

To: The Manager  
Announcements  
Company Announcements Office  
Australian Stock Exchange



## Public Announcement 2008 – 56AWC

Alumina Limited has today released an investor update which will be presented in meetings with investors in the USA and Australia this week.

The presentation outlines the Company's view of current market conditions and the developing supply response. Recent commodity price falls and increases in reported metal inventories have prompted the announcement of supply reductions by both small and major producers, including AWAC (Alcoa World Alumina and Chemicals, of which Alumina Limited owns 40%).

Alumina Limited CEO, John Bevan, commented, "The supply cuts are a rational industry response following the interruption of the strong demand we have seen over a sustained period. The long term outlook for aluminium demand remains robust, with higher prices quoted in the forward market. AWAC's global network of bauxite mines and alumina refineries provides flexibility to respond to changing market conditions while retaining optionality to increase production in the longer term".

AWAC has a strong position in the global alumina refining market, with average costs of alumina production among the lowest half of producers, and a portfolio of strong customers which are also well placed in the aluminium smelting cash cost curve. AWAC's Western Australian alumina refineries, which represent 60% of AWAC alumina production capacity, are first and second cost quartile producers. AWAC's two Victorian aluminium smelters also have very competitive operating costs, particularly at current exchange rates.

"Our business is profitable and since the announcement of our half-year results has continued to generate strong operating cash flow. The Australian AWAC business has paid fully franked dividends to Alumina Limited of more than A\$200 million in the half year to date and we expect further dividends in November and December", said Mr Bevan.

Alumina Limited CFO, Ken Dean, commenting on the Company's financial position, said, "The successful completion of our equity raising in September has placed us in a sound position with adequate undrawn debt capacity." Proceeds of the recent equity issue were converted into US dollars at exchange rates substantially above the current rate. Current debt of US\$697 million is expected to remain at approximately that level at 2008 year end. Alumina Limited's total debt facilities exceed US\$1.5 billion of which approximately US\$830 million are currently undrawn. The Company presently holds cash deposits of approximately US\$60 million.

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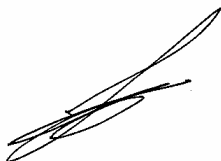
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AWAC's major capital projects in Brazil (expansion of the Alumar refinery at Sao Luis and development of a greenfield bauxite mine at Juruti) have continued to progress toward project startups in the middle of 2009, as previously advised. The weakening of the Brazilian Real from 1.6/US\$1.00 in July 2008 to its current level of approximately 2.25 benefits the US\$ cost of the projects and reduces the Company's USD funding requirements.

Alcoa World Alumina and Chemicals is a global joint venture between Alumina Limited (40%) and Alcoa (60%).

For investor relations enquiries, please contact Ken Dean on (03) 8699 2603 or 0400 131 937, or media enquiries, contact Nerida Mossop, (03) 9600 1979.

*Some statements in this public announcement are forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements also include those containing such words as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual outcomes to be different from the forward-looking statements. Important factors that could cause actual results to differ from the forward-looking statements include: (a) material adverse changes in global economic, alumina or aluminium industry conditions and the markets served by AWAC; (b) changes in production and development costs and production levels or to sales agreements; (c) changes in laws or regulations or policies; (d) changes in alumina and aluminium prices and currency exchange rates; and (e) the other risk factors summarised in Alumina's Form 20-F for the year ended 31 December 2007*



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

17 November 2008

# Alumina Limited

## Short Term Resilience and Long Term Strength

John Bevan  
Chief Executive Officer

Ken Dean  
Chief Financial Officer



November 2008

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# Disclaimer

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*Forward-looking statements that reference past trends or activities should not be taken as a representation that such trends or activities will necessarily continue in the future. Alumina Limited does not undertake any obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements which speak only as of the date of the relevant document.*

# Executive Summary

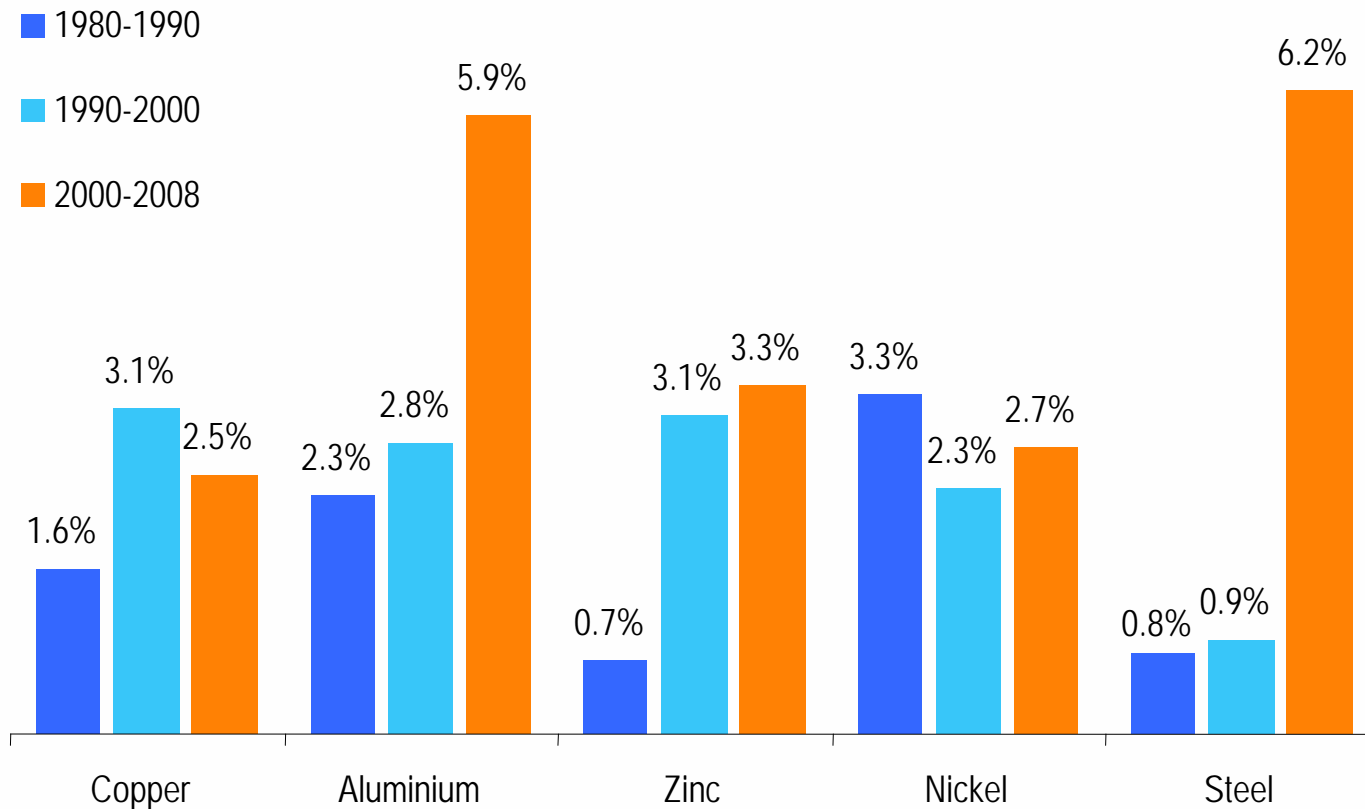
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- The current financial turmoil does not spell the end of metals growth
- Completing AWAC's current growth projects and consolidating the gains
- Alumina Limited is well positioned for the current point in the cycle
- Alumina Limited will benefit when market conditions recover



# Aluminium Demand Historically Strong

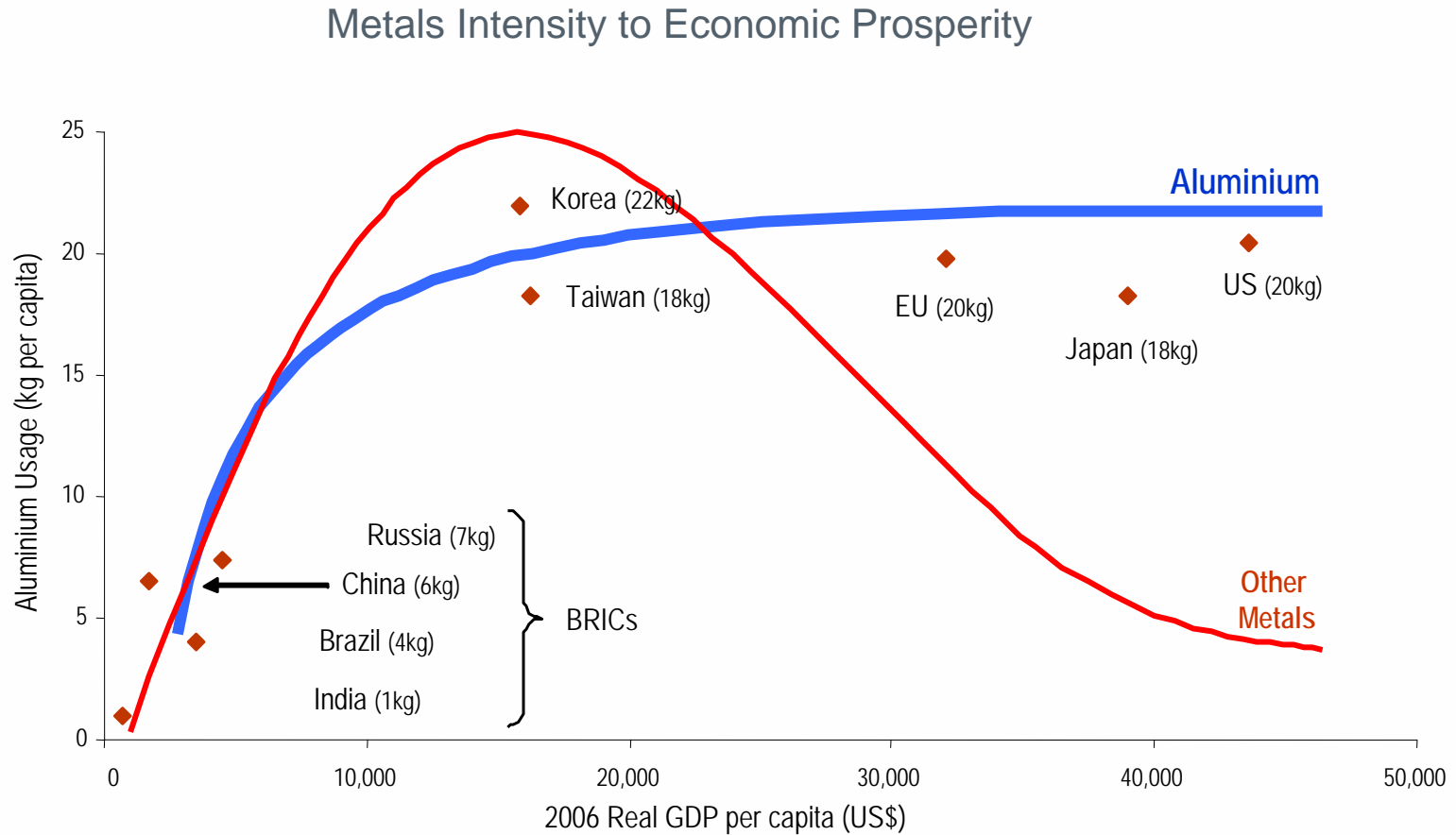
Growth in global metals demand (% p.a.)



Source: Macquarie Commodities Research

# Industrialisation & Urbanisation

## Drives Aluminium Demand



Source: ANZ Bank, Datastream WMBS

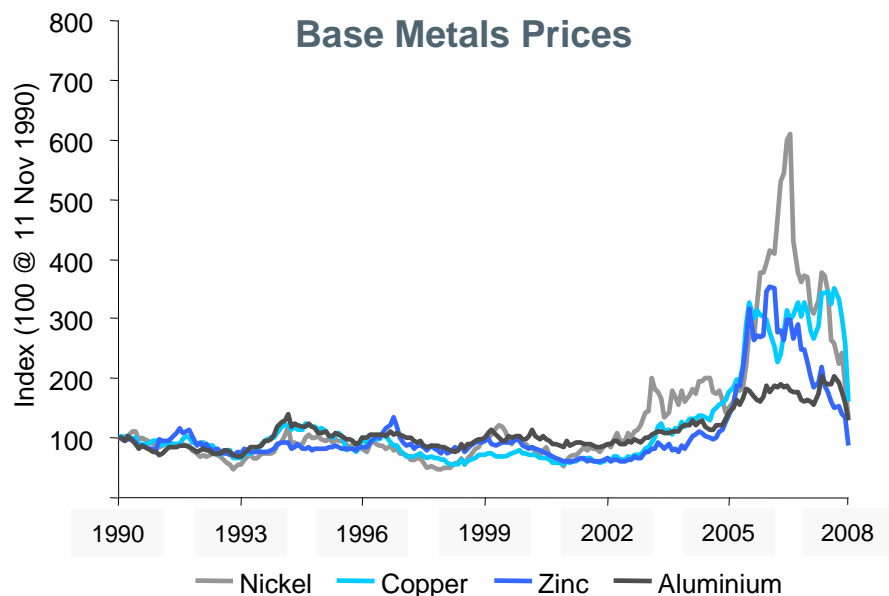
# Supply Has Responded to Demand

- Global aluminium production increased 7.7% in 2008
  - Chinese capacity increased 1.85 mtpa
  - Rest of world capacity increased 1.09 mtpa
- Chinese aluminium consumption is forecast to increase by 15.6mtpa over the next 5 years
- Demand outside of China will also grow

Annual Aluminium Demand Growth (%pa)

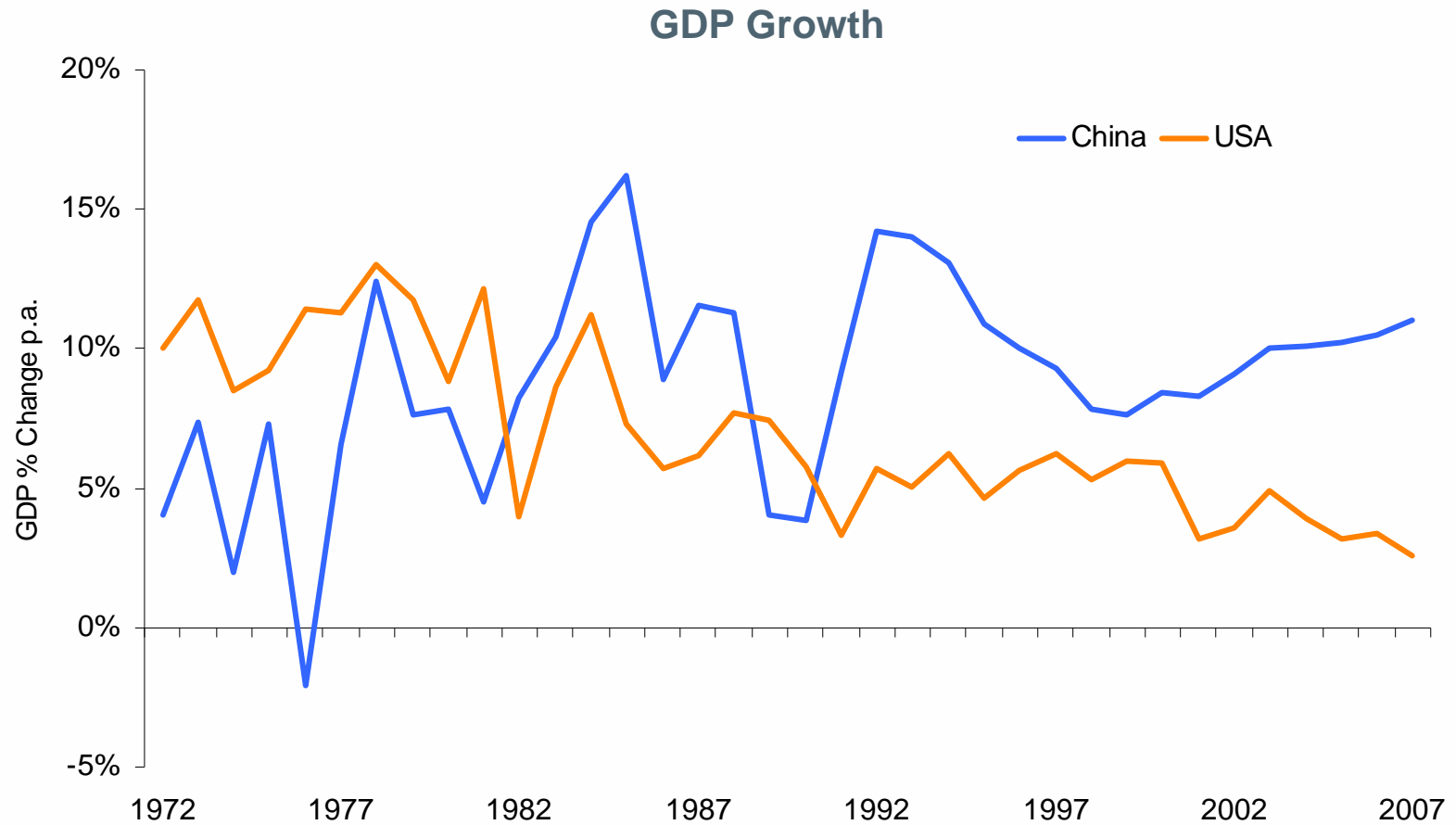
	1980 to 2000	2000 to 2008	2009 to 2015
China	7.8	19.5	16.6
World exc. China	1.9	2.6	2.9
Global	2.5	5.8	9.1

Source: Macquarie Commodities Research. 2008 is for the 9 months to the end of September and pro-rated to a 12 month figure





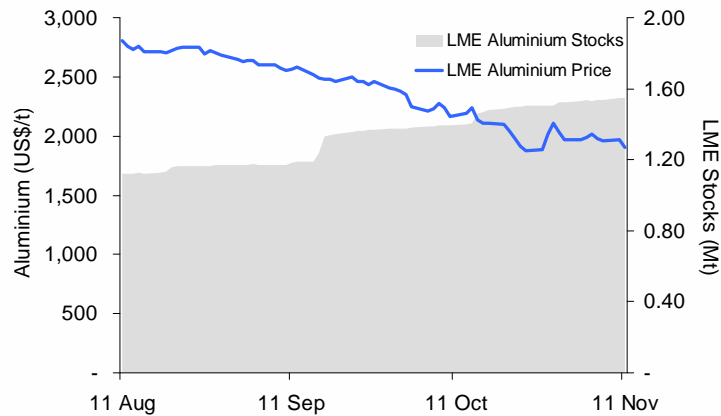
# China Slowing, But Still Growing



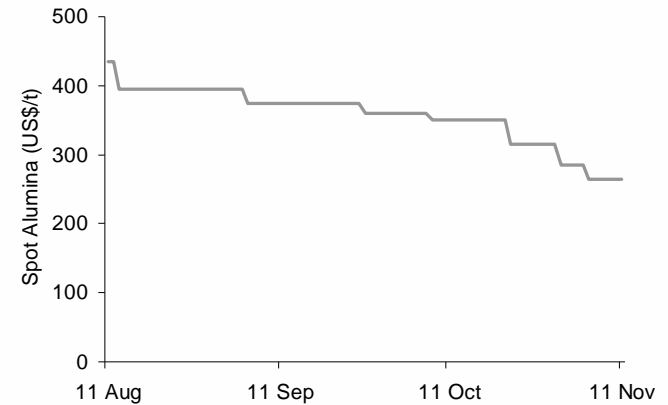
Source: Macquarie Research (November 2008)

# What's Happened in the Last 3 Months?

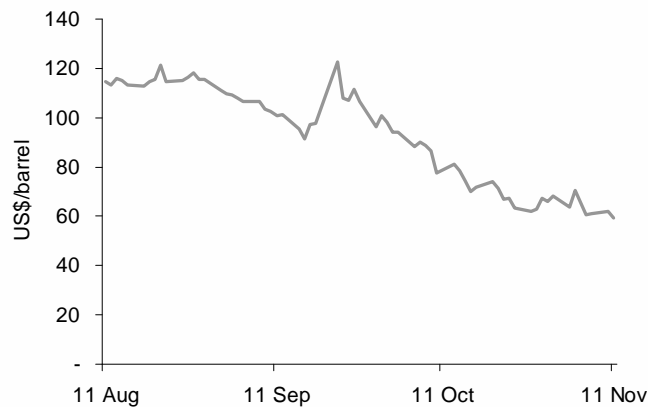
### LME Aluminium price & stocks



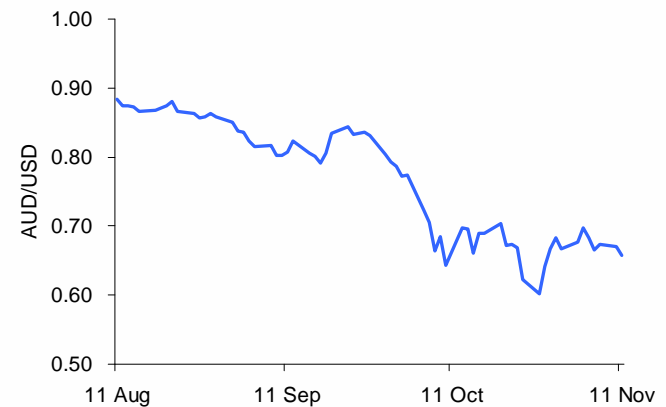
### Spot Alumina



### West Texas Crude Oil

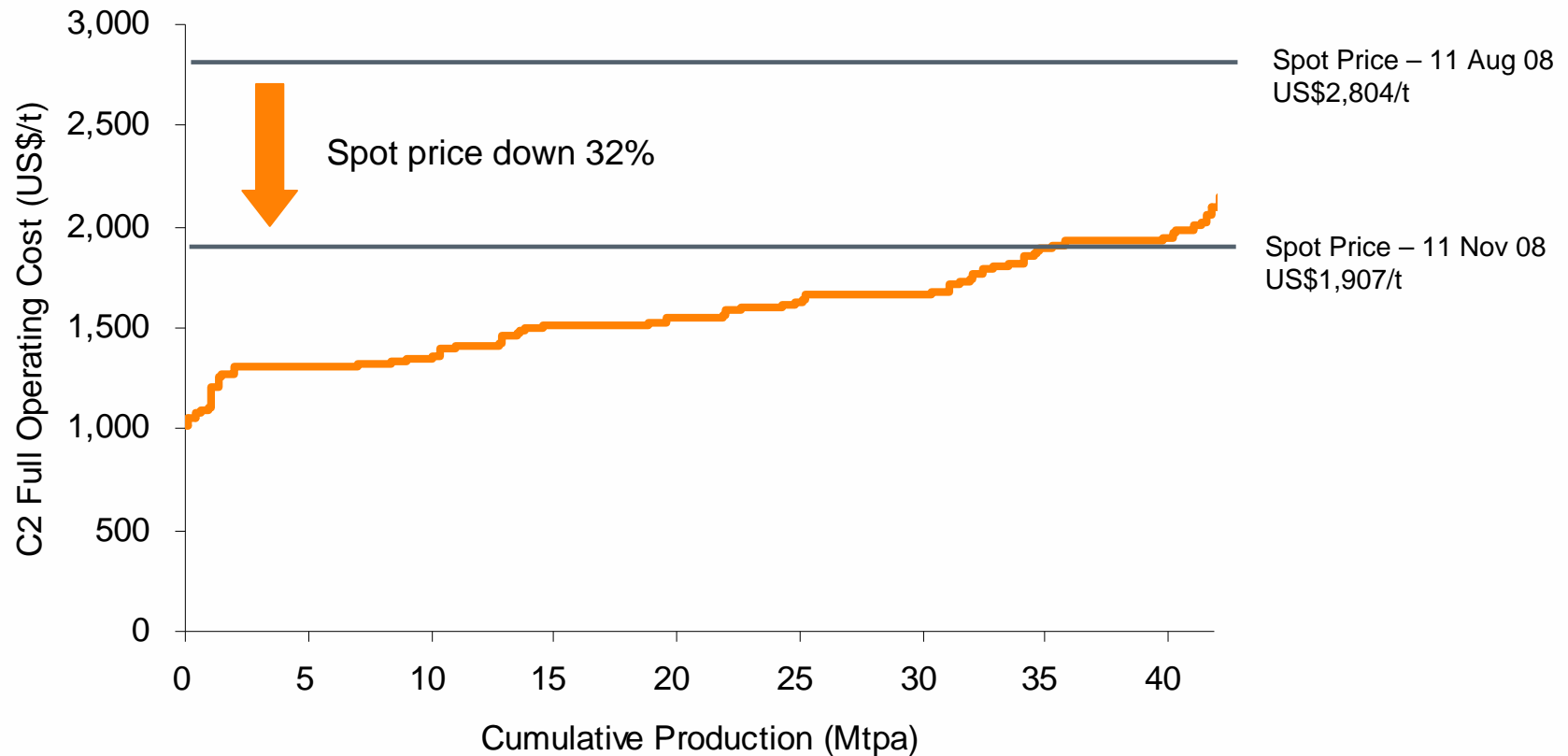


### Australian vs US Dollar



# Not All Aluminium Producers Profitable at Current Prices

## Aluminium C2 Cost Curve (2008F)



Source: Brook Hunt Primary Aluminium Smelting Costs 2007 Edition

Notes: chart shows the forecast C2 full operating cost curve for 2008 which includes depreciation

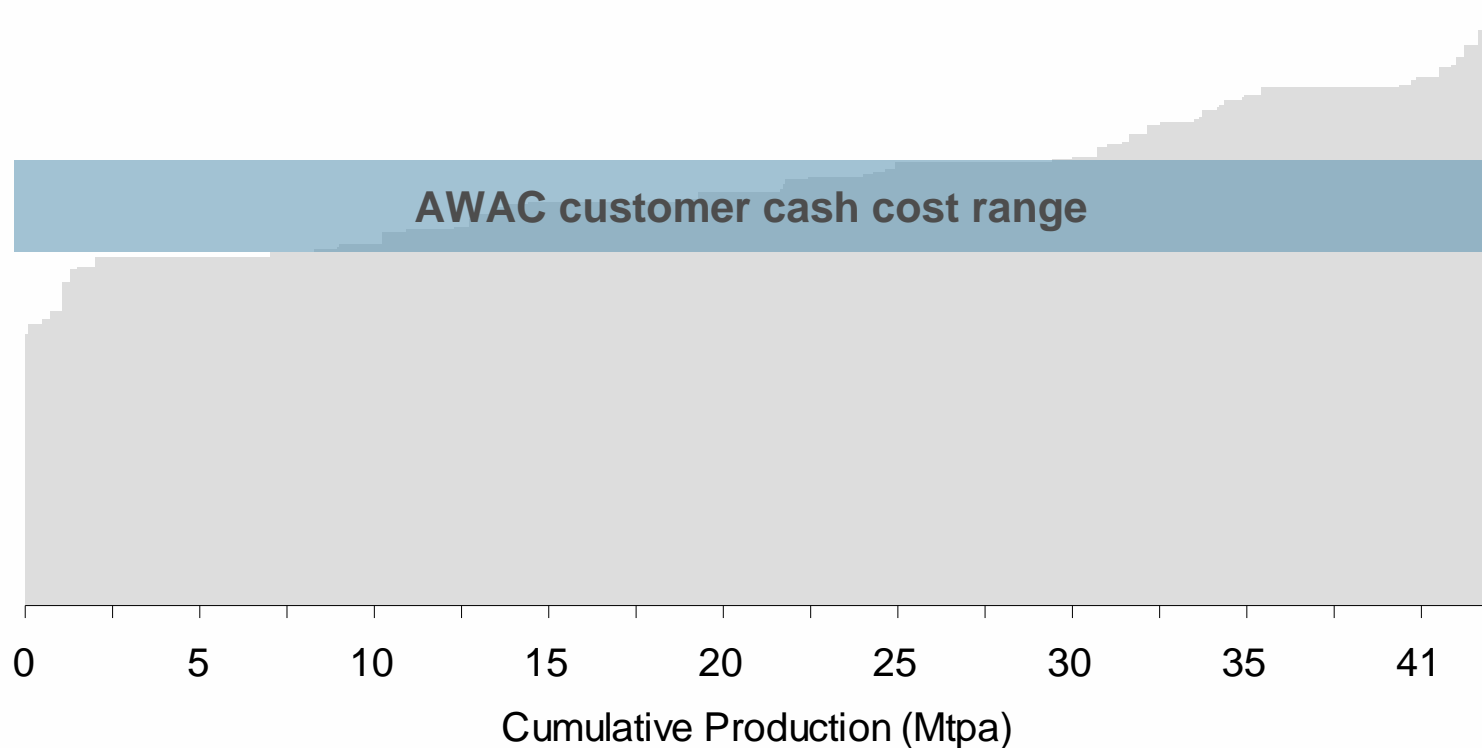
# Industry Is Responding

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- Alcoa has announced 15% reduction in smelting
- Chalco has announced 18% reduction in smelting and 38% reduction in refining
- AWAC has announced cut-back at Point Comfort and intention to make other production cuts
- AWAC cuts are to higher cost production and benefit its cash flow outlook
- Other majors and independent smelters have announced intentions to cut back

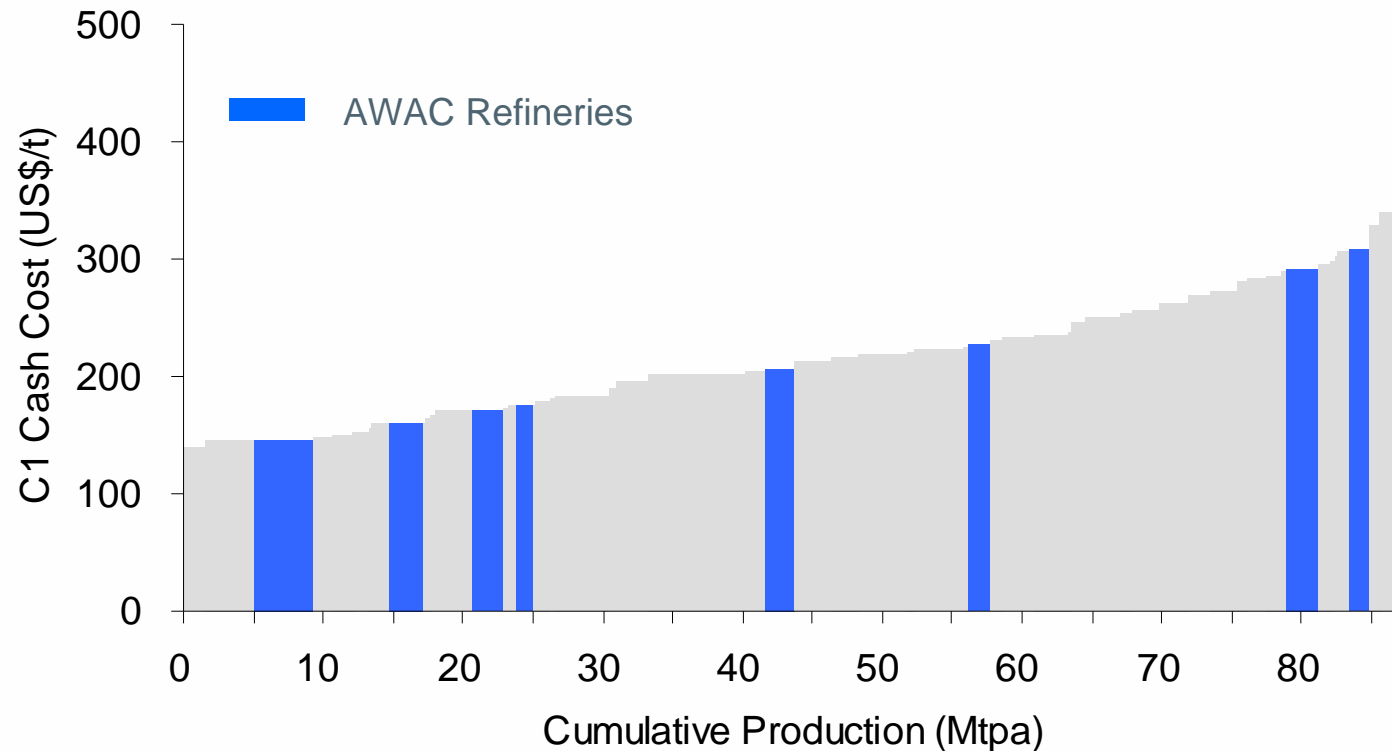
# Strong AWAC Customer Base

- Customer base:
  - < 50% Alcoa
  - > 50% Independents and other majors



# AWAC Flexibility and Attractive Operating Cost

## Alumina Refining – Global Cash Cost



Source: Brook Hunt Bauxite & Alumina Costs 2008 Edition  
Notes: chart shows the is the forecast C1 cash operating cost curve for 2008

# Juruti

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- Announced expenditure \$2.06bn (approx BRL 3.3bn)
- On-stream – August 2009
- Construction 75% complete at end of September
- Railway and port near completion



# Alumar

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- Announced expenditure \$1.6bn (approx BRL 2.6bn)
- 1.1mtpa increase (AWAC share)
- Schedule July 2009
- End September – 87% complete





# Preserving Future Optionality

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- Suspended Wagerup expansion – still attractive future option
- Future options to expand – Brazil, Jamaica, Australia, Vietnam, Guinea
- Long life, quality bauxite mines close to refineries
- Long term contracts with an attractive portfolio of smelters

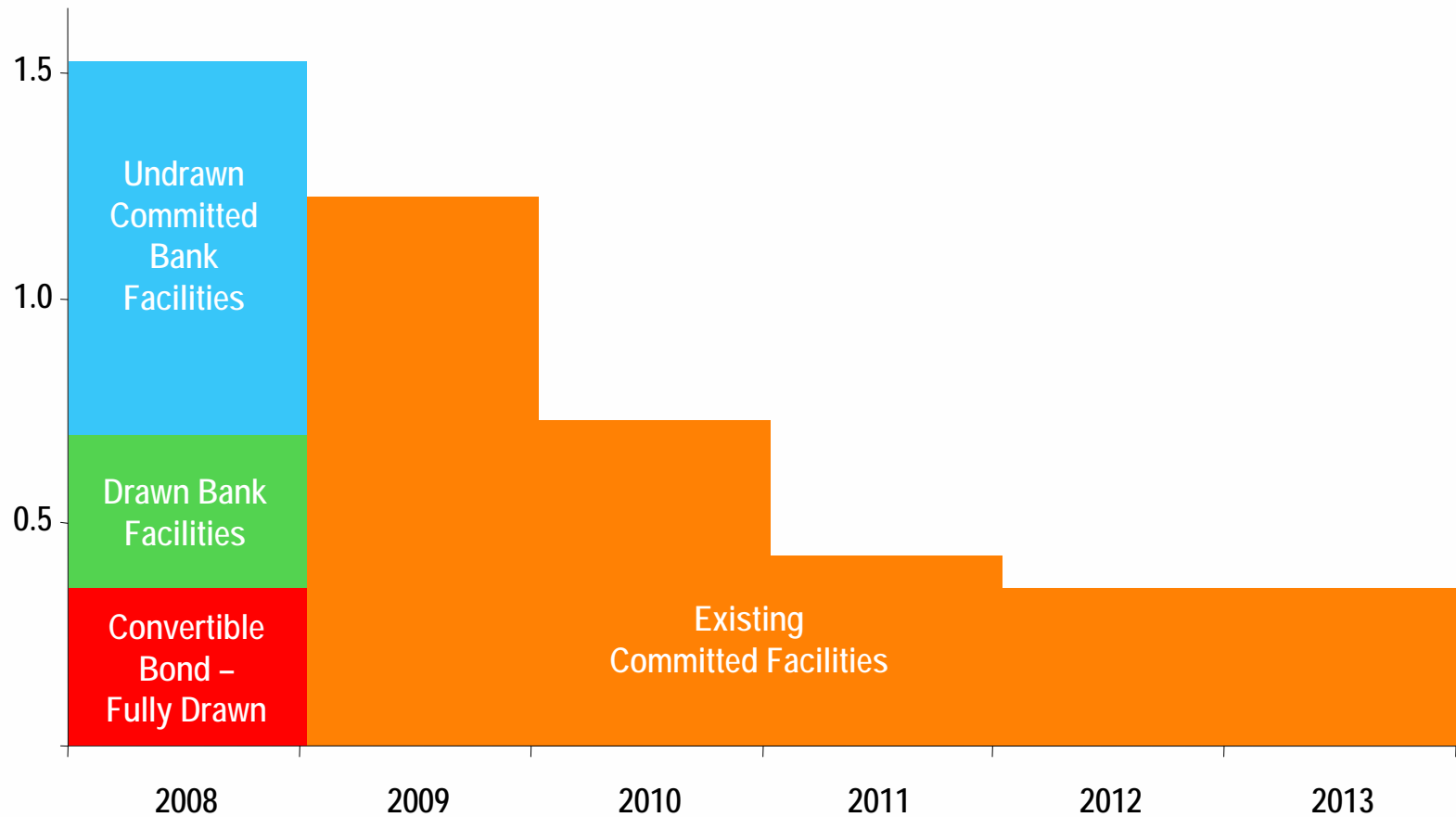
# Alumina Limited – 2008 Funding Activity

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- US\$350m 5 year convertible bond completed Q2
- A\$910m equity issue completed Q3
  - AUD converted to USD
  - USD debt paid down
- Undrawn capacity for 2009 funding requirements
- 2009 debt maturities of US\$300m being renegotiated

# Alumina Limited – Debt Profile

US\$ billions



# Alumina Limited – Funding Outlook

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- Brazil projects – USD cash calls benefiting from exchange rate movements
- Further growth capex deferred
- Interest exposure to low USD interest rates
- AWAC cash generation and AofA dividend flow

# Alumina Limited

## Short Term Resilience and Long Term Strength

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