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ALUMINA LIMITED

Public Announcement 2011 – 16AWC

Attached are the Chairman's, Chief Executive Officer's and Chairman of the Compensation Committee speeches to be delivered at the 2011 Annual General Meeting of the Company today.

Stephen Foster
Company Secretary

5 May 2011

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CHAIRMAN & CEO ADDRESS

Mr Don Morley

Good morning ladies and gentlemen.

My name is Don Morley and as Chairman of Alumina Limited, it is my pleasure to welcome you to the 41st Annual General Meeting of the Company.

There is a quorum present, so I now declare this annual meeting of Alumina open.

I propose that the notice of meeting, which was sent to shareholders in March, be taken as read.

The Minutes from the last Annual General Meeting are available at the registration desk for any interested shareholders.

Before moving to the agenda, I would like to introduce you to my fellow directors.

On my far right is Mr John Pizzey, a non-executive Director, who is standing for re-election today.

Next to John is Mr Peter Hay, a non-executive Director.

Next to Peter is Ms Emma Stein, a non-executive Director, who is standing for election today.

Next to Emma is Mr John Bevan, our Chief Executive Officer.

On my immediate right is Stephen Foster, Alumina Limited's General Counsel and Company Secretary.

And finally, the Company's Chief Financial Officer, Ms Judith Downes, is seated to my left in the front row.

The Company's auditor, PricewaterhouseCoopers, is represented by Mr Chris Dodd, who is also seated in the front row.

Mr Dodd is available to answer any questions regarding the conduct of the audit and the content and preparation of the Audit Report during the meeting.

This morning I want to discuss Alumina Limited's financial performance for 2010, our strategy, and recent developments on Australian carbon policy.

John Bevan, will then review the performance of the AWAC business, in which the Company has a 40 per cent interest and the outlook for 2011.

After this, there will be five resolutions to be considered.

2010 was a year of recovery for the global economy and the aluminium industry.

The Company returned to profitability and the alumina market improved during the year with alumina prices up 28 per cent.

In response, the AWAC business increased alumina production by 12 per cent.

However, the year was not without its difficulties, with higher revenues partially offset by the stronger Australian dollar, higher energy costs, and additional commissioning costs at the expanded Brazilian assets.

Despite these headwinds, operating margins for AWAC improved and AWAC's earnings increased to 335 million dollars, from 106 million dollars in 2009.

Alumina Limited's underlying earnings were 37 million dollars.

Importantly, there was a significant improvement in free cash flow from the AWAC operations, with an increase of over 1.1 billion dollars on the prior year.

This was achieved through increased margins, a significant reduction in capital expenditure and tight control of working capital.

The Company received dividends of 234 million dollars for 2010 all of which were fully franked.

This strong improvement in cash flow enabled fully franked dividends of 6 cents per share to be paid for the 2010 year.

We are reaching the end of a significant period of investment in Brazil in a large growth project.

We are also experiencing considerable improvement in the market outlook for alumina and aluminium.

As a result, the Board does intend generally on an annual basis, to distribute, as dividends to shareholders, the cash from operations after debt servicing and corporate cost commitments have been met.

We remain committed to our strategy to maintain our focus on our investment in AWAC.

The alumina industry has been the best part of the aluminium industry and we believe that will continue.

Demand and supply for alumina has stayed well balanced.

In recent years, China has been able to expand alumina and aluminium production capacity to meet the strong growth in domestic demand.

This has limited aluminium price increases and meant that aluminium has underperformed relative to other commodities.

However, there are positive signs that alumina prices are improving.

The spot price of alumina has been trading at over 400 dollars per tonne for most of 2011.

AWAC's eight alumina refineries are a network of assets that have established an extensive infrastructure and a low cash cost position.

AWAC is working to sustain this low cost position.

Clearly, the current level of Company earnings does not provide an adequate return on equity invested.

In recent years, significant cost pressures and a weaker US dollar have led to lower margins in the alumina industry.

AWAC is working to improve existing operating margins and earnings to levels consistent with the underlying value of the AWAC business.

Progress has been made on achieving that objective, with operating margins in alumina refining increasing from 47 dollars per tonne in 2010 to 71 dollars per tonne in the first quarter of 2011.

John Bevan will talk more on this subject and changes to alumina pricing which are occurring.

The Brazilian resources company, Vale, last year sold its alumina and aluminium assets to Norsk Hydro for over 5 billion dollars.

The value we attribute to the sale of Vale's bauxite and alumina assets, whose production cost is in line with the average of AWAC's assets, was just under 1,600 dollars per tonne of annual production.

This transaction has reinforced the value of existing alumina assets outside of China, where the cost of constructing new capacity is over 1,500 dollars per tonne.

I believe that there is increasing recognition by investors of the value of AWAC's existing asset portfolio and the changes occurring in the industry on alumina pricing.

Alumina Limited also has, through AWAC, an interest in the Point Henry and Portland aluminium smelters.

AWAC's Point Henry and Portland smelters are energy efficient operations, with direct greenhouse emissions levels among the best worldwide.

The smelters have reduced their direct greenhouse gas emissions by over 60 per cent since 1990.

They are well managed, competitive and valuable assets for AWAC and our shareholders.

The Australian Government has announced its intention to introduce a carbon tax.

After a specified period, the Government proposes to move to a cap and trade emissions trading scheme.

As details have not been released, the impact on Australian exporters cannot be assessed.

Alumina Limited and AWAC support an economy-wide response to the challenge of climate change that encourages reduced emissions.

However, it must preserve the international competitiveness of Australian industries, in particular emission-intensive, trade-exposed industries such as the aluminium industry.

AWAC's Australian assets compete in a global marketplace in which most producers are subject to very minimal greenhouse gas charges.

China's alumina and aluminium industry does not pay any carbon price on direct emissions and pays a renewable energy surcharge equivalent to around 85 cents per tonne of carbon dioxide on indirect (electricity) emissions.

In this global marketplace, a carbon price mechanism which increases the costs of producing alumina and aluminium in Australia will shift production and emissions from Australia to a country with a lower, or no, carbon cost.

Most likely this would be Chinese production using coal as its energy source.

The effect of this would be to reverse a long standing bipartisan policy at the state and federal level to add value to Australian commodity exports.

Furthermore, it would not achieve the environmental objective of reducing global emissions and would impose a significant loss in added value and jobs in Australia, concentrated in regional areas.

The Aluminium Council has produced a brochure describing the potential impact of carbon prices on the Australian Aluminium Industry. I commend it to you and copies are available in the foyer.

It is crucial that the Australian Government's carbon policy does not disadvantage Australian industry against its international competitors.

Let me now turn to changes to the composition of your Board.

Ms Emma Stein joined the Board in February and is standing for election at this meeting.

Ms Stein is currently a non-executive Director of Clough Limited, Diversified Utilities Energy Trust, Programmed Maintenance Group and Transfield Services Infrastructure Fund.

Ms Stein was previously the UK Managing Director for Gaz de France's energy retailing operations, and UK Divisional Managing Director for British Fuels.

Ms Stein has considerable experience with industrial customers, international energy and utilities markets and investments in long life assets and projects.

We have welcomed her contribution to the Board's deliberations.

Mr Ron McNeilly retired this year, after nine years as a Non-Executive Director of your Company.

On behalf of all the directors, I would like to thank Mr McNeilly for the experience, expertise and integrity he brought to the Board, including his work as Chairman of the Compensation Committee.

Finally, a comment on the near and medium term outlook.

Free cash flow available for distribution to shareholders increased significantly in 2010 as cash flow from the AWAC operations increased, and capital expenditures wound down.

This strong cash generation has enabled increased dividend payments to shareholders.

Planned capital expenditure on growth projects is modest.

World capital markets continue to experience substantial uncertainty, partially reflecting global political and economic tensions.

The global economy and the demand for aluminium and alumina have been growing.

Spot and index alumina prices have strengthened to around 420 dollars per tonne and aluminium prices to over 2,700 dollars per tonne.

However, the strength of the Australian dollar and higher energy prices remain a constraint on the Company's financial performance.

Nevertheless, the outlook for the alumina market and prices remains positive and the Company is well placed for an improved performance in 2011.

Finally, I would like to recognise the contribution of all of Alumina's management and staff very ably led by John Bevan. They are a small but very professional team who work diligently to further the interests of shareholders in Alumina.

I now invite John Bevan to outline highlights of AWAC's operational performance and to comment further on the outlook for 2011.

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Mr John Bevan

Good morning ladies and gentlemen.

Thank you for your support throughout 2010 and your attendance today at the Annual General Meeting.

This morning I will discuss the AWAC joint venture's performance, and the outlook for 2011.

When I addressed you this time last year, the market outlook was moving in a positive direction.

Alumina demand and pricing was strengthening and AWAC planned a substantial production increase in 2010.

It was a recovery year, where profitability was restored and strong cash generation returned.

AWAC increased alumina production to a record 15.2 million tonnes, up from 13 and a half million tonnes in 2009.

The Australian refineries operated at, or close to, nameplate capacity, with a production record of 4.3 million tonnes set at Pinjarra.

While production performance was very positive for most refineries, AWAC was unable to satisfy its own 2010 production target due to commissioning and start up issues at the Alumar refinery in Brazil.

The refineries in Suriname and Point Comfort in the United States, increased production to partially replace production lost as a result of the commissioning issues in Brazil.

Since the beginning of 2011 however, the Alumar refinery in Brazil has been operating at close to nameplate capacity and its costs have started to improve.

We remain positive and confident in the long term contribution of these new Brazilian assets.

Apart from these issues, the refining system performed well on the cost control front, with controllable areas well managed and importantly, the 2009 savings held on to.

The strong Australian dollar in the second half was the major contributor to modest increases in the cost of alumina production.

AWAC capital expenditure was at its lowest level in many years at just 298 million dollars, down from 763 million dollars in 2009.

This reflects the winding up of Brazil's major capital investment, which commenced in 2005.

I would now like to turn to the important issue of alumina pricing.

At the 2010 AGM we discussed the need to change the alumina price away from a price set as a percentage of the aluminium price.

Aluminium prices vary for many reasons, whether it is changes in capacity and demand, or movements in its key cost – electricity.

Alumina has a different set of both capacity and cost drivers from aluminium.

On the cost front, its key cost components are the mining and delivery of bauxite, caustic soda, and energy.

Over the past 10 years, these elements have risen significantly more than aluminium prices.

As a result, alumina margins have been squeezed because selling prices do not reflect the underlying economics of producing and selling alumina, despite the fact that the linkage has increased in recent years.

There has been very little profit across the entire industry in the years of the global financial crisis, even for low cost producers like AWAC.

The low selling prices, rising capital costs, and prices not reflecting the cost and demand drivers have slowed new investment in most areas outside of China.

In China, a significant proportion of alumina produced is sold on a spot basis.

Outside of China, this is now becoming the trend.

In 2010 a number of key commodity information service providers started publishing daily and weekly alumina spot pricing indices.

This has given the seller and buyer of alumina a reference point for pricing that better reflects supply and demand and the cost of alumina.

Spot prices should reflect the true economics of the alumina industry.

AWAC is the largest producer of alumina and the largest seller of alumina to the third party market, and therefore stands to benefit from this change.

AWAC has approximately 20 per cent of its alumina sales contracts rolling off in 2010.

All the new contracts have been signed using the spot price indices as the mechanism for setting prices.

This is the beginning of a change that will take a number of years to complete.

This is, however, a very positive start.

Overall, the pricing environment for alumina has structurally improved.

I would like now to turn to the strategic milestones achieved in the past year which will improve the overall business in the future.

By the end of 2010, the major capital expenditure for the Brazilian growth projects was nearing completion.

The expansion of the Alumar refinery was complete, and the Juruti bauxite mine operated at design capacity during early 2010.

However the refinery during the year experienced a number of power outages and the failure of a ship unloader that curbed refinery production throughout the past twelve months.

The Brazilian growth project is a strategically important investment. It links a large efficient alumina refinery with a long term bauxite deposit.

In addition to these investment milestones, AWAC has also committed to invest in a greenfield industrial complex in Saudi Arabia.

Alumina Limited's total equity investment in Ma'aden is estimated at 140 million dollars.

The refinery is expected to start commissioning in 2014.

AWAC will have a 25 per cent interest in the alumina refinery.

The refinery will have access to low cost power and will be supplied bauxite from its own mine.

Approximately 60 per cent of the required total project funding will be arranged through project financing which is expected to be finalised this year.

Looking forward, there is a positive market outlook.

Strong alumina demand in both China and a tight market elsewhere should see the current alumina price rally continue.

We expect the aluminium market in 2011 to show strong growth of 12 per cent.

It will be the second year of double digit growth, with not just China but the developed and emerging economies adding significantly to global demand.

Growth outside of China is expected to be over 10%.

Demand from all sectors, with the exception of building and construction in the developed world, is strong, with vehicle production growing, and increased aluminium usage in most vehicles.

In China alone, 120 million vehicles are expected to be built over the next five years.

Electrical infrastructure will also be a key area, with copper being substituted with aluminium in areas such as electrical cabling and heat exchangers.

So, what will be the impact of these changes on AWAC? Well, firstly, the production at the new AWAC operations in Brazil has stabilised and is operating at capacity.

So on this basis, AWAC is likely to make record production again in 2011.

Capital expenditure will be only at moderate levels.

AWAC's estimated spend on sustaining capital expenditure in 2011 is approximately 350 million dollars.

Estimated AWAC growth capital expenditure for 2011 on Brazil and on the Ma'aden projects is 288 million dollars.

Twenty per cent of AWAC's third party volume in 2011 has already been signed with pricing based on the new alumina price indices, so this will impact our results from this year.

This is a strong start to the pricing mechanism change.

Aluminium and alumina prices are much stronger in 2011 over 2010.

Strong demand and tighter supply have driven this.

These prices will be partly offset by a stronger Australian dollar and rising energy costs.

World energy prices are continuing to trend upwards.

Recent events in the Middle East have contributed to higher oil prices, which affect AWAC's production costs.

I believe the stronger energy prices have been a factor in the rise of the aluminium price this year.

Alumina Limited has a strong balance sheet, and low gearing.

Our investment in AWAC will benefit from these improved conditions.

Strong predicted demand for both metal and alumina means that prospects for 2011 are for an improved performance.

In conclusion, I would like to thank the staff of your Company for their commitment and contributions throughout the year.

Thank you.

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REMUNERATION ADDRESS

Mr Peter Hay

Good morning.

As Chairman of Alumina's Compensation Committee, I wish to comment briefly on Remuneration Policy and specific decisions made by the Committee during 2010.

The Chairman will answer questions on the Remuneration Report and propose a resolution to adopt the Remuneration Report for the year ending December 2010.

Remuneration Policy –Executives

The Company's remuneration policy has remained largely unchanged from that endorsed at last year's annual general meeting.

Our remuneration policy is structured to align employee remuneration with specific and measurable individual and corporate objectives and targets that are linked to shareholder interests.

Senior executive remuneration is reviewed annually by the Compensation Committee. Key factors that influence the level of executive remuneration are Company performance, individual performance and market relativity.

[Individual Performance] – Each Executive's remuneration reflects his or her individual performance against specific goals and personal objectives set for the year under review.

[Company Performance] – Share-based remuneration for Executives is based on the relative performance of the Company measured against peer companies' Total Shareholder Return And also, for annual short term incentive awards, partly against targets for earnings per share and return on capital.

Market Position – Alumina Limited is an international business and remuneration levels need to be competitive with comparable Australian organisations to ensure that the Company attracts and retains high-performing employees.

2010

Let me now comment on remuneration decisions in 2010.

Remuneration policies that were endorsed at recent shareholder meetings have remained largely unchanged.

The company did review its executive remuneration framework in 2010, including the approach to performance assessment and measurement. The Company will continue to use a combination of financial and non-financial performance metrics in determining short term incentive payments. The review confirmed that, in considering financial performance of the Company, a variety of internal and external factors that affect those metrics will be considered, rather than using a formulaic approach.

The Chairman has discussed the strengthening market conditions and the improved profit and cash flow results for the Company for 2010. This has enabled an increase in dividends payable to shareholders and been reflected in a higher Company share price.

Non-Executive Director fees were last increased 3 years ago at the beginning of 2008. Non-executive Directors' fees are reviewed annually and are determined based on comparative analysis and advice from remuneration consultants, and take into account the Directors' responsibilities and time spent on Company business.

The outcome of that annual review is that non-Executive Directors' fees were increased for the 2011 year by $10,000 per annum. In addition each Director, other than the Chairman will now receive fees for participating or chairing Board Committees.

I trust shareholders will agree that our executive remuneration policy is competitive, fair, and fully aligned with shareholders' interests.

Thank you. I will now hand back to the Chairman.

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