

2011 HALF YEAR UPDATE



Dear Shareholder,

We are pleased to report to you on Alumina's improving earnings during 2011 and the increased interim dividend payable to shareholders.

Earnings growth driven by higher realised alumina prices and solid operational performance

Alumina's underlying earnings in the half year to June 2011 increased to US\$78 million from US\$22 million in the first half of 2010. This result reflects a steady improvement in industry prices and demand.

Operating margins also improved with higher realised alumina prices and solid operational performance offsetting the impact of higher input prices and the strength of the Australian dollar and Brazilian Real.

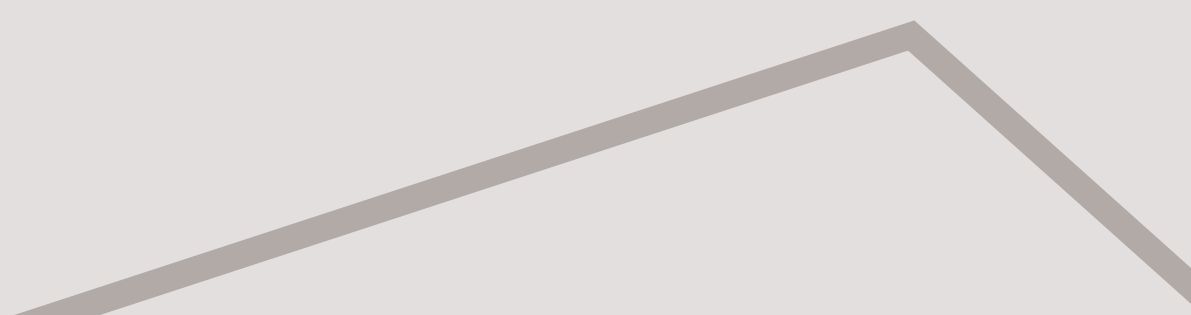
In the past twelve months, markets began to change the method used to price alumina. There is now a clear trend to alumina pricing being based on its own underlying economics rather than simply being linked to LME aluminium prices. This has resulted in an increase in realised alumina prices. We are in the first year of what is expected to be a five year transformation process as the AWAC joint venture progressively transitions to the new pricing structure. AWAC now has approximately 20 per cent of third party alumina sales based on index price. We are already seeing that this change has resulted in stronger bottom line performance, and as the world's largest alumina producer, the AWAC joint venture is well positioned to benefit from this structural change and a shift in value as margins move upstream.

The Company retains a conservative gearing level of 11.3 per cent, with net debt of US\$418 million at 30 June 2011.

Resumption of Dividend

The Company received US\$166 million of dividends, from AWAC during the half year. The improved result and cash flows received has enabled the interim dividend to be increased from US 2 cents to US 3 cents per share. The interim dividend is fully franked.

While the dividend has been declared in US currency, it has been paid in Australian dollars, except for British residents who continue to receive their payment in Pounds Sterling and holders of American Depositary Receipts who are paid in US Dollars. The dividend was converted to an amount of Australian 2.8885 cents per share and British 1.8180 pence per share using the US dollar exchange rate on the record date for the dividend, 22 August 2011. The dividend reinvestment plan remains suspended.



Australian Carbon Pricing Policy

The Australian Government recently announced a proposed carbon pricing scheme to be implemented in 2012.

Under the announced carbon pricing scheme, the AWAC smelting and refining operations will qualify for the maximum assistance towards the impact of the scheme on their emissions. However, the financial impact on AWAC cannot be reasonably determined until the legislation and regulations are finalised.

Alumina Limited supports an economy-wide response to the challenge of climate change that incentivises improvements while preserving the international competitiveness of the Australian industry.

Industry Outlook

During the first half of 2011, aluminium demand globally has been growing at a strong rate relative to 2010 and this has led to improving alumina prices.

While changes in the global macro-economic environment may lead to increased volatility, we expect the underlying long term demand picture to remain positive. The structural move of the industry towards shorter term and spot contract pricing for alumina is also a continuing positive development for AWAC.

Summary

Alumina Limited is in a sound position, with low gearing and improved free cash flow and is well positioned to benefit from the positive outlook for the alumina industry.

Yours sincerely



DONALD M MORLEY
CHAIRMAN



JOHN BEVAN
CHIEF EXECUTIVE OFFICER

Disclaimer: 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; and (e) the other risk factors summarised in Alumina's Form 20 F for the year ended 31 December 2010.