ALUMINA LIMITED

For release 31 July 2008

First Half Underlying Earnings After Tax $152 Million

Highlights:

- **Underlying Earnings after tax $152 million**
- **Net profit $44 million reduced by non-operating charges**
- **Fully franked interim dividend – 12 cents per share**
- **Return on Equity on Underlying Earnings – 18% (2007: 33%)**
- **Alumina production increase of 4%**

Alumina Limited today announced Underlying Earnings after tax of A$152 million, for the first half of 2008. The Underlying Earnings for the half are in line with the second half of 2007.

Underlying Earnings are calculated by adding back to Net Profit after Tax of A$44 million an amount of A$108 million, representing the net total of non-cash charges in the half year for the revaluation of embedded derivatives and retirement benefit obligations, which do not reflect operations in the current half year. Directors believe the Company's Underlying Earnings provides a better understanding of the Company's performance than net profit under AIFRS.

Higher alumina sales and higher US dollar prices for aluminium and alumina increased AWAC US dollar revenues in the first half. LME aluminium prices increased by 28% during the first six months of 2008.

Alumina Limited CEO, John Bevan, commented, "Alumina Limited maintained a level of Underlying Earnings for the first half of 2008 consistent with the second half of 2007, despite increases in energy prices and an escalating Australian dollar, and rises in global freight rates".

"Higher alumina production and capital costs are being experienced across the industry. The strong contract price linkages to the aluminium price in new alumina contracts during 2008 is positive for future alumina sales revenues".

Directors have declared an interim dividend of 12 cents per share, fully franked, payable 14 October 2008. This dividend is eligible to participate in the Company's Dividend Reinvestment Plan. The Board has previously advised that arrangements are in place for the issue of shares under the DRP for this dividend to be fully underwritten. The interim dividend for 2008 is consistent with the Directors' intention, subject to business conditions, to maintain annual dividends at least at 24 cents per share, fully franked.

Return on Equity based on Underlying Earnings was 18% (2007: 33%). Earnings per share on underlying earnings were 13.3 cents per share (2007: 23.5 cents per share).

Prices and Exchange Rates

LME aluminium prices averaged US$1.31 per pound in the first half of 2008 (1H 2007: US$1.26).

The Australian dollar has strengthened significantly during the first half of 2008, averaging a rate of US 92 cents to the US dollar (1H 2007: 81 cents). This 14% exchange rate change significantly reduced Alumina Limited's profit after tax for the six months to 30 June 2008. Underlying Earnings for the first half also included a charge of A$12.0 million after tax from revaluing Alcoa of Australia's USD receivables in AUD at 30 June 2008 at US 96 cents. Alumina Limited's result included a tax credit of $31 million as a result of exchange gains on Alumina's foreign currency debt. As US dollar denominated debt drawings are repaid, the weaker US dollar has resulted in taxable foreign exchange gains. Due to differing tax and accounting treatment, a net tax credit arises.

AWAC Operations

AWAC's alumina production of 7.3 million mtpy in the first half of 2008 was an increase of 0.3 million mtpy over the first half of 2007.

Three of AWAC's refineries established production records for the half. First half production at the Jamalco refinery was below capacity, due to ongoing impacts from Hurricane Dean. The Varanus Island fire disrupted gas supply to Alcoa of Australia in June. With the purchase of additional higher cost energy, Alcoa of Australia maintained alumina supply to customers at close to capacity levels.

The Company advised in January 2008 that AWAC refining costs in 2008 in US dollars were expected to increase by US$24 per tonne, US$6 per tonne of which relates to foreign exchange. AWAC average refining costs in the first half were US$40 per tonne higher than in 2007. This increase of US$16 per tonne higher than guidance previously given is principally due to a further US$9 per tonne exchange rate impact of a weaker US dollar and the Varanus Island fire impact of US$3 per tonne.

Aluminium production at AWAC's Victorian smelters in the first half was 192 thousand tonnes, in line with 2007. Aluminium margins improved due to higher aluminium prices exceeding higher input costs and the impact of a stronger Australian dollar.

AWAC Growth

AWAC capital expenditure was US$679 million for the half year (2007: US$476 million), principally for the investment in the Brazil growth projects. Sustaining capital expenditure for the half was US$133 million (2007: US$131 million).

Mr John Bevan said, "The Company is very disappointed with the increases in estimated cost of AWAC's Brazil growth projects to a total AWAC share of up to US$3.7 billion. However, these projects represent investment in long life, strategic assets which are important for the long term growth of AWAC".

"Despite the increase in capital expenditure announced on 21, July, the expansion of new AWAC refining capacity in Brazil will add low cash-cost alumina production in 2009 to supply strongly growing global alumina demand . At full capacity, AWAC's share of the expanded Alumar facility will be 1.4 million mtpy".

Funding

Alumina's debt at 30 June 2008, net of cash, was A$1,103 million, an increase of A$126 million since 2007 year end. Alumina's equity contributions for AWAC's growth projects in Brazil were funded partly by increased borrowings and also by cash dividends received during the half year of A$124 million, (2007: A$240 million). Alumina's Limited's interest expense was A$24 million for the half, compared to A$17 million in the first half of 2007.

During the first half of 2008, the Company completed a planned refinancing programme, strengthening its balance sheet by extending the maturity of US$450 million of bank debt. The Company also completed a successful issue of US$350 million of convertible bonds in May 2008. Ken Dean, Alumina CFO commented, "We are very pleased with the outcome of our 2008 funding activities, which have lowered borrowing costs below previous guidance".

As indicated in the ASX announcement of 21 July, the Company will review during the second half of 2008 the most appropriate form for funding its share of the increased capital expenditure relating to the expansion of the Alumar refinery and Juruti bauxite mine. As indicated, when evaluating funding options, the Company intends to ensure it retains a conservative financial structure. The Company is evaluating funding alternatives including both equity and debt. In the event of an equity raising[+] , it is the Company's current intention that this would be undertaken by way of a pro-rata issue to shareholders, and that the current dividend payout would be pro-rated across the increased number of shares.

Outlook

Worldwide consumption of aluminium is growing strongly. Aluminium and alumina prices remain firm, supported by both higher energy prices and supply curtailments in a number of markets. We expect global demand for aluminium to continue to be robust, growing by 8% through 2008, despite the slowdown in US and European economies and the continuing uncertain outlook for capital markets.

Chinese domestic consumption of aluminium is projected to grow by more than 20% year on year. Aluminium markets are expected to be roughly balanced by year end 2008, due to smelting capacity curtailments announced in China, USA and South Africa. Alumina market demand is also strong. The alumina market is forecast to be in modest surplus by year end, due to slower than expected ramp up of refining capacity expansions.

Alumina Limited's 2008 underlying earnings sensitivities, based on 2007 underlying earnings (A$406 million) and 2007 average LME aluminium price (US$1.21 per pound)and A$/US$ exchange rates (84 cents), are:

- a US one cent movement in the average 3-month LME aluminium price is expected to impact 2008 underlying earnings by approximately A$11 million. The sensitivity of underlying earnings to the LME aluminium price is not linear, as it reflects the mix of AWAC sales contracts on varying terms and may vary with significant changes to the LME aluminium price;
- each one US cent movement in the average Australian dollar/US dollar exchange rate is expected to impact 2008 underlying earnings by approximately A$12 million. This sensitivity excludes any effect of revaluing US dollar balance sheet items at period end.

AWAC's 2008 alumina production and sales are expected to be 14.7 million tonnes (2007: 14.3 million).

As previously advised, the impact on Alumina Limited's underlying earnings for the third quarter of 2008 from the Varanus Island fire is estimated to be A$31 million after tax, assuming gas supplies are restored by mid August 2008. This estimate does not include any future insurance reimbursement for the increased costs and lost revenues.

The Company had previously given guidance that AWAC's alumina production costs were expected to increase by US$24 per tonne in 2008. AWAC's alumina production costs are now expected to increase for the 2008 year by a total of US$53 per tonne. The additional costs of US$29 per tonne are principally due to the impact of the Varanus Island fire (US$11 per tonne), a weaker US dollar (US$9 per tonne) and higher energy prices (US$4 per tonne).

Alumina Limited's borrowing costs for 2008 are now expected to be similar to 2007, as lower average interest rates offset an expected increase in borrowings in 2008.

	H107	H207	**H108**
Profit after tax (A$m)	284	152	**44**
Underlying earnings after tax (A$m) [1]	271	135	**152**
Dividends declared (cents/share)	12	12	**12**

[1] See page 1 of the 2008 Half Yearly ASX Report for a reconciliation of Net Profit After Tax to Underlying Earnings After Tax

Alumina Limited is a leading Australian company listed on the ASX and the NYSE. Our strategy is to profitably grow, solely through investing world-wide in bauxite mining, alumina refining and selected aluminium smelting operations through our 40% ownership of AWAC, the world's largest alumina business. Our partner, Alcoa, owns 60% of AWAC, and is the manager.

[+] To the extent required by the Corporations Act, Alumina Limited would make available a prospectus for any equity raising when the shares are offered. That prospectus would be sent to eligible shareholders after lodgement of the prospectus with the Australian Securities and Investments Commission, which lodgement would occur if and when an equity raising is pursued. If any equity raising is pursued, eligible shareholders would need to consider the prospectus in deciding whether to acquire shares under it, and any eligible shareholder who wants to acquire shares would need to complete the application form that would be in or would accompany the prospectus.

Some statements in this release 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; (e) constraints on the availability of bauxite; and (f) the other risk factors summarised in Alumina's Form 20-F for the year ended 31 December 2007 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.

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