

Alcoa of Australia Limited Secures Long Term Energy Supply

Alumina Limited advises that Alcoa of Australia Limited has secured further long term energy supply for its Australian alumina refineries. Alumina Limited is a 40% shareholder of Alcoa of Australia.

Alcoa of Australia has committed to a new 12 year gas supply agreement for the initial supply of 120 terajoules per day of natural gas, commencing in 2020. This gas supply agreement secures the low cost position of AWAC's¹ Australian alumina refining business. This agreement brings to almost 75% the amount of gas now secured by Alcoa of Australia to replace existing gas supply agreements which expire at the end of this decade.

The impact of the gas supply agreement on AWAC's alumina production costs will not be material relative to the costs actually incurred in 2014. Alumina Limited believes this is an important initiative that secures AWAC's leading global position in alumina refining.

The agreement is conditional on a consortium comprising Brookfield Asset Management Inc. and Macquarie Capital Group Limited completing the acquisition of Apache Energy Limited's Western Australian oil and gas assets in the Carnarvon Basin from Apache Corporation.

As part of the gas supply arrangements, Alcoa of Australia will make a prepayment against contracted supply of US\$500 million. The prepayment will be payable by two instalments. The first instalment of US\$300 million is due on closing of the Apache asset sale, expected to be in May 2015. The second instalment of US\$200 million is due in 2016. Alcoa of Australia is a highly cash generative business at current alumina prices and foreign exchange rates. Alcoa of Australia held cash and cash equivalents of A\$268 million at 31 December 2014. Alcoa of Australia is expected to fund the prepayment from its cash balances. Alumina Limited is not expected to contribute to the funding of the prepayment by Alcoa of Australia.

Alumina Limited CEO, Peter Wasow, commented, "This secures the competitiveness of our low cost Australian refining business into the next decade and is a very positive achievement given the current tightness in Western Australian energy markets. While Alcoa of Australia is making a significant up-front payment to secure this important gas supply, the Alumina Limited Board remains committed to distributing excess funds to shareholders. The Board anticipates that if current market conditions prevail Alumina Limited will be in a position to continue to pay dividends to shareholders and the Board will review the options available to supplement dividends in light of the energy prepayment".

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Alumina Limited has received capital returns and dividends in the first quarter of 2015 of US\$29 million, and expects to receive further distributions from AWAC over the course of the current year. Alumina Limited's capital contributions to AWAC in the first quarter were negligible².

¹ AWAC, or Alcoa World Alumina and Chemicals, is a joint venture between Alcoa Inc (60% owner) and Alumina Limited (40% owner)

² Total contributions during the quarter were approximately \$10,000.

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 2013.

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