



**Aluminum Summit
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ALUMINA
LIMITED



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3 global businesses



Global bauxite market
225 million tonnes



Global alumina market
90 million tonnes



Global smelter market is
45m tonnes

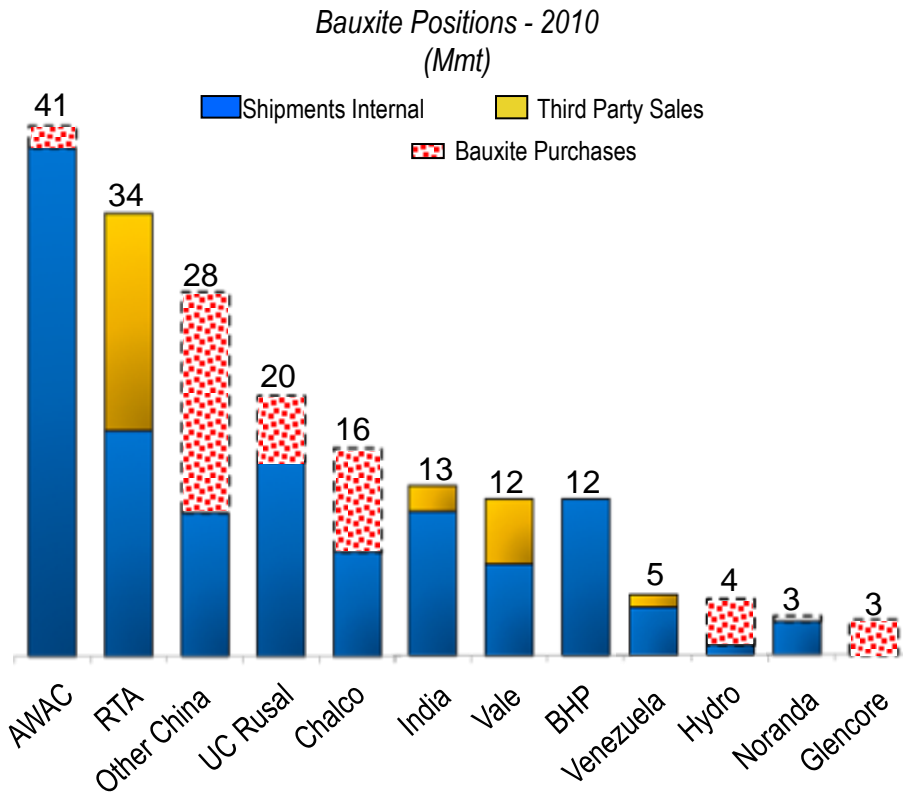
- Each business has different economics and varies regionally
- Global industry is less vertically integrated than before China's growth
- Traded bauxite and alumina has increased rapidly since China's industry development
- China is 42% of global aluminium demand, so impacts all 3 businesses

Bauxite – low value but expensive to access and deliver



- New mines are not expensive, logistics are
 - Approvals
 - Increasing national interest requires value adding in country
 - Capital costs for transport/ infrastructure rising rapidly
 - Higher rehabilitation standards
- China's refinery growth has encouraged traded bauxite market
- 55% of bauxite is now seaborne trade globally

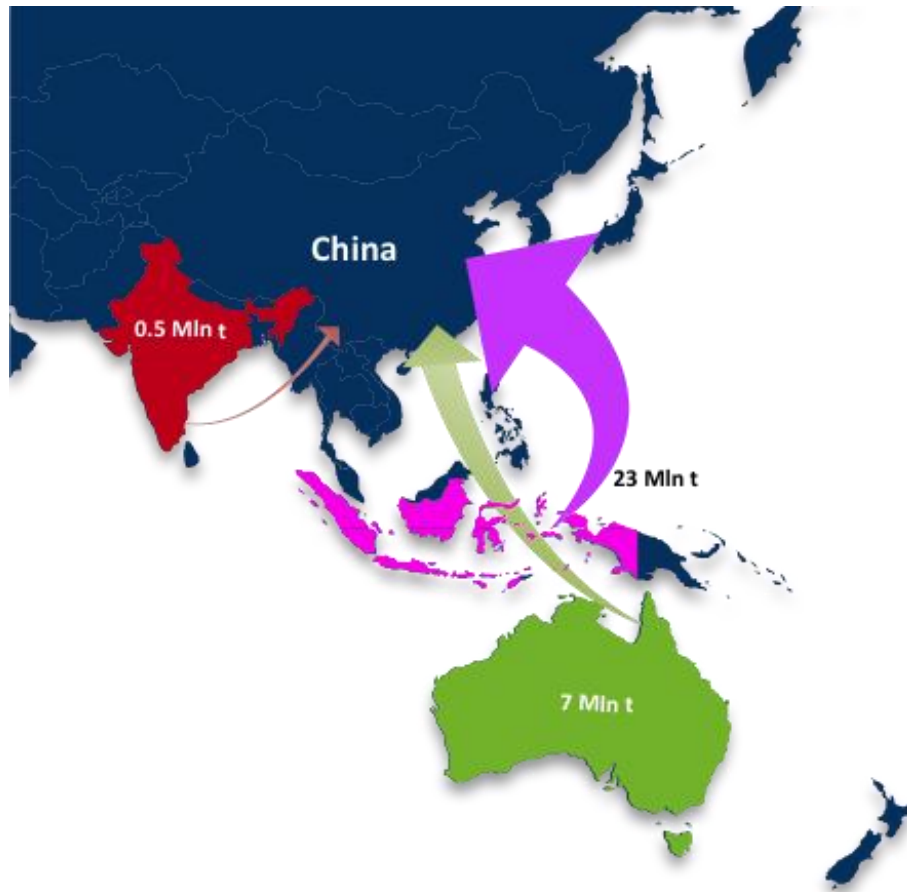
Not all producers are vertically integrated



Source: Alcoa estimates, CRU

- China producers are the least self sufficient in bauxite
- Existing mines have falling grades, which lead to higher processing costs
- Some majors hold long term leases that are under-developed
- New "easy access", high quality bauxite is now rare

China's bauxite imports have rising costs

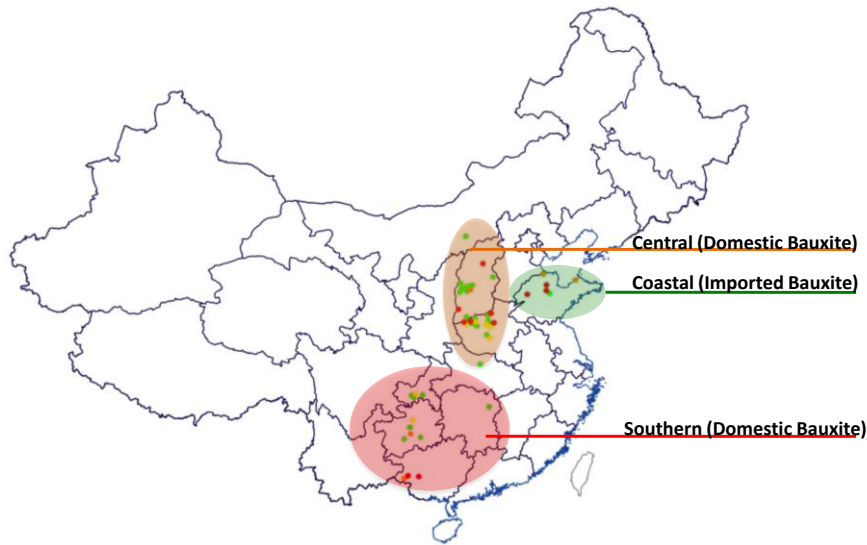


Source: Clark & Marron

- China imports 25% of its bauxite needs – mainly from Indonesia
 - Indonesia's mining laws may stop export trade in 2014
 - Existing Indonesian bauxite quality dropping/costs increasing
 - Demand for new sources from Australia rising
 - India focused on internal supply
- China has bauxite but insufficient for demand
 - Falling grades affecting processing
 - Internal infrastructure limits long distance transportation

Bauxite makes China a high cost alumina producer

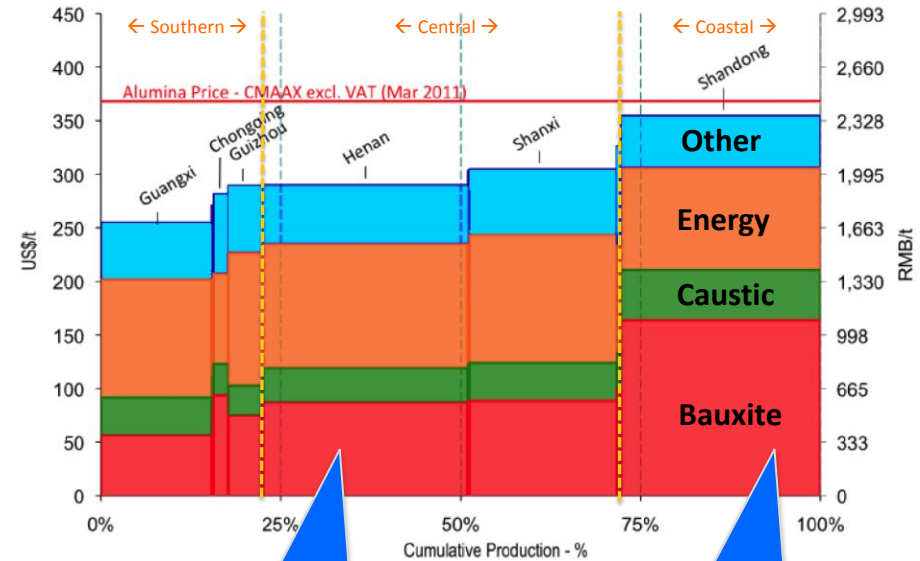
Chinese Alumina – Domestic Bauxite Reserves



Source: Clark & Marron

- Largely self sufficient in alumina
- Imported and domestic bauxite costs are rising
- Energy prices in Shandong are up
- Merchant refineries are marginal producers
 - Drive pricing in China

Chinese Alumina Cost Curve 1Q 2011



Future bauxite imports in central region due to falling grades of local bauxite

Merchant refineries using imported bauxite are the current marginal producers in China

Strong alumina demand – can supply respond?



- Demand strong as recovery grows
 - Supply outside China is tight
- Limited planned additional capacity outside China
 - Current utilisation about 90%
- Rising capital and operating costs
 - Capital costs in Australia around \$2,000/tonne
 - Rising energy prices
 - Low industry profitability
 - Little incentive for new capacity
- Move from “linked LME pricing” to spot based indices gathers momentum

Will China's aluminium demand be supplied from within?



Source: Clark & Marron

- Urbanisation continues to drive strong demand
- Government looking to restrict growth of supply
- Smelters connected to grid have competition for power and higher costs

However

- More than half of China's smelters have own power
- New smelting capacity being built primarily in Xinjiang (North West Province) based on stranded coal

Summary

- Bauxite, alumina and metal have different economic drivers
- Industry is less vertically integrated now
- China's current and future growth impacting on Asia-Pacific supply and demand for both bauxite and alumina
- Rising costs for capital and operating expenses are expected to see alumina prices rise



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