated financial information in relation to Alumina set out in this Section has been extracted from the unaudited half year accounts of Alumina for the six month period ended 30 June 2008.

4.1 INTRODUCTION AND BASIS OF PREPARATION AND PRESENTATION OF PRO-FORMA BALANCE SHEET

Alumina prepares its financial statements in accordance with AIFRS. The accounting policies upon which the pro-forma information has been prepared are set out in Alumina's financial statements for the year ended 31 December 2007 and for the half year ended 30 June 2008. A copy of Alumina's report and financial statements for 2007 and for the half year ended 30 June 2008 can be viewed on Alumina's website (www.aluminalimited.com) or obtained in accordance with Section 8.3.

The pro-forma balance sheet is presented in abbreviated form and does not contain all the disclosures that are usually found in financial statements prepared in accordance with the Corporations Act.

The pro-forma balance sheet has been prepared for illustrative purposes to show the impact on the 30 June 2008 balance sheet of the proceeds of the Entitlement Offer and their initial application. This information is not represented as being indicative of Alumina's views on its future financial condition and/or performance.

4.1.1 PRO-FORMA BALANCE SHEET

The pro-forma balance sheet on the opposite page is presented on the assumption that there is full receipt of the anticipated net proceeds of the Entitlement Offer.

The anticipated net proceeds of the Entitlement Offer of \$886 million will initially be converted into US dollars to repay bank debt of US\$765 million (assuming an exchange rate of A\$1.00=US\$0.9578), with the balance retained as US dollar cash on deposit. Over the following months that cash on deposit will be withdrawn, and debt will be redrawn, under Alumina's committed bank facilities, to fund capital contributions for AWAC's growth projects in Brazil and AWAC's working capital requirements (refer to Section 1.3 for further details).

In determining the anticipated net proceeds of the Entitlement Offer, costs associated with the Entitlement Offer have been deducted from anticipated gross proceeds of \$910 million. These costs include underwriting fees of \$21.8 million (2.4% of those gross proceeds) and estimated legal and other advisory costs, including printing and mailing costs, of \$2 million in aggregate.

PRO-FORMA BALANCE SHEET

	30 JUNE 2008 AIFRS REPORTED REVIEWED (A\$ MILLIONS)	NET PROCEEDS OF ENTITLEMENT OFFER REVIEWED (A\$ MILLIONS)	30 JUNE 2008 AIFRS PRO-FORMA REVIEWED (A\$ MILLIONS)
Cash and Cash Equivalents	10.9	87.4	98.3
Receivables - Other	1.3	-	1.3
Total Current Assets	12.2	87.4	99.6
Property Plant & Equipment (net)	0.2	-	0.2
Investments Accounted for Using Equity Method	2,806.8	-	2,806.8
Total Non-Current Assets	2,807.0	-	2,807.0
Total Assets	2,819.2	87.4	2,906.6
Payables	3.9	-	3.9
Interest Bearing Liabilities	26.1	(26.1)	-
Current Tax Liabilities	18.2	-	18.2
Provisions	0.2	-	0.2
Other	2.8	-	2.8
Total Current Liabilities	51.2	(26.1)	25.1
Interest Bearing Liabilities	1,087.9	(772.9)	315.0
Deferred Tax Liabilities	3.4	-	3.4
Provisions	0.5	-	0.5
Total Non-Current Liabilities	1,091.8	(772.9)	318.9
Total Liabilities	1,143.0	(799.0)	344.0
Net Assets	1,676.2	886.4	2,562.6
Contributed Equity	547.3	886.4	1,433.7
Treasury Shares	(0.7)	-	(0.7)
Reserves			
Group	(21.0)	-	(21.0)
Associates	3.6	-	3.6
Retained Profits			
Group	722.4	-	722.4
Associates	424.6	-	424.6
Total Equity	1,676.2	886.4	2,562.6

4.2 EFFECT ON CAPITAL STRUCTURE AND SHAREHOLDERS

4.2.1 EFFECT ON CAPITAL STRUCTURE

TYPE OF ISSUED SECURITY	BEFORE THE ENTITLEMENT OFFER	AFTER INSTITUTIONAL ENTITLEMENT OFFER AND INSTITUTIONAL BOOKBUILD ¹	AFTER RETAIL ENTITLEMENT OFFER AND RETAIL BOOKBUILD ¹
Shares	1,152.9 million	1,367.7 million ²	1,456.3 million ²
Convertible Bonds	US\$350 million	US\$350 million	US\$350 million

1 Approximations as at the date of this Prospectus. Assumes no conversion of Convertible Bonds and no other issue of Shares except pursuant to the Entitlement Offer.

2 Due to the rounding of Entitlements and reconciliation of Entitlements under the Institutional Entitlement Offer to shareholdings on the Record Date, the exact number of New Shares to be issued, and the number to be issued under each part of the Offer, will not be known until completion of the Entitlement Offer.

OPTIONS ON ISSUE

At the date of this Prospectus, Alumina has no options to subscribe for Shares on issue to its officers and staff. No options will be issued under this Prospectus.

CONVERTIBLE BONDS ON ISSUE

Please refer to Section 3.6.3 for a description of the Convertible Bonds and Section 8.8 for a description of the effect of the Entitlement Offer on the rights of holders of Convertible Bonds.

4.2.2 EFFECT ON ELIGIBLE RETAIL SHAREHOLDERS AND INELIGIBLE RETAIL SHAREHOLDERS

Please refer to Section 1.6 for details of the effect of the Entitlement Offer on Eligible Retail Shareholders and Ineligible Retail Shareholders.

4.3 DIVIDENDS

Please refer to Section 8.4 in relation to the dividend rights attaching to Shares.



SECTION 5

KEY RISK FACTORS

A number of risks and uncertainties, some of which are specific to Alumina and others which are more general in nature, may affect the future operating and financial performance of Alumina, the value of Shares and Alumina's future funding requirements. You should carefully consider the following risk factors, as well as the other information in this Prospectus, and consult your financial and legal advisers before deciding whether to invest in the New Shares. The risks and uncertainties described below are not the only ones facing Alumina. Additional risks and uncertainties that Alumina is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Alumina's operating and financial performance.

5.1 ALUMINA'S NET INCOME IS AFFECTED BY MOVEMENTS IN THE PRICES OF ALUMINIUM AND ALUMINA

The revenue of AWAC (being the principal asset of Alumina) is derived from sales of alumina, alumina-based chemicals and aluminium. The price that can be obtained for these products is influenced by the price of aluminium in the world market, and in particular, the London Metal Exchange price of primary aluminium. World aluminium prices are affected by numerous factors outside Alumina's control, including the overall performance of world economies and the related cyclicalities in particular industries that are significant consumers of aluminium.

The development of new alumina refineries and aluminium smelters, and increased production by new or existing alumina and aluminium producers, may create oversupply or overcapacity, which could reduce future prices of alumina, alumina-based chemicals and aluminium, thereby adversely affecting AWAC's, and hence Alumina's, profitability.

AWAC's, and hence Alumina's, financial performance and ability to service liabilities, pay dividends, undertake capital expenditure and finance further acquisitions would be adversely affected by a material fall in the prices of alumina and aluminium.

AWAC's earnings are also influenced by the accounting for embedded derivatives in Alcoa of Australia's contracts for the supply of natural gas and electricity. If the aluminium price as quoted on the London Metal Exchange at a period end, and the estimate of long term aluminium prices in any relevant period beyond the period covered by London Metal Exchange prices, is higher than at the commencement of that period, a charge against income would result. Conversely, a fall in those aluminium prices would result in a credit to income for the period. Those effects on AWAC's income would have a corresponding proportional negative or positive impact on Alumina's income for the period.

Alumina does not separately hedge its exposure to aluminium prices. Alumina expects that volatility in prices and in demand for AWAC's products will continue for the foreseeable future.

5.2 FLUCTUATIONS IN EXCHANGE RATES CAN HAVE A SIGNIFICANT EFFECT, INCLUDING ON EARNINGS, PROFITABILITY AND CONSTRUCTION COSTS

Although Alumina is raising funds under the Entitlement Offer denominated in Australian dollars, its share of the capital costs with respect to the Alumar refinery and Juruti bauxite mine in Brazil is denominated in US dollars. As such, the application of funds raised under the Entitlement Offer to make US dollar payments will be subject to fluctuations in foreign exchange rates.

Alcoa of Australia contributes the majority of AWAC's earnings, including over 90% in 2006 and 2007. While a significant proportion of Alcoa of Australia's costs are incurred in Australian dollars, sales are denominated in US dollars. AWAC's future profitability (and hence that of Alumina) may be adversely affected by a strengthening of the Australian dollar against the US dollar. AWAC's profitability and financial position may also be adversely affected by a weakening of the US dollar against other currencies in which operating or capital costs are incurred by AWAC's refineries outside Australia, including capital costs incurred in Brazilian Real.

Throughout the financial year ending 31 December 2007, and as of the date of this Prospectus, AWAC had no foreign exchange hedging contracts.

In addition, Alumina has certain liabilities and assets that are denominated in US dollars, particularly its borrowings and certain equity accounted assets. The accounts of certain foreign subsidiaries are also maintained in US dollars. Thus a change in the A\$/US\$ exchange rate would have an effect on the net asset value of Alumina.

5.3 AN INCREASE IN THE COST OF KEY INPUTS COULD REDUCE ALUMINA'S PROFITABILITY

Changes in AWAC's costs have a major impact on Alumina's profitability. AWAC's mining, refining and smelting operations are subject to conditions beyond its control that can delay deliveries or increase costs for varying lengths of time. These conditions include increases in the cost of key inputs (including increases in the cost of raw materials (including caustic soda), labour and freight) and the non-availability of key inputs.

A key risk in the cost of production of alumina and aluminium is the cost of energy. Alumina refineries and aluminium smelters consume substantial amounts of energy in their operations. The costs and profitability of AWAC's alumina refineries and aluminium smelters can be affected by:

- significant increases in domestic or world electricity, coal, natural gas and oil prices;
- unavailability of electrical power or other energy sources due to insufficient supplies; or
- curtailment of one or more refineries or smelters due to inability to extend energy contracts upon expiration or to negotiate new arrangements on cost-effective terms.

In addition to energy, AWAC's profitability will be affected by increases in the cost of raw materials, including bauxite and caustic soda, and freight costs associated with transporting raw materials to refining and smelting locations.

The alumina industry has experienced significant increases in energy prices, shipping freight rates and caustic soda and bauxite prices during 2008, as well as a continued weak US dollar. In 2007, AWAC's average cost of alumina production increased by approximately US\$32/tonne year-on-year. This increased by a further US\$40/tonne in the first half of 2008.

Caustic soda is an important raw material input to AWAC's alumina production and has been experiencing substantial price increases. Continued price increases are likely in 2009.

AWAC's alumina sales are made under medium to long term contracts largely linked to aluminium prices. In 2008, AWAC has not been able to offset the effects of higher raw material costs or energy costs through price increases from increasing the linkage of the alumina price to the aluminium price or through a higher aluminium price.

5.4 OTHER EVENTS COULD INCREASE AWAC'S PRODUCTION COSTS OR DECREASE ITS PRODUCTION AND THEREFORE REDUCE ALUMINA'S PROFITABILITY

In addition to any increase in the cost of AWAC's key inputs (which is discussed in Section 5.3), certain events which may be beyond AWAC's or Alumina's control can decrease production, delay deliveries or increase costs for varying lengths of time. These include weather and natural disasters, fires or explosions at facilities, unexpected maintenance or technical problems, key equipment failures, disruptions to or other problems with infrastructure, war or terrorist activities and variations in geological conditions. In addition, industrial disruptions, loss of key staff, work stoppages, refurbishments and accidents at operations can result in production losses and delays in the delivery of product, which may adversely affect profitability.

Certain costs are also affected by government imposts and regulations in the countries in which AWAC operates. AWAC's costs depend upon the efficient design and construction of mining, refining and smelting facilities and competent operation of those facilities.

5.5 AN INCREASE IN THE CAPITAL COSTS OF AWAC'S GROWTH PROJECTS AND OPERATIONS WOULD IMPACT ALUMINA'S PROFITABILITY

A significant increase in the capital costs associated with AWAC's growth projects and operations would impact Alumina's cash flow and profitability.

Capital costs for development of alumina refinery and other mineral resource projects have increased substantially in recent years, due to higher steel and other raw material prices and a significant increase in labour and contractor costs. In particular, shortages of skilled labour due to an increase in the number of mineral resource project developments, including in Australia and Brazil, has resulted in cost increases for the development of projects in those locations.

If Alumina is unwilling or unable to fund capital calls, its interest in AWAC in some circumstances may be diluted (see Section 5.11 for further details).

5.6 ALUMINA DOES NOT HOLD A MAJORITY INTEREST IN AWAC, AND DECISIONS MADE BY MAJORITY VOTE MAY NOT BE IN THE BEST INTERESTS OF ALUMINA

AWAC's strategic direction is determined by a five member Strategic Council, consisting of three Alcoa Inc. representatives and two Alumina representatives. An 80% majority is required to approve changes that effect:

- a change of the scope of AWAC;
- a change in AWAC's dividend policy;
- sale of all or a majority of the assets of AWAC;
- equity calls on behalf of AWAC totalling, in any one year, in excess of US\$1 billion; and
- loans to Alcoa Inc., Alumina or their respective affiliates by AWAC entities (including loans between AWAC entities).

AWAC's decisions are otherwise by majority vote. Alcoa Inc. has a 60% interest in AWAC and has a majority vote. Subject to the application of fiduciary duties, it may occur that AWAC's decisions by majority vote are not in the best interests of Alumina.

5.7 ALUMINA'S CASH FLOWS DEPEND ON THE AVAILABILITY OF DIVIDENDS FROM AWAC

Alumina's cash flows are generated almost exclusively from distributions made by AWAC, by way of dividend or capital return. AWAC's joint venture partners determine the timing and magnitude of AWAC dividends and capital returns, subject to the relevant provisions of the AWAC Agreements. Alumina cannot unilaterally determine AWAC's dividend policy or the quantum or timing of dividends to be paid by AWAC. AWAC must distribute by way of dividends, in each financial year, at least 30% of the net income of the prior year of the entities comprising AWAC, unless the Strategic Council agrees by an 80% majority vote to pay a smaller dividend.

During 2006, the AWAC joint venture partners entered into the Enterprise Funding Agreement, under which capital expenditure during its five year term is to be funded by the joint venture partners contributing directly to cash calls issued by the relevant AWAC entity. When such cash calls are issued, additional dividends equal to the amount of the cash call will, subject generally to availability of cash and earnings, be paid by AWAC entities to the joint venture partners. The Enterprise Funding Agreement is expected to substantially reduce the risk, during the term of the agreement, of only the minimum 30% dividend being paid during times of AWAC growth capital expenditure.

5.8 CHANGES TO SALES AGREEMENTS COULD ADVERSELY AFFECT ALUMINA'S RESULTS

AWAC's revenue from existing sales agreements depends on a variety of factors, such as price adjustments and other contract provisions. The modification or termination of a substantial portion of AWAC's sales volume could adversely affect its results and financial performance, to the extent that AWAC is unable to renew contracts or find alternate buyers for production at the same level of profitability.

5.9 AWAC IS EXPOSED TO REGULATORY AND COURT ACTION, EACH OF WHICH COULD ADVERSELY AFFECT ALUMINA'S RESULTS

Governments extensively regulate AWAC's mining and processing operations. National, state and local authorities in Australia and other countries in which AWAC operates regulate the mining industry with respect to matters such as employee health and safety, permitting and licensing requirements and environmental compliance, plant and wildlife protection, reclamation and restoration of mining properties after mining is completed, and the effects that mining has on groundwater quality and availability. Numerous governmental permits and approvals and leases are required for AWAC's mining and processing operations. AWAC is required to prepare and present to national, state or local authorities data pertaining to the effect or impact that any proposed exploration or production activities may have upon the environment. The costs, liabilities and requirements associated with these regulations may be costly and time-consuming and may delay commencement or continuation of exploration, expansion or production operations. Failure to comply with the laws regulating AWAC's businesses may result in sanctions such as fines or orders requiring positive action by AWAC which may involve capital expenditure or the removal of licences and/or the curtailment of operations. This relates particularly to environmental regulations.

AWAC has obligations under various laws, licences and permits for the rehabilitation (including remediation and/or restoration) of land used in bauxite mining, alumina refining, aluminium smelting and related activities. AWAC recognises these obligations and provides for Asset Retirement Obligations under generally accepted accounting principles, standards and practices (GAAP) in the US. Alumina recognises and provides for additional amounts for certain AWAC Asset Retirement Obligations as required by AIFRS.

The possibility exists that new legislation or regulations may be adopted which may materially adversely affect AWAC's mining and processing operations or AWAC's cost structure. New legislation or regulations or more stringent interpretations or enforcement of existing laws and regulations may also require AWAC's customers to change operations or incur increased costs. These factors and legislation, if enacted, could have a material adverse effect on AWAC's, and hence Alumina's, financial condition and results of operations.

On 27 February 2008, Alcoa Inc. received notice that Aluminium Bahrain B.S.C. had filed suit against Alcoa Inc., Alcoa World Alumina LLC and others. Further details are provided in Section 3.6.4.

5.10 UNCERTAINTY OF DEVELOPMENT PROJECTS AND PRODUCTION PERFORMANCE COULD ADVERSELY AFFECT AWAC'S ABILITY TO SUSTAIN PRODUCTION AND PROFITABILITY LEVELS

AWAC's ability to sustain or increase its current level of production, and therefore its (and hence Alumina's) potential revenues and profits, in the medium to long-term is partly dependent on efficient operation of its facilities, the development of new projects and on the expansion of existing operations. No assurance can be given that the planned development and expansion projects will result in the anticipated construction cost being achieved, the entire anticipated additional production or that operation of existing facilities will be at desired rates of production. The economics of any project are based upon, among other factors, estimates of reserves, recovery rates, production rates, capital and operating costs and future commodity prices and exchange rates.

5.11 ALUMINA IS LIABLE FOR FURTHER CAPITAL CALLS UNDER THE AWAC AGREEMENTS

AWAC may make annual capital calls of Alumina and Alcoa Inc. of up to US\$1 billion in aggregate following approval by a majority vote of AWAC's Strategic Council, and of more than US\$1 billion in aggregate following approval by a super majority vote of the Strategic Council. Please refer to Section 3.4.3 for further details in respect of the operation of the Strategic Council.

Alumina is required to fund its share of the calls, subject to the provisions of the AWAC Agreements. If Alumina is unable or unwilling to obtain equity or debt funding or has insufficient retained earnings (ie cash) to fund its share of capital requirements up to US\$1 billion, it may ultimately run the risk of its equity interest in AWAC being diluted. Accordingly, there is a risk that Alumina will be unable to fund a capital call made by AWAC in the future, and that its interest in AWAC could be diluted. To the extent the aggregate annual capital calls that are approved are in excess of US\$1 billion and Alumina is unable or unwilling to fund its share of such capital calls, Alumina's equity interest in AWAC is not diluted. However, Alcoa Inc. will be otherwise compensated in respect of its funding of such annual calls above US\$1 billion, possibly by means of a disproportionate allocation of returns associated with the excess contribution by Alcoa Inc.

The US\$1 billion threshold in respect of the funding of AWAC's capital requirements will be increased by the amount of relevant dividends paid in the relevant year with respect to valid calls to the extent they are funded by equity contributions in accordance with the Enterprise Funding Agreement (see Section 3.4.7 for further details). The US\$1 billion threshold above which super majority approval is required is not subject to increase in this way.

In addition to capital calls to fund existing AWAC projects, Alcoa Inc. could sell assets to AWAC or cause AWAC to purchase assets. The purchase of these assets by AWAC may require a proportionate investment from Alumina.

5.12 UNAVAILABILITY OF BAUXITE MAY REDUCE AWAC'S PROFITABILITY

AWAC's production of alumina is dependent upon continuing availability of bauxite supply. AWAC obtains bauxite from bauxite resources to which it has access under mining leases and under short term and long term contracts. Other than in Suriname, AWAC's present sources of bauxite are sufficient to meet the forecasted requirements of its alumina refining operations for the foreseeable future.

With respect to the Paranam refinery in Suriname (55% AWAC interest), it is likely that the supply of bauxite from eastern Suriname will be exhausted during 2010. Alternative sources of bauxite are being evaluated in eastern and western Suriname. The development of new sources of bauxite within Suriname is likely to require significant capital expenditure by AWAC. It is not expected that such development would require significant capital expenditure in 2009.

5.13 CLIMATE CHANGE, CLIMATE CHANGE REGULATIONS AND GREENHOUSE EFFECTS MAY ADVERSELY IMPACT AWAC'S OPERATIONS AND MARKETS

Energy is a significant input in a number of AWAC's operations. There is a growing body of opinion that greenhouse gas emissions are a contributor to global warming and potentially climate change.

A number of governments or governmental bodies have introduced or are contemplating regulatory change in response to the potential impacts of climate change. There is also current and emerging regulation, such as potential carbon trading regimes, that will affect energy prices. These regulatory mechanisms may be either voluntary or legislated and may impact AWAC's operations directly or indirectly through customers. Assessments of the potential impact of future climate change regulation are uncertain, given the wide scope of potential regulatory change in countries in which AWAC operates.

In Australia, the Federal Government has announced its intention to establish a national emissions trading scheme with the aim of reducing greenhouse gas emissions. The Government has acknowledged that the design of any scheme must address the competitive challenges facing emission-intensive trade exposed industries in Australia. In July 2008, the Government issued a Green Paper outlining a proposed emissions trading scheme design and is seeking industry input into the final design parameters.

Under the Green Paper (to which Alumina will be responding in September 2008), the AWAC assets within Australia would be included within the Emissions-Intensive Trade-Exposed Industries. The Government proposes to provide assistance to those industries by providing free permits for a high proportion of emissions. The financial impact would depend upon the final system design. Data on the carbon dioxide emissions of Alumina are contained in its Sustainability Report (which can be viewed on the Alumina website (www.aluminalimited.com)).

5.14 POLITICAL RISKS EXIST IN SOME OF THE COUNTRIES IN WHICH AWAC OPERATES

AWAC operates in a number of countries, many of which have a higher political risk than Australia. Political activities in these countries may be destabilising and disruptive to AWAC's operations. The impact of any such disruption could range from a minor increase in operating costs or taxes to a material adverse impact, such as the closure of an operation.

5.15 CHINESE SELF-SUFFICIENCY MAY IMPACT FUTURE DEMAND AND SUPPLY BALANCES AND PRICES

The Chinese market has become a significant source of global demand for commodities. China's demand for aluminium has more than doubled in the last five years, and now represents more than 25% of total demand. In recent years, China has been able to expand alumina and aluminium production capacity to meet this growth in demand. In response to its increased demand for commodities, China is increasingly seeking self-sufficiency in key commodities, including through making investments in additional developments in other countries. These investments may impact future demand and supply balances and prices.

5.16 ALUMINA'S ABILITY TO RAISE FUNDS AND REFINANCE ITS DEBT IS SUBJECT TO EXTERNAL FACTORS

Details of Alumina's existing debt facilities are set out in Section 3.6.2. Its ability to refinance that debt on favourable terms as it becomes due or to repay the debt, its ability to raise further finance on favourable terms, and its borrowing costs, will depend upon market conditions and AWAC's operating performance.

Alumina is required to raise additional capital funding through the Entitlement Offer or an alternative form of fundraising to meet its future funding requirements.

Debt which is refinanced over the next several years may be at a higher interest margin than existing arrangements.

5.17 THE FUTURE TRADING PRICE OF SHARES IS SUBJECT TO UNCERTAINTY

Investors should be aware that there are risks associated with any investment listed on ASX. The value of Shares may rise above or fall below the Offer Price, depending on the financial condition and operating performance of Alumina or AWAC. Further, the price at which Shares trade on ASX may be affected by a number of factors unrelated to the financial and operating performance of Alumina or AWAC and over which Alumina and its Directors have no control. These external factors include:

- economic conditions in Australia and overseas;
- actual or anticipated variations in Alumina's or AWAC's periodic operating results;
- relative changes in foreign exchange rates;
- the impact of significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Alumina, AWAC or their competitors;
- local and international stock market conditions;
- changes in government regulations or in fiscal, monetary and regulatory policies (such as environmental and land management, regulation, taxation and interest rates);
- industrial disputes;
- geo-political conditions such as acts or threats of terrorism or military conflicts; and
- volatility of comparable companies' share prices, including Alcoa Inc.

There is no guarantee of profitability, dividends, return of capital, or the price at which the New Shares will trade on ASX. The past performance of the Shares is not necessarily an indication as to future performance as the trading price of shares can fluctuate.



SECTION 6

INVESTIGATING ACCOUNTANT'S
REPORT

The Board of Directors
Alumina Limited
Level 12, IBM Centre
60 City Road
SOUTHBANK VIC 3006

PricewaterhouseCoopers
Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of Australian Financial
Services Licence No 244572

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website: www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

1 September 2008

Subject: Investigating Accountant's Report on Historical Financial Information

Dear Directors

We have prepared this report on certain historical financial information of Alumina Limited ("Alumina") for inclusion in a Prospectus dated on or about 1 September 2008 relating to an accelerated renounceable entitlement offer of ordinary shares by Alumina ("the Offer").

Expressions defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian Financial Services licence under the Corporations Act 2001 (Cwlth). PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services licence.

Historical financial information

You have requested PricewaterhouseCoopers Securities Ltd to prepare a report on our review of the following information, as set out in Section 4 of the Prospectus:

- (a) the historical balance sheet of Alumina as at 30 June 2008; and
 - (b) the pro forma historical balance sheet of Alumina as at 30 June 2008, reflecting the impact of the Offer proceeds, and any other proforma adjustments,
- (collectively, the "Historical Financial Information").

This report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report or on the Historical Financial Information to which it relates for any purposes other than that for which it was prepared.

Scope of review of Historical Financial Information

The Historical Financial Information set out in Section 4 of the Prospectus has been extracted from the financial statements of Alumina for the six months ended 30 June 2008, which were reviewed by PricewaterhouseCoopers that issued an unmodified review opinion on the financial statements. The Historical Financial Information incorporates such adjustments as the Directors considered necessary to reflect the impact of the Offer proceeds and any other pro forma adjustments. The Directors are responsible for the preparation of the Historical Financial Information, including determination of the adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- a review of the extraction of the Historical Financial Information from the reviewed financial statements of Alumina for the six months ended 30 June 2008;
- analytical procedures on the pro forma balance sheet as at 30 June 2008;
- a review of Alumina's work papers, accounting records and other documents;
- a review of the adjustments made to the Historical Financial Information;
- a review of the assumptions used to compile the pro forma balance sheet;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Alumina disclosed in Section 4 of the Prospectus; and
- enquiry of directors, management and others in relation to the Historical Financial Information.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro forma balance sheet, as set out in Section 4 of the Prospectus, has not been properly prepared to reflect the impact of the Offer proceeds and any other pro forma adjustments; and
- the Historical Financial Information, as set out in Section 4 of the Prospectus, does not present fairly:
 - (a) the historical balance sheet of Alumina as at 30 June 2008; and
 - (b) the pro forma balance sheet as at 30 June 2008 reflecting the impact of the Offer proceeds and any other proforma adjustments,

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Alumina as disclosed in Section 4 of the Prospectus.

Subsequent events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief, no material transactions or events outside of the ordinary business of Alumina have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. PricewaterhouseCoopers is the auditor of Alumina.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in this report.

Yours faithfully



Jock O'Callaghan
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

PRICEWATERHOUSECOOPERS SECURITIES LTD
FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 1 September 2008

1. **About us**

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Alumina Limited ("Alumina") to provide a report in the form of an Independent Accountant's Report ("IAR") in relation to the Proforma Balance Sheet for inclusion in the Prospectus.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. **This Financial Services Guide**

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. **Financial services we are licensed to provide**

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. **General financial product advice**

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. **Fees, commissions and other benefits we may receive**

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. Our fees are outlined in other sections of the disclosures where fees have been disclosed

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. **Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of Alumina.

7. **Complaints**

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Service ("**FICS**"), an external complaints resolution service. You will not be charged for using the FICS service.

8. **Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

Jock O'Callaghan
Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77



SECTION 7

TAXATION IMPLICATIONS

7.1 INTRODUCTION

The following is a summary of the Australian and New Zealand taxation implications for Eligible Retail Shareholders from participating (including by doing nothing) in the Retail Entitlement Offer. The Australian taxation implications for Eligible Retail Shareholders are outlined in Section 7.2, while the New Zealand taxation implications are outlined in Section 7.3.

The summary reflects relevant Australian and New Zealand tax law as at the date of this Prospectus. It is intended as a general guide only and is not an authoritative or complete statement of all potential tax implications for each Eligible Retail Shareholder. Taxation is a complex area of law and the taxation consequences for each Eligible Retail Shareholder may differ depending upon their particular circumstances. Accordingly, each Eligible Retail Shareholder should consult their own tax adviser as to the taxation implications of the Retail Entitlement Offer.

This Prospectus does not contain a discussion of the possible taxation implications of the Retail Entitlement Offer for Eligible Retail Shareholders who are tax residents of any country other than Australia or New Zealand under the laws of those other countries.

7.2 AUSTRALIAN TAXATION IMPLICATIONS

Set out below is a summary of the Australian tax implications of the Retail Entitlement Offer for Eligible Retail Shareholders who hold their Shares as capital assets. The summary below does not necessarily apply to Eligible Retail Shareholders who hold their Shares as assets used in carrying on a business, who may carry on the business of share trading, banking or investment or who do not otherwise hold their Shares as capital assets. The summary below also does not take account of any individual circumstances of any particular Eligible Retail Shareholder. Eligible Retail Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

The summary below is based on the Australian tax law in effect as at the date of this Prospectus, but also describes the likely effect of future amendments contained in *Tax Laws Amendment (2008 Measures No 3) Bill 2008* (the **Amendment Bill**), which is currently before the Economics Committee of the Australian Senate and is not, as yet, law.

7.2.1 GRANTING OF ENTITLEMENTS

The Commissioner of Taxation is understood to have adopted the position, on the basis of the decision of the High Court in *Commissioner of Taxation v McNeil*, that where a company issues to its shareholders rights to subscribe for new shares at a discount, and where those rights are renounceable and tradeable by the shareholders, the value of the rights is included in the assessable income of the shareholders when the rights are granted, whether or not the rights are exercised. Despite this, the value of those rights would not be included in the cost base of new shares acquired by the shareholders who exercise the rights, due to specific statutory provisions dealing with the capital gains tax treatment of rights.

Under the Retail Entitlement Offer, the Entitlement of Eligible Retail Shareholders to subscribe for New Shares is not tradeable and may not be assigned. However, to the extent that Eligible Retail Shareholders do not exercise that Entitlement, they may receive a payment, if the Clearing Price under the Retail Bookbuild exceeds the Offer Price. It is therefore arguable, under current law, and based on the position understood to be taken by the Commissioner that the value of the Entitlements will not be included in the assessable income of Eligible Retail Shareholders when the Entitlements are granted.

The Amendment Bill, which was introduced in the House of Representatives on 29 May 2008, proposes to amend the *Income Tax Assessment Act 1997* (Cth) to overcome the effect of the decision in *Commissioner of Taxation v McNeil*. Under the proposed amendments, no amount will be included in the assessable income of a shareholder as a result of the issue by a company to the shareholder of a right to acquire additional shares in that company, provided the original shares are capital assets of the shareholder (eg they are not trading stock), are not employee share scheme shares and are not convertible to some other security. The amendments proposed should restore the original tax treatment of call options used by companies to raise capital from their shareholders to that which existed before the decision in *Commissioner of Taxation v McNeil*. The amendments are proposed to apply retrospectively to rights issued on or after 1 July 2001. These amendments, if enacted in their current form, should not result in the value of the rights granted under the Retail Entitlement Offer being included in the assessable income of Eligible Retail Shareholders at the time the rights are granted (subject to the proviso above in relation to the original Shares). Alumina, however, cannot provide any assurance that the Amendment Bill will be enacted in its current form.

7.2.2 TAKING UP ENTITLEMENTS

Eligible Retail Shareholders who take up all or part of their Entitlements and subscribe for New Shares will acquire those Shares with a cost base for capital gains tax purposes equal to the Offer Price payable by them for those Shares plus any non-deductible incidental costs they incur in acquiring those Shares. The New Shares will be taken as having been acquired on the day on which the Entitlements are taken up (ie exercised).

7.2.3 LAPSING OF ENTITLEMENTS

If the Clearing Price under the Retail Bookbuild exceeds the Offer Price, an amount equal to that excess (ie the Retail Premium) will be paid to Eligible Retail Shareholders who did not take up their Entitlements in full (according to the number of New Shares they were entitled to take up but did not). Under current law, the Retail Premium received by an Eligible Retail Shareholder would be subject to income tax, possibly as a capital gain.

If the proposed amendments referred to in Section 7.2.1 are enacted in their current form, the better view is that they have the effect of treating the Retail Premium as a capital gain instead of as ordinary income. If the amount were a capital gain, Eligible Retail Shareholders who have capital losses could offset them against the capital gain (capital losses may not be offset against ordinary income). In addition, in those circumstances, Eligible Retail Shareholders who are individuals, complying superannuation entities or trusts may qualify for discount capital gain treatment if they acquired their Existing Shares at least 12 months before the Closing Date of the Retail Entitlement Offer.

If discount capital gain treatment applies, the amount of the capital gain remaining after the application of any capital losses is discounted by 50% in the case of an individual or a trust, other than a trust that is a complying superannuation entity, or by one-third if the gain is made by a complying superannuation entity. Eligible Retail Shareholders who are the trustees of trusts should seek advice applicable to their own particular circumstances in relation to the effect of this treatment on beneficiaries who may be entitled to amounts comprising this gain.

A capital gain made in respect of the Retail Premium by an Eligible Retail Shareholder who is solely a foreign resident for Australian income tax purposes, might be taxable in Australia if the Entitlement is used by the Eligible Retail Shareholder in carrying on business through a permanent establishment in Australia.

7.2.4 NEW SHARES

Eligible Retail Shareholders who take up all or part of their Entitlements will acquire New Shares. Any future dividends or other distributions made in respect of those New Shares will be subject to the same taxation treatment as dividends or other distributions made on Existing Shares held in the same circumstances.

On any future disposal of New Shares, Eligible Retail Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares. The cost base of those Shares is described in Section 7.2.2.

New Shares will be treated for the purposes of the capital gains tax (CGT) discount as having been acquired when the Eligible Retail Shareholder exercised the Entitlement to subscribe for them. Accordingly, in order to benefit from the CGT discount in respect of a disposal of those Shares, they must have been held for at least 12 months after the date of exercise before the disposal occurs.

A capital gain or loss made by an Eligible Retail Shareholder who is solely a foreign resident for Australian income tax purposes, on a disposal of the New Shares might be taxable if:

- (a) the New Shares have been held by the Eligible Retail Shareholder in carrying on a business through a permanent establishment in Australia; or
- (b) the Eligible Retail Shareholder and its associates (if any) held at the time of the disposal or throughout a 12 month period that began no earlier than 24 months before the date of disposal, at least 10% of the issued share capital in Alumina and at the time of disposal, Alumina's underlying value was principally derived (ie more than 50%) from Australian real property (including certain Australian mining tenements).

7.2.5 OTHER AUSTRALIAN TAXES

No Australian Goods and Services Tax (GST) or stamp duty is payable in respect of the grant of the Entitlements or the acquisition of New Shares, nor is any Australian stamp duty payable in respect of the receipt of any payment as a result of not taking up all of an Entitlement. Whether any Australian GST is payable in respect of the receipt of any payment as a result of not taking up all of an Entitlement may depend upon the Australian GST registration status and residency status of the Eligible Retail Shareholder.

7.3 NEW ZEALAND TAXATION IMPLICATIONS

Set out below is a summary of the New Zealand tax implications of the Retail Entitlement Offer for Eligible Retail Shareholders who hold their Shares on capital account. New Zealand does not have a capital gains tax but does tax profits and gains where the property disposed of is held on revenue account, including where shares are acquired with the purpose of sale or as part of a business of dealing in shares. The summary below does not apply to Eligible Retail Shareholders who hold their Shares on revenue account. The summary below also does not take account of any individual circumstances of any particular Eligible Retail Shareholder. Eligible Retail Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

The summary below is based on the New Zealand tax law in effect as at the date of this Prospectus.

7.3.1 GRANTING OF ENTITLEMENTS

The grant of the entitlement of Eligible Retail Shareholders to subscribe for New Shares should not constitute a dividend for New Zealand income tax purposes and should not result in any New Zealand income tax liability for Eligible Retail Shareholders.

The grant of the entitlement of Eligible Retail Shareholders to subscribe for New Shares can be expected to be characterised as flowing from the capital rights of the Existing Shares and the grant should therefore be on capital account and not taxable. This position is supported in that the failure to exercise the rights will result in a dilution of the relevant shareholding.

Following the decision of the High Court of Australia in *Federal Commissioner of Taxation v McNeil*, as discussed in Section 7.2.1, there is a risk that the receipt of the Entitlement to subscribe for New Shares will be taxable income in New Zealand under ordinary principles. However it is arguable that this case can be distinguished from the grant of Entitlements to Eligible Retail Shareholders on the basis that the Entitlements are not tradeable and cannot be assigned. Although decisions of the Australian High Court are not binding, they can be influential on their New Zealand counterparts.

To date there have been no announcements by the New Zealand government, the New Zealand Courts or the New Zealand Inland Revenue Department that would confirm the *McNeil* approach as applicable in New Zealand.

7.3.2 TAKING UP ENTITLEMENTS

Eligible Retail Shareholders may take up their Entitlements by exercising their right to acquire the New Shares at the Offer Price. No New Zealand tax liability should arise for the Eligible Retail Shareholders as a result of taking up any Entitlements under the Retail Entitlement Offer.

7.3.3 LAPSING OF ENTITLEMENTS

If the Clearing Price under the Retail Bookbuild exceeds the Offer Price, an amount equal to that excess (ie the Retail Premium) will be paid to Eligible Retail Shareholders who did not take up their Entitlements in full (according to the number of New Shares they were entitled to take up but did not). Under current law, and on the basis that Alumina has no right to the benefit of any or all of the Retail Premium, any Retail Premium received by an Eligible Retail Shareholder should not be subject to income tax on the basis that the Entitlement flows from a capital account holding and as such the receipt should also be on capital account.

7.3.4 APPLICATION OF THE FOREIGN INVESTMENT FUND RULES

Shares held in Australian resident companies listed on ASX which are included in the 'All Ordinaries' index and which maintain a franking account are not attributing interests in a Foreign Investment Fund for New Zealand tax purposes.

7.3.5 PAYMENT OF DIVIDENDS

Dividends payable to New Zealand resident individuals will be taxable in their hands, with any withholding tax deducted being available as a credit against this tax liability. However, no credit will be allowed for any Australian franking credits attached.

Dividends payable to New Zealand resident companies will incur a Foreign Dividend Withholding Payment liability at the prevailing company tax rate. The rate is 33% for the 2008 income tax year and 30% for the 2009 income tax year. Any withholding tax deducted will be available as a credit against this liability. In addition, if the New Zealand resident company has a 'sufficient interest' in Alumina, a credit for underlying Australian tax may be available.

7.3.6 DISPOSAL OF NEW SHARES

Any gain on the disposal of the New Shares obtained after taking up Entitlements should not be taxable to Eligible Retail Shareholders where they have been acquired and held on capital account.

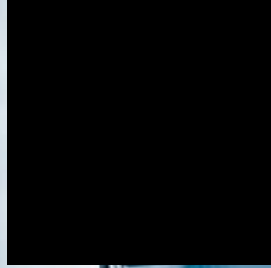
7.3.7 OTHER NEW ZEALAND TAXES

No New Zealand GST will be payable in respect of the grant of Entitlements or the acquisition of New Shares. Whether any New Zealand GST is payable in respect of the receipt of any payment as a result of not taking up all of an Entitlement may depend upon the New Zealand GST registration status and residency status of the relevant Eligible Retail Shareholder. Any sale of the New Shares to a non-resident may be capable of being zero-rated as an exported service. Eligible Retail Shareholders should seek separate professional advice on this point as appropriate.



SECTION 8

ADDITIONAL INFORMATION



8.1 NATURE OF THIS PROSPECTUS

This Prospectus is a prospectus to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to offers of securities in a class which has been continuously quoted by ASX for the three months prior to the date of the prospectus.

8.2 REPORTING AND DISCLOSURE OBLIGATIONS

Alumina is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require ASX to be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the financial market operated by ASX.

In particular, Alumina has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning Alumina, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of Alumina's securities. Alumina is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report, and an audit or review report.

8.3 AVAILABILITY OF OTHER DOCUMENTS

ASX maintains detailed records of company announcements for all companies listed on ASX. Alumina's file is available for inspection at ASX in Melbourne, and Alumina's announcements may be viewed on the ASX website (www.asx.com.au).

ASIC also maintains records in respect of documents lodged with it by Alumina, and these may be obtained from or inspected at any office of ASIC.

Alumina will provide a copy of any of the following documents, free of charge, to any person who requests a copy during the Offer Period:

- the annual financial report lodged with ASIC by Alumina for the year ended 31 December 2007;
- the half year financial report lodged with ASIC by Alumina for the half year ended 30 June 2008; and
- any other document used to notify ASX of information relating to Alumina under the continuous disclosure provisions of the ASX Listing Rules and the Corporations Act after the date of lodgement with ASIC of the annual financial report referred to above and before lodgement with ASIC of this Prospectus.

All requests for copies of the above documents should be addressed to:

The Company Secretary
Alumina Limited
Level 12, IBM Centre
60 City Road
Southbank VIC 3006
Australia

These documents are also available on the Alumina website (www.aluminalimited.com).

8.4 RIGHTS AND LIABILITIES ATTACHING TO SHARES

The New Shares to be issued under the Entitlement Offer (including the Retail Entitlement Offer) will be issued fully paid and will rank equally with Existing Shares, except that the New Shares will not participate in the interim dividend declared for the half year ended 30 June 2008, the record date for which is 23 September 2008. After that record date, the New Shares will rank equally in all respects with Existing Shares, including in relation to dividends.

The rights and liabilities attaching to the shares in Alumina (including the New Shares) are set out in the Constitution and the Corporations Act. This Section contains a summary of certain of those rights and liabilities as at the date of this Prospectus. This summary does not purport to be exhaustive nor to constitute a definitive statement of the rights and liabilities of Shareholders, which can involve complex questions of law arising from the interaction of the Constitution and statutory, common law and ASX

Listing Rules requirements. To obtain a definitive assessment of the rights and liabilities which attach to shares in Alumina (including the New Shares) in any specific circumstances, investors should seek their own advice.

- **Future issues:** Without prejudice to any special rights previously conferred on the holders of any shares, any share in the capital of Alumina may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividends, voting, return of share capital, payment of calls or otherwise, as the Board may from time to time determine and the rights attaching to shares of a class other than Shares will be expressed at the date of issue. All unissued shares will be under the control of the Board who may in their discretion grant calls or options, issue option certificates or allot or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and for or at such time as they think fit.
- **Alteration of share capital:** Alumina may, by resolution passed in general meeting, alter its share capital in any manner provided by the Corporations Act, including reducing its share capital.
- **General meetings:** Alumina may, by resolution of the Board, call a general meeting, to be convened at the time and place(s) and in the manner determined by the Board. A shareholder may only convene a general meeting if that shareholder is entitled to do so under law. Subject to law and the ASX Listing Rules, where Alumina has called a general meeting, notice of the meeting may be given by the Board in the form and manner as the Board thinks fit.

Three shareholders present at a general meeting constitute a quorum for that meeting. No business may be transacted at any meeting (except the election of a Chairman and adjournment of the meeting) unless a quorum is present.

Each shareholder is entitled to receive notice of general meetings of Alumina and to receive all notices, financial statements and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

- **Voting:** At a general meeting, subject to a number of specified exceptions, on a show of hands each shareholder present in person or by corporate representative, attorney or proxy has one vote. On a poll, each shareholder present in person or by corporate, attorney or proxy will in respect of each share held by them:
 - have one vote for each fully paid share; and
 - have a vote in respect of each partly paid share equivalent to the proportion which the amount paid up bears to the total issue price of the share at the date the poll is taken.
 - **Dividends:** The Board may from time to time declare a dividend to be paid to shareholders. Subject to the rights of, or restrictions imposed upon, the holders of shares in respect to the payment of dividends, dividends will be payable on all shares in proportion to the amount of capital credited as paid up in respect of those shares, provided however that no amount paid on a share in advance of calls or the due date for the payment of any instalment will be treated as paid on that share. In the case of Shares, dividends per Share are generally payable to Shareholders equally (except that in the case of the New Shares, they will not participate in the interim dividend for the half year ended 30 June 2008, the record date for which is 23 September 2008). No dividend will be payable except out of profits and no dividend will carry interest as against Alumina.
 - **Transfer of shares:** Shares, when listed on ASX, are transferable by:
 - a written transfer in the usual or common form or in any form the Board may prescribe or in a particular case accept, duly stamped (if necessary), being delivered to Alumina;
 - a proper instrument of transfer, which is to be in the form required or permitted by the Corporations Act or the ASTC Settlement Rules; or
 - any other electronic system established or recognised by the ASX Listing Rules in which Alumina participates in accordance with the rules of that system.
- The Board may, subject to the requirements of the Corporations Act and the ASX Listing Rules, refuse to register any transfer of shares in the following circumstances:
- if the registration would infringe any applicable laws or the ASX Listing Rules;
 - if the transfer concerned shares over which Alumina has a lien; or

- if permitted to do so under the ASX Listing Rules.
- **Variation of class rights:** All or any of the rights and privileges attached to any class of shares may be varied or abrogated, and any repayment of capital in respect of any class of shares may be effected:
 - by special resolution approving the proposed variation, abrogation or repayment passed at a special meeting of the holders of shares of that class; or
 - if a quorum is not present at the special meeting or if the resolution is not passed by the necessary majority, by consent in writing signed by the holders of at least three-fourths of the issued shares of that class within two calendar months from the date of such special meeting.

The quorum for a special meeting is three holders of the relevant class of shares.

No approval or consent will be required in respect of the redemption of any redeemable shares in accordance with the terms of their issue.

- **Winding up:** If Alumina is wound up, whether voluntarily or otherwise, with the sanction of a special resolution, the liquidator may divide among the contributories in specie or in kind, any part of the assets of Alumina, and may vest any part of the assets of Alumina in trustees upon such trusts for the benefit of the contributories or any of them as the liquidator thinks fit.
- **Foreign persons:** The Board may refuse to allot any share, or subject to the Corporations Act, the ASX Listing Rules and the ASTC Settlement Rules, to register any transfer or transmission of a share, to any person if the allotment, transfer or transmission results in a foreign person, alone or together with any associate or associates, acquiring a substantial interest in Alumina (15% or more of the voting power) or if it results in two or more foreign persons, together with any associate or associates of any of them, acquiring an aggregate substantial interest in Alumina (40% or more of the voting power). The definition of ‘foreign persons’, and the percentages that constitute a substantial interest or aggregate substantial interest, are as provided by the *Foreign Acquisitions and Takeovers Act 1975* (Cth) and may change over time.
- **Share buybacks:** Alumina may buy back shares in itself (including Shares) to the extent and in the manner permitted by the Corporations Act.
- **Number of Directors:** The Constitution provides that the Board may determine the number of Directors, subject to the number of Directors not being less than three nor more than 12. The Board currently comprises four non-executive Directors and one executive Director (the Chief Executive Officer) (as well as another executive, the Chief Financial Officer, as an alternate Director). The Board may not reduce the number below the actual number of Directors in office at the time of the reduction. All Directors are to be natural persons and the majority must reside within Australia.
 In addition, the shareholders may resolve in general meeting to increase or reduce the number of persons who may appoint Directors, but the minimum will not be reduced below three.
- **Amending the Constitution:** The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the members of the company (ie passed by at least 75% of the votes cast by members entitled to vote on the resolution).
 The Constitution does not provide for any further requirements to be complied with to effect a modification of, or to repeal, the Constitution.
- **Approval of proportional takeover bids:** The Constitution contains a rule which provides that a transfer giving effect to a takeover contract under a proportional takeover bid is prohibited unless the bid is approved by a resolution of shareholders (excluding the bidder and its associates), with more than 50% of the total votes cast being cast in favour of the resolution. This rule ceases to have effect on 1 May 2011 or the third anniversary of the date of its last renewal.

A copy of the Constitution can be viewed on the Alumina website (www.aluminalimited.com), or alternatively at Alumina’s registered office at Level 12, IBM Centre, 60 City Road, Southbank, Victoria 3006, Australia, telephone +61 3 8699 2600.

8.5 UNDERWRITING AGREEMENT

Alumina and the Joint Lead Managers have entered into the Underwriting Agreement, pursuant to which the Joint Lead Managers have agreed to manage and underwrite the Entitlement Offer (in equal shares). The Joint Lead Managers may at their cost appoint certain sub-underwriters to sub-underwrite the Entitlement Offer, in consultation with Alumina.

This Section contains a summary of the fee, indemnity and termination provisions of the Underwriting Agreement.

8.5.1 FEES AND EXPENSES

The Joint Lead Managers will receive the following fees under the Underwriting Agreement:

- an underwriting fee in equal shares of 1.8% of the gross proceeds of the Entitlement Offer; and
- a management and arranging fee in equal shares of 0.6% of the gross proceeds of the Entitlement Offer.

Alumina must also pay or reimburse each Joint Lead Manager their reasonable expenses incurred, including legal costs and out of pocket expenses incurred in relation to the Entitlement Offer.

8.5.2 INDEMNITY

Alumina agrees to indemnify and keep indemnified each Joint Lead Manager, their affiliates and related bodies corporate, and each of their directors, officers, employees, partners, agents and advisors (**Indemnified Parties**) from and against all losses directly or indirectly suffered or incurred by, or claims made against, an Indemnified Party arising out of or in connection with the Entitlement Offer, this Prospectus (and certain other documents associated with the Entitlement Offer) (the **Offer Documents**) and the appointment of the Joint Lead Managers pursuant to the Underwriting Agreement.

The indemnity does not extend to and is not deemed to be an indemnity against losses suffered by, or claims made against, an Indemnified Party to the extent that those losses or claims are finally judicially determined to have resulted from:

- any penalty or fine which that Indemnified Party is required to pay for any contravention by it of the Corporations Act;
- any amount in respect of which this indemnity would be illegal, void or unenforceable under any applicable law; or
- the gross negligence, fraud, wilful misconduct or recklessness of that Indemnified Party or any director, officer, employee or partner of that Indemnified Party (other than to the extent caused, induced or contributed to by the acts or omissions of Alumina or its officers or employees, or caused by an Indemnified Party's reliance on information contained in the Offer Documents or other information provided by or on behalf of Alumina or its officers or employees).

8.5.3 TERMINATION EVENTS

Each Joint Lead Manager may terminate its obligations under the Underwriting Agreement (which have not been performed) if any of a number of specified events occurs on or before 10.00am on the date of settlement of the Retail Entitlement Offer and Retail Bookbuild (the **Retail Settlement Date**). These specified events are:

- (a) **(ASIC action)** ASIC makes or applies for certain orders, commences certain proceedings or investigates certain matters in relation to the Entitlement Offer, this Prospectus or other Offer Documents.
- (b) **(Supplementary Prospectus)** Alumina:
 - (i) in the reasonable opinion of the Joint Lead Managers, is required to lodge a supplementary or replacement prospectus to this Prospectus (**Supplementary Prospectus**) with ASIC under the Corporations Act; or
 - (ii) lodges a Supplementary Prospectus without the prior written approval of a Joint Lead Manager (such consent not to be unreasonably withheld or delayed).

- (c) **(ASX approval)** Unconditional approval (or conditional approval, provided such condition would not, in the reasonable opinion of the Joint Lead Managers, have a material adverse effect on the success or settlement of the Entitlement Offer) by ASX for official quotation of the New Shares is refused, or is not granted by the time required for trading of those New Shares, or ASX makes an official statement to any person or indicates to Alumina or the Joint Lead Managers that official quotation of the New Shares will not be granted.
- (d) **(Lodgement)** Alumina fails to lodge this Prospectus with ASIC on or before 1 September 2008 (or such later date approved in writing by the Joint Lead Managers).
- (e) **(Consent)** Any accounting or legal adviser to Alumina, or any other person (other than a Joint Lead Manager) whose consent is required by section 716 of the Corporations Act, refuses to give its consent or, having previously consented to the issue of this Prospectus, withdraws such consent.
- (f) **(Certificate)** A certificate which is required to be furnished by Alumina under the Underwriting Agreement is not furnished when required.
- (g) **(Timetable)** Any event specified in the timetable for the Entitlement Offer in the Underwriting Agreement is delayed for more than two business days without the prior written approval of the Joint Lead Managers.
- (h) **(Offer Documents)** Any Offer Document omits any material required by the Corporations Act or any other applicable law, contains a statement which is or becomes misleading or deceptive or is likely to mislead or deceive or otherwise fails to comply with the Corporations Act or any other applicable law, or the issue or distribution of the Offer Documents is misleading or deceptive or likely to mislead or deceive.
- (i) **(Section 730 notice)** Any person gives a notice under section 730 of the Corporations Act in relation to this Prospectus.
- (j) **(Listing)** Alumina ceases to be admitted to the official list of ASX or the Shares are suspended from trading on, or cease to be quoted on, ASX (which, for the avoidance of doubt, does not include the trading halts requested by Alumina for the purposes of conducting the Institutional Entitlement Offer and Institutional Bookbuild or a trading halt or voluntary suspension otherwise implemented with the consent of a Joint Lead Manager to facilitate the Entitlement Offer).
- (k) **(Director)** A Director:
 - (i) is charged with an indictable offence relating to any financial or corporate matter, or fraudulent or misleading or deceptive conduct, or any regulatory body or government agency commences any public action against the Director in his capacity as a Director or announces that it intends to take any such action; or
 - (ii) is disqualified from managing a corporation under section 206B, 206C, 206D, 206E, 206EA, 206F or 206G(5) of the Corporations Act.
- (l) **(Withdrawal)** Alumina withdraws, or indicates that it does not want to proceed with, this Prospectus or all or any part of the Entitlement Offer.
- (m) **(ASX waiver and ASIC modifications)** ASX withdraws, revokes, qualifies or amends the ASX Listing Rule waivers obtained by Alumina, or ASIC withdraws, revokes or amends any declarations or modifications it makes or grants which are required, in either case to enable the making of the Entitlement Offer.
- (n) **(Insolvency)** An insolvency event occurs in relation to Alumina or a material subsidiary or a material AWAC entity or there is an act or omission which may result in an insolvency event occurring in relation to Alumina or a material subsidiary or a material AWAC entity.
- (o) **(New circumstance)** In the reasonable opinion of a Joint Lead Manager, an event occurs within the meaning of section 719(1)(c) of the Corporations Act which would (assuming this Prospectus were lodged with ASIC on 25 August 2008) require lodgement of a supplementary prospectus with ASIC.
- (p) **(Trading halts)** The trading halts requested by Alumina for the purpose of conducting the Institutional Entitlement Offer and Institutional Bookbuild end (assessed on a cumulative basis) before four trading days following the opening of the Institutional Entitlement Offer.

- (q) **(Changes)** The contents of this Prospectus differ materially from the contents of the draft Prospectus prepared by Alumina in relation to the Institutional Entitlement Offer and the Institutional Bookbuild, other than to take account of the completion and results of the Institutional Entitlement Offer and Institutional Bookbuild.
- (r) **(Illegality)** There is an event or occurrence, including any law or regulation, which makes it illegal for the relevant Joint Lead Manager to satisfy its obligations under the Underwriting Agreement, or to market, promote or settle the Entitlement Offer in accordance with the Underwriting Agreement.
- (s) **(Disruption in financial markets)** Any of the following occurs:
 - (i) a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
 - (ii) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect; or
 - (iii) the occurrence of any other adverse change or disruption to financial, political or economic conditions, currency exchange rates or controls or financial markets in Australia, a member of the European Union, the United States of America or the United Kingdom or elsewhere or any change or development involving a prospective adverse change in any of those conditions or markets.
- (t) **(Representations and warranties)** A representation or warranty made or given, or deemed to have been made or given, by Alumina under the Underwriting Agreement is breached or proves to be, or has been, or becomes, untrue or incorrect.
- (u) **(Change in law)** There is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or prospective law or any new regulation is made under any law, or a government agency or the Reserve Bank of Australia adopts a policy, or there is any official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or a government agency that such a law or regulation will be introduced or policy adopted (as the case may be).
- (v) **(Breach)** Alumina fails to perform or observe any of its obligations under the Underwriting Agreement.
- (w) **(Hostilities)** Hostilities not existing at the date of the Underwriting Agreement commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, the United States of America, the United Kingdom, Japan, Russia, France, Germany, Brazil or the People's Republic of China, or a national emergency is declared by any of those countries, or a major terrorist act is perpetrated anywhere in the world.
- (x) **(Change in management)** There is a change in the Chairman, Chief Executive Officer or Chief Financial Officer of Alumina or a majority of the Board resigns.
- (y) **(Certificate)** A statement in a certificate furnished by Alumina under the Underwriting Agreement is untrue, incorrect or misleading or deceptive.
- (z) **(Prescribed occurrence)** Any of certain prescribed occurrences occurs to Alumina or any of its related bodies corporate (relating principally to share capital and solvency), of the type described in section 652C of the Corporations Act from 25 August 2008 until the issue of New Shares under the Retail Entitlement Offer and the Retail Bookbuild.
- (aa) **(Failure to comply)** Alumina fails to comply with the Constitution, the ASX Listing Rules, the Corporations Act, applicable laws, or a requirement, order or request of ASIC, ASX or any government agency.
- (bb) **(Adverse change)** There is an adverse change in the assets, liabilities, financial position or performance, shareholders' equity, profits, losses or prospects of Alumina or the Alumina Group.

No event in paragraphs (s) to (bb) entitles a Joint Lead Manager to exercise its rights to terminate any of its relevant obligations under the Underwriting Agreement unless, in the actual and reasonable opinion of that Joint Lead Manager, the event has, or is likely to have, a material adverse effect on the success or settlement of the Entitlement Offer, or leads, or is likely to lead, to a contravention by that Joint Lead Manager of, or to liability for that Joint Lead Manager under, any applicable law.

Further, if:

- the S&P/ASX 200 Index is, at the close of normal trading on ASX on any business day from and including 26 August 2008 until the Retail Settlement Date, at or lower than 90% of the level of that index as at the close of normal trading on ASX on 25 August 2008; or
 - the S&P/ASX 200 Resources Index is, at the close of normal trading on ASX on any business day from and including 26 August 2008 until the Retail Settlement Date, at or lower than 85% of the level of that index as at the close of normal trading on ASX on 25 August 2008,
- and the relevant index remains at or below the relevant level for at least two consecutive business days or until the end of the business day before the Retail Settlement Date, a Joint Lead Manager may terminate its obligations to underwrite the Retail Entitlement Offer.

8.6 INTERESTS OF DIRECTORS

8.6.1 INTERESTS

Except as set out in this Prospectus, no Director or proposed director of Alumina holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Alumina;
 - the Entitlement Offer; or
 - any property acquired or proposed to be acquired by Alumina, respectively, in connection with its formation or promotion or the Entitlement Offer,
- other than in their capacity as a Shareholder. Except as set out in this Prospectus, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or proposed director of Alumina:
- to induce that person to become, or qualify as, a Director; or
 - for services provided by that person in connection with the formation or promotion of Alumina or the Entitlement Offer.

8.6.2 HOLDINGS OF SHARES AND RIGHTS TO SHARES

As at the date of this Prospectus, the Directors held relevant interests in the securities of Alumina as follows.

DIRECTOR	RELEVANT INTERESTS IN SHARES OR RIGHTS TO SHARES
Donald Morley	431,731 Shares
John Bevan	17,249 Shares
Peter Hay	45,027 Shares
Ronald McNeilly	38,638 Shares
John Pizzey	15,657 Shares
Kenneth Dean (as an alternate Director)	17,735 Shares, 8,867 rights under Alumina's Short Term Incentive Equity Conversion Plan ¹ and 143,800 performance rights ²

¹ Refer to Section 8.7 in relation to Alumina's Short Term Incentive Equity Conversion Plan.

² Performance rights refers to the restricted beneficial ownership of Shares under Alumina's Long Term Incentive Plan.

Each Director will be entitled to participate in the Retail Entitlement Offer to the extent that the Director held Shares as at the Record Date. It is the current intention of each Director to participate in the Retail Entitlement Offer to the full extent of his Entitlement.

8.6.3 REMUNERATION

The Constitution contains several provisions as to remuneration of executive and non-executive Directors. As remuneration for services, each non-executive Director is to be paid an amount determined by the Board, subject to a maximum aggregate amount determined in general meeting. That aggregate maximum has been set at \$950,000 per annum.

Any Director who performs extra services or exercises any special professional skill for any purpose of Alumina will be paid extra remuneration as determined by the Board.

In addition, every Director is entitled to be paid all reasonable travel, accommodation and other expenses incurred by the Director in attending meetings of Alumina, of the Board or of any committees, or while engaged on the business of Alumina.

8.6.4 INDEMNITY AND INSURANCE

In accordance with the Constitution, Alumina has entered into a Director's Deed with each Director. Each Director's Deed provides that Alumina indemnifies the Director against any liability incurred by the Director in or arising out of either the conduct of the business of Alumina or any act or omission of the Director as a director of Alumina, save for legal costs incurred by the Director in or arising out of any proceedings initiated by that Director (a **Liability**). Alumina must indemnify the Director to the extent it is not precluded by law from doing so and to the extent the Director is not otherwise entitled to be, and is not, indemnified by another person or out of the assets of another corporation.

Alumina must maintain an insurance policy for the benefit of each Director which insures the Director against any **Liability** incurred by the Director to the extent appropriate for a reasonably prudent company.

For a period of seven years following the end of his directorship, a Director is entitled to have access to relevant records of Alumina in the event that proceedings are brought or threatened against him which could give rise to a claim under the indemnity.

8.7 ALUMINA SHORT TERM INCENTIVE EQUITY CONVERSION PLAN

Under Alumina's Short Term Incentive Equity Conversion Plan (**STIP**), eligible Alumina executives may be invited to apply part of their cash incentive in respect of a particular year to the purchase of Shares on-market (**Original Shares**). If they do so, then Alumina may be required to provide them additional Shares at a future time (**Matched Shares**), calculated by reference to the number of Original Shares.

Under the STIP, as a result of previous participation by him, Mr Dean is entitled to receive 4,870 Matched Shares on 27 February 2010 and 3,997 Matched Shares on 18 February 2011 if he remains employed by a member of the Alumina Group on those respective dates. In addition, he would be entitled to receive further Shares based on the value of the dividends he would have received in respect of those Matched Shares had they been acquired by him at the same time as the relevant Original Shares (together with the Matched Shares, **Additional Shares**). Alumina will acquire any Additional Shares on-market, rather than issuing new Shares.

In certain circumstances, the Board has the discretion (subject to the ASX Listing Rules) to adjust the number of Additional Shares it awards under the STIP as it considers appropriate. These circumstances include a rights issue, such as the Entitlement Offer. Accordingly, and subject to any proposed change being permitted by and in accordance with the ASX Listing Rules, the Board has decided to adjust the number of Additional Shares current participants in the STIP (including Mr Dean) may receive to take into account the issue of New Shares under the Entitlement Offer.

8.8 CONVERTIBLE BONDS

This Section summarises the effect of the Entitlement Offer on the rights of holders of Convertible Bonds. A description of the Convertible Bonds is set out in Section 3.6.3.

The number of Shares into which Convertible Bonds convert at any time is determined by dividing the principal amount of outstanding Convertible Bonds (translated into Australian dollars at the fixed rate of A\$1.00 = US\$0.9467) by the prevailing conversion price. At the date of issue of the Convertible Bonds (16 May 2008) the initial conversion price was A\$8.35.

As at 22 August 2008, the aggregate principal amount of Convertible Bonds outstanding was US\$350 million and the prevailing conversion price was A\$8.35. Accordingly, as at 22 August 2008, assuming that all the holders of Convertible Bonds exercised their conversion rights, the Convertible Bonds would be converted into 44,276,082 Shares (subject to rounding).

The Convertible Bonds Trust Deed dated 16 May 2008 between Alumina, Alumina Finance and The Bank of New York, London Branch (the **Bonds Trust Deed**) provides that an adjustment is to be made to the conversion price applicable to conversion of the Convertible Bonds in the event that certain events occur relating to the share capital position of Alumina. The Entitlement Offer constitutes such an event. Accordingly, the conversion price will be adjusted by multiplying it by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Shares on issue immediately before the announcement of the Entitlement Offer;

B is the number of Shares which the aggregate amount payable for all New Shares issued under the Entitlement Offer would purchase at the Current Market Price per Share;

C is the aggregate number of New Shares issued under the Entitlement Offer; and

Current Market Price is the average of the daily volume weighted average sale price (rounded to the nearest cent) of a Share sold on ASX for each of the 10 consecutive trading days ending on the last trading day preceding the date on which the Institutional Entitlement Offer opened.

The adjusted conversion price takes effect on the date on which this Prospectus was lodged with ASIC (being the first date on which the Shares trade ex-Entitlement Offer). Until completion of the Entitlement Offer and allocation of all New Shares, it will not be possible to calculate the final exact adjustment to the conversion price. However, on the assumption that approximately 303.4 million New Shares will be issued under the Entitlement Offer at the Offer Price, the conversion price applicable on conversion of the Convertible Bonds will be reduced to A\$7.76.

Accordingly, assuming that all the holders of Convertible Bonds on issue as at 22 August 2008 exercise all their conversion rights immediately after the adjustment to the conversion price referred to above becomes effective under the Bonds Trust Deed, the Convertible Bonds would be converted into approximately 47.6 million Shares. Note that this is an approximation which is based on the assumption that approximately 303.4 million New Shares will be issued under the Entitlement Offer at the Offer Price. The exact conversion price and the exact number of Shares which may be issued on the conversion of Convertible Bonds will be announced on ASX and SGX shortly after the completion of the Entitlement Offer.

8.9 INTERESTS OF EXPERTS AND ADVISERS

Except as set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
 - promoter of Alumina; or
 - broker or underwriter to the Entitlement Offer,
- (each a **relevant person**) holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
- the formation or promotion of Alumina;

- the Entitlement Offer; or
- any property acquired or proposed to be acquired by Alumina in connection with the formation or promotion of Alumina or the Entitlement Offer.

Except as set out in this Prospectus, no one has paid or agreed to pay any amount or given or agreed to give any benefit for services provided by a relevant person in connection with the formation or promotion of Alumina or the Entitlement Offer. The amounts below are exclusive of GST.

Goldman Sachs JBWere Pty Limited, Macquarie Capital Advisers Limited and UBS AG, Australia Branch are acting as Joint Lead Managers and Underwriters to the Entitlement Offer, in respect of which they will receive fees (see Section 8.5). Related bodies corporate of the Joint Lead Managers who hold Shares may be entitled to participate in the Entitlement Offer by virtue of their shareholdings.

PricewaterhouseCoopers has acted as auditors of Alumina, and PricewaterhouseCoopers Securities Limited has acted as Investigating Accountant, in connection with the Entitlement Offer. In aggregate, Alumina has paid or agreed to pay PricewaterhouseCoopers and PricewaterhouseCoopers Securities Limited approximately \$150,000 (excluding disbursements and GST) for these services to the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers in accordance with its normal time-based charges.

Allens Arthur Robinson has acted as Australian legal adviser to Alumina in connection with the Entitlement Offer. In aggregate, Alumina has paid or agreed to pay Allens Arthur Robinson approximately \$600,000 (excluding disbursements and GST) for these services to the date of this Prospectus. Further amounts may be paid to Allens Arthur Robinson in accordance with its normal time-based charges.

8.10 REGULATORY MATTERS

In connection with the Entitlement Offer, ASX has granted to Alumina waivers from ASX Listing Rules 7.1 and 10.11 to the extent necessary to:

- permit Alumina to make the Entitlement Offer in the manner described in this Prospectus without the requirement to obtain Shareholder approval; and
- permit related parties of Alumina to participate in the Entitlement Offer up to the extent of their Entitlements on the same terms as other Shareholders without the requirement to obtain Shareholder approval.

The ASX Listing Rule 7.1 waiver is subject to conditions. The effect of these conditions is to permit Alumina to:

- offer New Shares pro rata to Eligible Institutional Shareholders on or before the Record Date under the Institutional Entitlement Offer; and
- offer the New Shares relating to Entitlements not taken up by those Eligible Institutional Shareholders, and the New Shares relating to the Entitlements that Ineligible Institutional Shareholders would have received had they been Eligible Institutional Shareholders, to Institutional Investors via the Institutional Bookbuild, as long as:
 - Eligible Institutional Shareholders and Ineligible Institutional Shareholders who sell down their holding of Shares before the Record Date have their pro rata allocations reduced accordingly; and
 - New Shares are issued under the Institutional Entitlement Offer and the Retail Entitlement Offer at the same price and on the same 5 for 19 basis.

The ASX Listing Rule 10.11 waiver permits related parties of Alumina to participate in the Retail Entitlement Offer on the same terms as other Eligible Retail Shareholders without a requirement to obtain Shareholder approval. The waiver is subject to the same conditions imposed in relation to the waiver from ASX Listing Rule 7.1. Additionally, it is a condition of this waiver that the related parties only participate in the Retail Entitlement Offer up to the extent of their pro rata Entitlement.

The waivers set out the arrangements for dealing with holdings registered in the names of nominees. In particular, a nominee Shareholder is treated as a separate holder in respect of securities held for each of one or more Eligible Retail Shareholders and Eligible Institutional Shareholders (and, accordingly, may receive offers under both the Institutional Entitlement Offer and the Retail Entitlement Offer in respect of Shares held as nominee for other persons). Offers under the Institutional Entitlement Offer will be treated as being made to the nominee, and therefore to an Eligible Institutional Shareholder, even where made directly to the Eligible Institutional Shareholder for whom the nominee holds.

The waivers also allow Alumina to ignore, for the purposes of determining those entitled to receive Entitlements (both under the Institutional Entitlement Offer and the Retail Entitlement Offer) transactions occurring after the announcement of the trading halt in Shares on Monday, 25 August 2008 (other than registrations of ITS (Integrated Trading System) transactions which were effected before the announcement) (**post ex-date transactions**). Transactions ignored under this provision are to be ignored in determining holders and registered holders, and holdings and registered holdings, of Shares as at the Record Date, and references to such holders, registered holders, holdings and registered holdings are to be read accordingly. Therefore, if you have acquired Shares in a post ex-date transaction you will not be entitled to receive an Entitlement in respect of those Shares. Refer to Section 1.11 for the risks of Alumina and the Joint Lead Managers requiring you to take certain actions in respect of any over-allocations.

ASX has also confirmed that ASX Listing Rule 7.7.1(c) will not apply to the Entitlement Offer. Listing Rule 7.7.1(c) applies in the case of a renounceable pro rata issue of shares, and requires the issuer to appoint a nominee to arrange for the sale of the entitlements that would have been given to shareholders excluded from participation in the entitlement offer. Due to the structure of the Institutional Bookbuild and Retail Bookbuild, there is no need to appoint a nominee for the purposes of the Entitlement Offer.

ASX has also granted waivers of ASX Listing Rules 3.20 and 7.40 to the extent necessary to permit the Entitlement Offer to proceed on the timetable described in this Prospectus on condition that the Entitlement Offer timetable is acceptable to ASX.

8.11 WITHDRAWAL OF ENTITLEMENT OFFER

The Board reserves the right to withdraw all or part of the Entitlement Offer and this Prospectus at any time prior to the issue of New Shares, in which case Alumina will refund Application Monies in accordance with the Corporations Act and without payment of interest.

8.12 CONSENTS

Each of the parties referred to as consenting parties who are named below:

- (a) has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as set out in paragraphs (d), (e) and (f) below;
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name and a statement or report included in this Prospectus with the consent of that person as set out in paragraphs (d), (e) and (f) below;
- (c) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- (d) in the case of PricewaterhouseCoopers, as auditors of the Alumina Group has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion of any figures relating to Alumina used in (or incorporated by reference into) this Prospectus and correctly referred to, expressly or impliedly, as being figures audited or reviewed by PricewaterhouseCoopers;
- (e) in the case of PricewaterhouseCoopers Securities Limited, as Investigating Accountant has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion of the Investigating Accountant's Report in Section 6; and
- (f) in the case of Brook Hunt & Associates Limited, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion of the alumina refining cost curve graph included in the Investment Highlights Section on page 5 of this Prospectus.

ROLE	CONSENTING PARTIES
Joint Lead Managers and Underwriters	Goldman Sachs JBVere Pty Limited, Macquarie Capital Advisers Limited and UBS AG, Australia Branch
Share Registry	Computershare Investor Services Pty Limited
Australian legal adviser	Allens Arthur Robinson
Auditors	PricewaterhouseCoopers
Investigating Accountant	PricewaterhouseCoopers Securities Limited
–	Brook Hunt & Associates Limited

Without limiting anything in paragraphs (a), (b) or (c) above, Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to Alumina. Further, Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

8.13 PRIVACY

As a Shareholder, Alumina and the Share Registry have already collected certain personal information from you. If you apply for New Shares, Alumina and the Share Registry may update that personal information or collect additional personal information. Such information will be used to assess your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Company and tax law requires some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

Alumina and the Share Registry may disclose your personal information for purposes related to your shareholding to their agents and service providers, including those listed below or otherwise authorised under the Privacy Act:

- the Joint Lead Managers in order to assess your Application;
- the Share Registry for administration of the Entitlement Offer and ongoing administration of the Alumina share register; and
- printers and mailing houses for the purposes of preparation and distribution of Shareholder statements and for handling of mail.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Alumina or the Share Registry. You can request access to your personal information by contacting the Share Registry as follows:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 8060
Australia
Tel (within Australia): 1300 556 050
Tel (outside Australia): +61 3 9415 4027

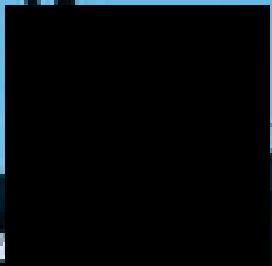
If Alumina's or the Share Registry's record of your personal information is incorrect or out of date, it is important that you contact the Share Registry so that your records can be corrected.

8.14 CONSENTS TO LODGEMENT

Each Director of Alumina has given, and has not withdrawn, their consent to the issue of this Prospectus and to its lodgement with ASIC under the Corporations Act.

8.15 GOVERNING LAW

This Prospectus, the Retail Entitlement Offer and the contracts formed on acceptance of Applications are governed by the laws applicable in Victoria, Australia. Each applicant for New Shares submits to the exclusive jurisdiction of the courts of Victoria, Australia.



SECTION 9

GLOSSARY AND INTERPRETATION

9.1 GLOSSARY

In this Prospectus and the accompanying Entitlement and Acceptance Form, terms and abbreviations have the following meanings unless the context otherwise requires.

TERMS AND ABBREVIATIONS	MEANINGS
\$ or A\$ or dollars	Australian dollars
ADR	A Depositary Receipt representing Shares, sponsored by The Bank of New York Mellon (DR Symbol AWC and CUSIP 022205108)
AEST	Australian Daylight Savings Time while in effect and otherwise Australian Eastern Standard Time
AIFRS	Australian Equivalents to International Financial Reporting Standards
Alcoa of Australia	Alcoa of Australia Limited (ABN 93 004 879 298)
Alumina	Alumina Limited (ABN 85 004 820 419)
Alumina Finance	Alumina Finance Limited (ABN 30 130 920 562)
Alumina Group	Alumina and its Subsidiaries
Application	An application to subscribe for New Shares pursuant to the Retail Entitlement Offer
Application Monies	Monies received from applicants in respect of their Applications
ASIC	Australian Securities and Investments Commission
ASTC Settlement Rules	The ASTC Settlement Rules issued by ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532)
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by that entity known as the Australian Securities Exchange (as applicable)
ASX Listing Rules	The official listing rules of ASX, as amended or replaced from time to time except to the extent of any written waiver granted by ASX
AWAC	Alcoa World Alumina and Chemicals, the worldwide enterprise formed by Alcoa Inc. and Alumina and certain of their respective affiliates and subsidiaries by combining their interests in bauxite mining, alumina refining and Alcoa Inc.'s inorganic industrial chemicals operations, as well as certain integrated aluminium fabrication and smelting operations, as governed by the principles and policies in the Charter
AWAC Agreements	The meaning given in Section 3.4
Board	The board of directors of Alumina
Charter	The Charter of the Strategic Council dated 21 December 1994 between Alcoa Inc. and Alumina
Clearing Price	The amount payable per New Share: <ul style="list-style-type: none"> – in respect of the Institutional Bookbuild, through the Institutional Bookbuild process (being \$3.70 per New Share); or – in respect of the Retail Bookbuild, through the Retail Bookbuild process, which may or may not be greater than the Offer Price

9.1 GLOSSARY (CONTINUED)

TERMS AND ABBREVIATIONS	MEANINGS
Closing Date	5.00pm (AEST) on Friday, 19 September 2008, being the latest time and day by which completed Entitlement and Acceptance Forms and BPAY® payments of Application Monies will be accepted (subject to variation)
Constitution	The constitution of Alumina
Convertible Bonds	The US\$350,000,000 2% Guaranteed Convertible Bonds due 2013 issued by Alumina Finance pursuant to an Offering Circular dated 14 May 2008
Corporations Act	The <i>Corporations Act 2001</i> (Cth)
Director	A director of Alumina
Dividend Reinvestment Plan	The meaning given in Section 3.6.1
Eligible Institutional Shareholder	An Institutional Shareholder to whom the Joint Lead Managers make an offer on behalf of Alumina under the Institutional Entitlement Offer (either directly or indirectly through a nominee), and who the Joint Lead Managers determine has successfully received that offer
Eligible Retail Shareholder	A Shareholder as at the Record Date who: <ul style="list-style-type: none"> – has a registered address in Australia or New Zealand; – is not in the US, and is not a US Person or acting for the account or benefit of a US Person (to that extent); – is not an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder and does not hold Shares on behalf of an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder (to that extent); and – is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer
Eligible Shareholder	A person who is an Eligible Institutional Shareholder or Eligible Retail Shareholder
Eligible US Fund Manager	A dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the US acting solely for an account (other than estate or trust) held for the benefit or account of persons that are not US Persons for which it has sole investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the Securities Act
Enterprise Funding Agreement	The Enterprise Funding Agreement dated 18 September 2006 between Alcoa Inc., Alumina, Alcoa Australian Holdings Pty Ltd, Alcoa of Australia and the Enterprise Funding Partnership between Alcoa Inc. and Alumina
Entitlement	The number of New Shares for which an: <ul style="list-style-type: none"> – Eligible Retail Shareholder is entitled to subscribe under the Retail Entitlement Offer; or – Eligible Institutional Shareholder is entitled to subscribe under the Institutional Entitlement Offer, in each case being 5 New Shares for every 19 Existing Shares held as at the Record Date, subject to the terms of the Entitlement Offer
Entitlement and Acceptance Form	Each Entitlement and Acceptance Form accompanying this Prospectus upon which an Application may be made
Entitlement Offer or Offer	The offer of approximately 303.4 million New Shares to Eligible Shareholders in the proportion of 5 New Shares for every 19 Existing Shares held as at the Record Date. The Entitlement Offer comprises four parts: Institutional Entitlement Offer, Institutional Bookbuild, Retail Entitlement Offer and Retail Bookbuild
Existing Share	A Share issued before the Record Date

9.1 GLOSSARY (CONTINUED)

TERMS AND ABBREVIATIONS	MEANINGS
Formation Agreement	The Formation Agreement dated 21 December 1994 between Alcoa Inc., Alcoa International Holdings Company, ASC Alumina, Inc., Alumina, Alumina International Holdings Pty Ltd and Alumina Holdings (USA) Inc.
Investigating Accountant	PricewaterhouseCoopers Securities Limited
Ineligible Institutional Shareholder	A Shareholder as at the Record Date who is not an Eligible Institutional Shareholder and who Alumina and the Joint Lead Managers determine: <ul style="list-style-type: none"> – although an Institutional Investor, should not receive an offer under the Institutional Entitlement Offer in accordance with ASX Listing Rule 7.7.1(a); or – although not an Institutional Investor, is a person to whom offers and issues of New Shares could lawfully be made in Australia without the need for disclosure under Chapter 6D of the Corporations Act if that Shareholder had received the offer in Australia, and who should be treated as an Ineligible Institutional Shareholder for the purposes of the Entitlement Offer; or – is a holder of ADRs
Ineligible Retail Shareholder	A Shareholder as at the Record Date to the extent they are not an Eligible Institutional Shareholder, an Ineligible Institutional Shareholder or an Eligible Retail Shareholder and to the extent they do not hold Shares on behalf of Eligible Institutional Shareholders or Ineligible Institutional Shareholders
Institutional Bookbuild	The first bookbuild to be conducted in connection with the Entitlement Offer, being in respect of the Institutional Entitlement Offer, as described in Section 1.7.2
Institutional Entitlement Offer	The offer of New Shares to Eligible Institutional Shareholders under the Entitlement Offer as described in Section 1.7.1
Institutional Investor	A person: <ul style="list-style-type: none"> – to whom an offer and issue of New Shares may be lawfully made in Australia without a disclosure document (as defined in the Corporations Act) on the basis that such a person is exempt from the disclosure requirements of Part 6D.2 in accordance with section 708(8) or 708(11) of the Corporations Act; or – to whom an offer and issue of New Shares may be made outside Australia without registration, lodgement or approval of a formal disclosure document or other filing in accordance with the laws of that foreign jurisdiction (except to the extent to which Alumina, in its absolute discretion, is willing to comply with such requirements), and who is not located in the US (other than an Eligible US Fund Manager) and is not a US Person or acting on account of or for the benefit of a US Person, except to the extent such an investor is acting with sole investment discretion for such a person
Institutional Premium	The meaning given in Section 1.7.2
Institutional Shareholder	A Shareholder as at the Record Date who is an Institutional Investor
Investment Company Act	The US Investment Company Act of 1940, as amended
Joint Lead Managers or Underwriters	Goldman Sachs JBWere Pty Limited, Macquarie Capital Advisers Limited and UBS AG, Australia Branch
New Shares	The Shares offered under the Entitlement Offer. Those Shares will not participate in Alumina's interim dividend for the half year ended 30 June 2008, the record date for which is 23 September 2008
Offer Period	The period commencing on the opening date of the Retail Entitlement Offer, as specified in the 'Key Dates' section of this Prospectus, and ending on the Closing Date

9.1 GLOSSARY (CONTINUED)

TERMS AND ABBREVIATIONS	MEANINGS
Offer Price	The price payable for each New Share under the Institutional Entitlement Offer and the Retail Entitlement Offer, being \$3.00
Prospectus	This prospectus dated 1 September 2008
Record Date	The time and date for determining which Shareholders are entitled to the Entitlement, being 7.00pm (AEST) on Friday, 29 August 2008
related bodies corporate	The meaning given in the Corporations Act
Retail Bookbuild	The second bookbuild to be conducted in connection with the Entitlement Offer, being in respect of the Retail Entitlement Offer, as described in Section 1.6.2
Retail Entitlement Offer	The offer under this Prospectus of New Shares to Eligible Retail Shareholders under the Entitlement Offer as described in Section 1.6.1
Retail Premium	The meaning given in Section 1.5
Securities Act	The US Securities Act of 1933, as amended
SGX	Singapore Exchange Securities Trading Limited
Share	A fully paid ordinary share in the capital of Alumina (including an ordinary share in the capital of Alumina represented by an ADR)
Share Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Shareholder	A holder of Shares (including a beneficial owner of Shares who is treated in accordance with the waivers obtained under the ASX Listing Rules as a holder of Shares for the purposes of the Institutional Entitlement Offer, and including persons jointly registered), subject to the disregarding of post ex-date transactions as described in Section 8.10
Subsidiary	The meaning given in the Corporations Act
Theoretical Ex-Rights Price	The theoretical price at which Shares should trade immediately after the ex-date for the Entitlement Offer, based on a pre-issue price that is adjusted downwards for the 12 cents per Share interim dividend declared for the half year ended 30 June 2008 (as New Shares will not be entitled to participate in that interim dividend). This is a theoretical calculation and the actual price at which Shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may differ from the Theoretical Ex-Rights Price
UK	United Kingdom
Underwriting Agreement	The Underwriting Agreement dated 25 August 2008 between Alumina and the Joint Lead Managers, as described in Section 8.5
US	United States of America, its territories and possessions, any state of the United States and the District of Columbia
US\$ or US dollars	United States dollars
US Person	The meaning given in Rule 902(k) of Regulation S under the Securities Act

9.2 INTERPRETATION

In this Prospectus, unless the context otherwise requires:

- (a) the singular includes the plural, and vice versa;
- (b) words importing one gender include all genders;
- (c) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances or by-laws issued under that statute;
- (d) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (e) a reference to a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (f) a reference to a body (including an institute, association or authority), whether statutory or not:
 - (i) that ceases to exist; or
 - (ii) the powers or function of which are transferred to another body; or
 - (iii) is a reference to the body that replaces it or substantially succeeds to its powers or functions;
- (g) other grammatical forms of a word or phrase defined in this Prospectus have a corresponding meaning; and
- (h) a reference to a Section is a reference to a Section of this Prospectus.

The postal acceptance rule does not apply to the Retail Entitlement Offer and Applications.

CORPORATE DIRECTORY

DIRECTORS

Donald Morley
John Bevan
Peter Hay
Ronald McNeilly
John Pizzey

COMPANY SECRETARY

Stephen Foster

REGISTERED OFFICE

Level 12, IBM Centre
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Southbank VIC 3006

WEBSITE

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AUDITORS

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Southbank VIC 3006

INVESTIGATING ACCOUNTANT

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Southbank VIC 3006

AUSTRALIAN LEGAL ADVISER

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Melbourne VIC 3000

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Melbourne VIC 3000

Macquarie Capital Advisers Limited
101 Collins Street
Melbourne VIC 3000

UBS AG, Australia Branch
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Melbourne VIC 3000

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
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ALUMINA LIMITED SHAREHOLDER INFORMATION LINE

Within Australia: 1300 556 050 (local call cost)
Outside Australia: +61 3 9415 4027
Open from 8.30am to 7.00pm (AEST) Monday to Friday during the Offer Period



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