

Bank of America Merrill Lynch 2010 Global Metals & Mining Conference

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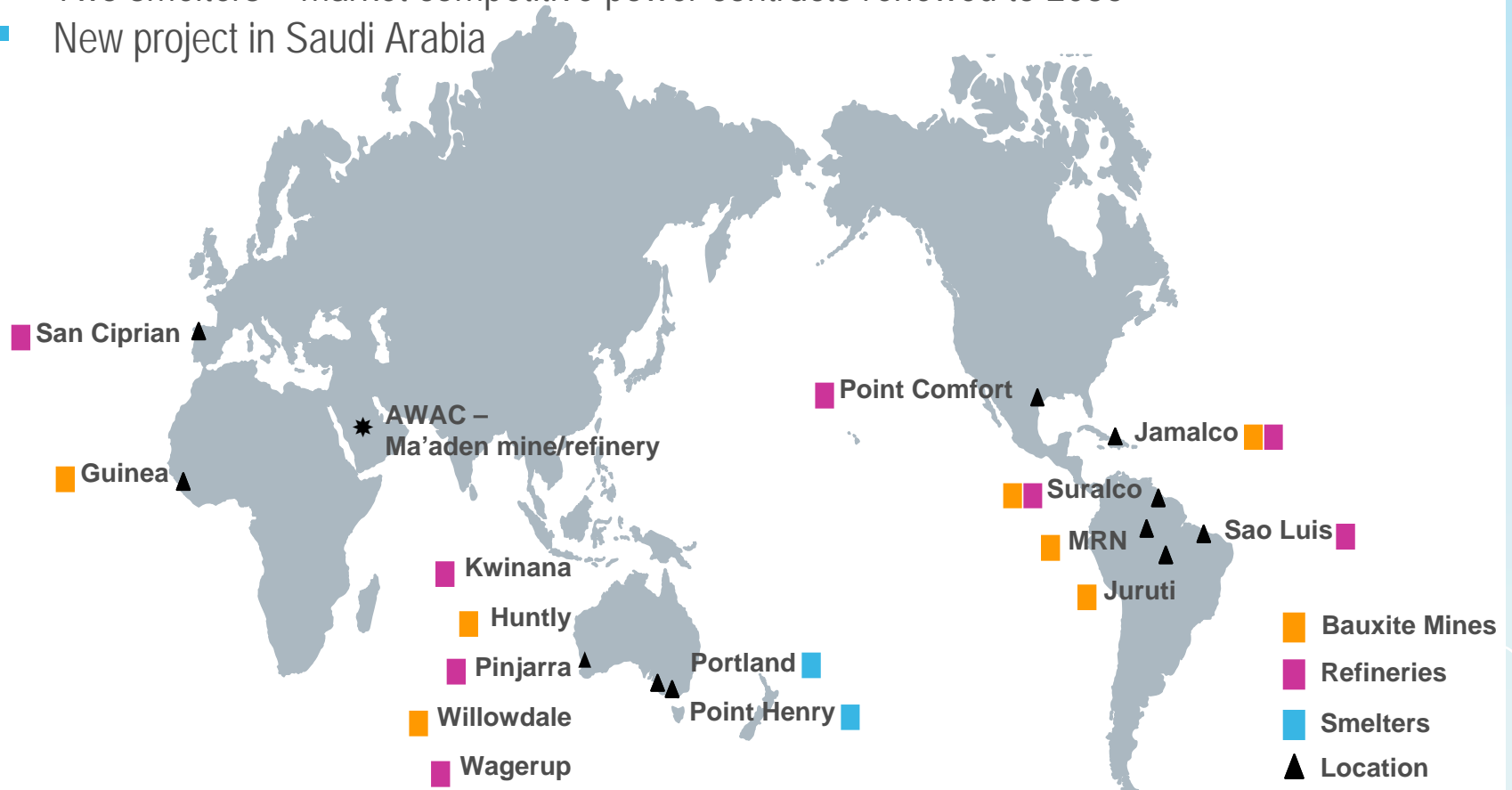
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Alumina Limited

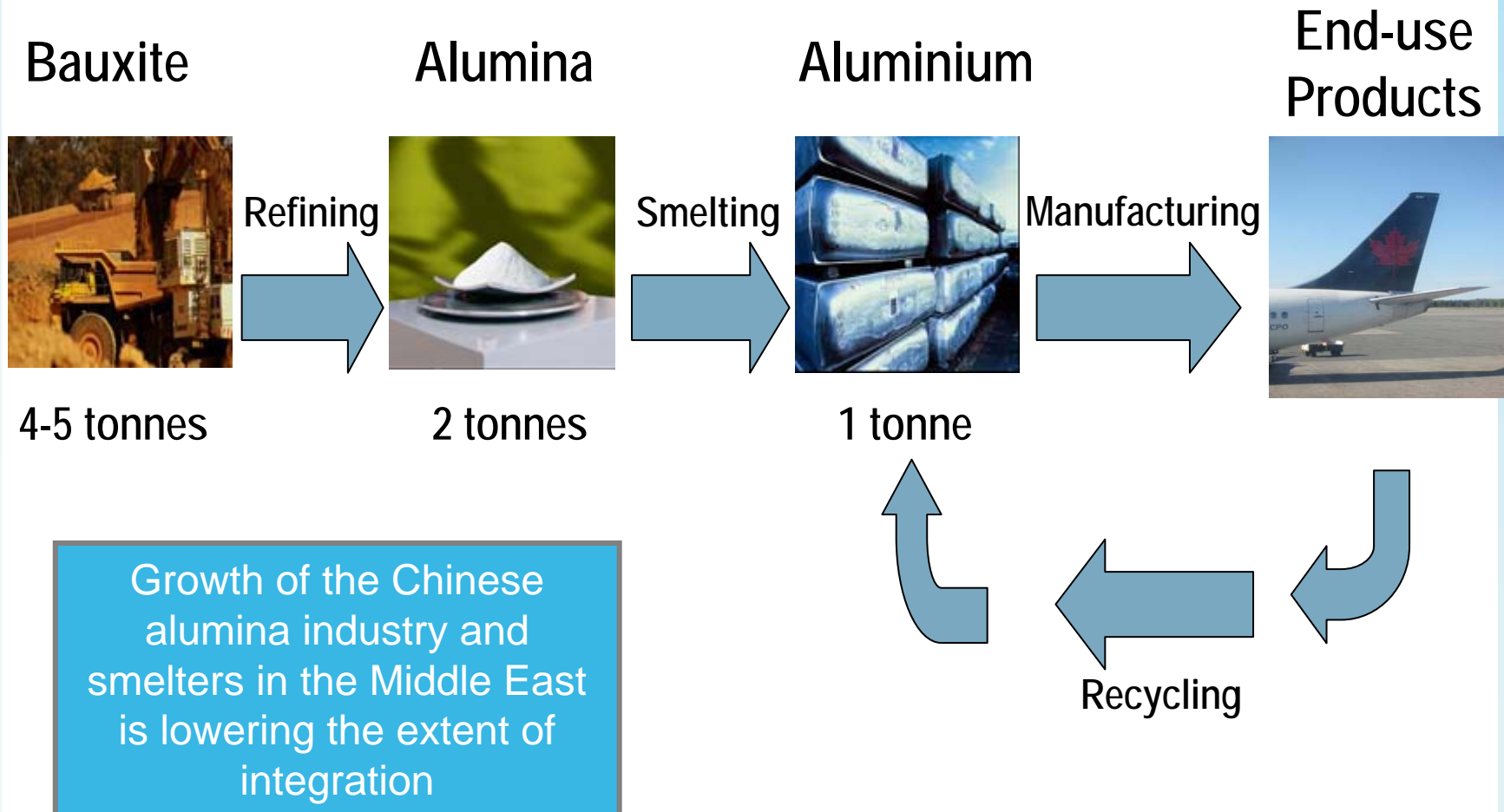
- Alumina (AWC) is listed on the Australian Stock Exchange and the New York Stock Exchange and is an ASX100 company
- Alumina Limited owns a 40% joint venture interest in Alcoa World Alumina & Chemicals (AWAC) – the world's largest bauxite miner and alumina producer
- AWAC is an exclusive joint venture for bauxite and alumina between Alumina Limited and Alcoa

AWAC – Largest bauxite & alumina business

- Eight refineries – 17 million tonnes of capacity
- Seven bauxite mines – world's largest bauxite miner
- Two smelters – market competitive power contracts renewed to 2036
- New project in Saudi Arabia



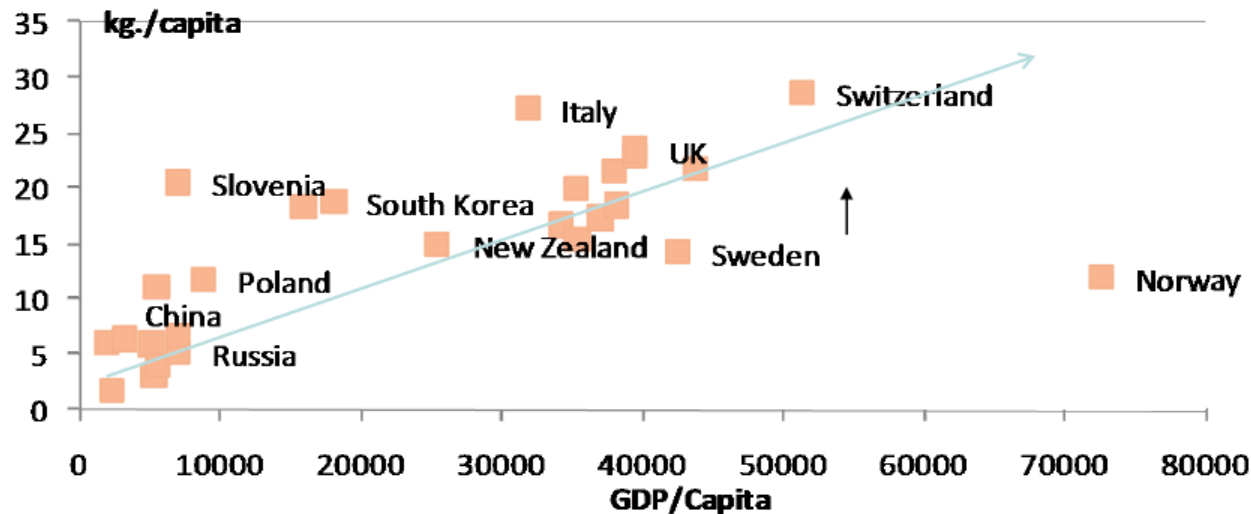
The aluminium cycle



Critical issues

- Strong underlying demand for aluminium will drive new investment in alumina
- Long life, low cost alumina assets are difficult to replicate and expensive to develop
- Alumina pricing structures are in transition – this will be beneficial for AWC

Aluminium consumption has a long way to go



Source: Metal Bulletin Research, March 2010

- Per capita consumption in emerging economies still very low
- Urbanisation and light transport drivers of growth
- Primary aluminium demand grew by 36% 2000–2009*
 - second only to steel

* Source: James King

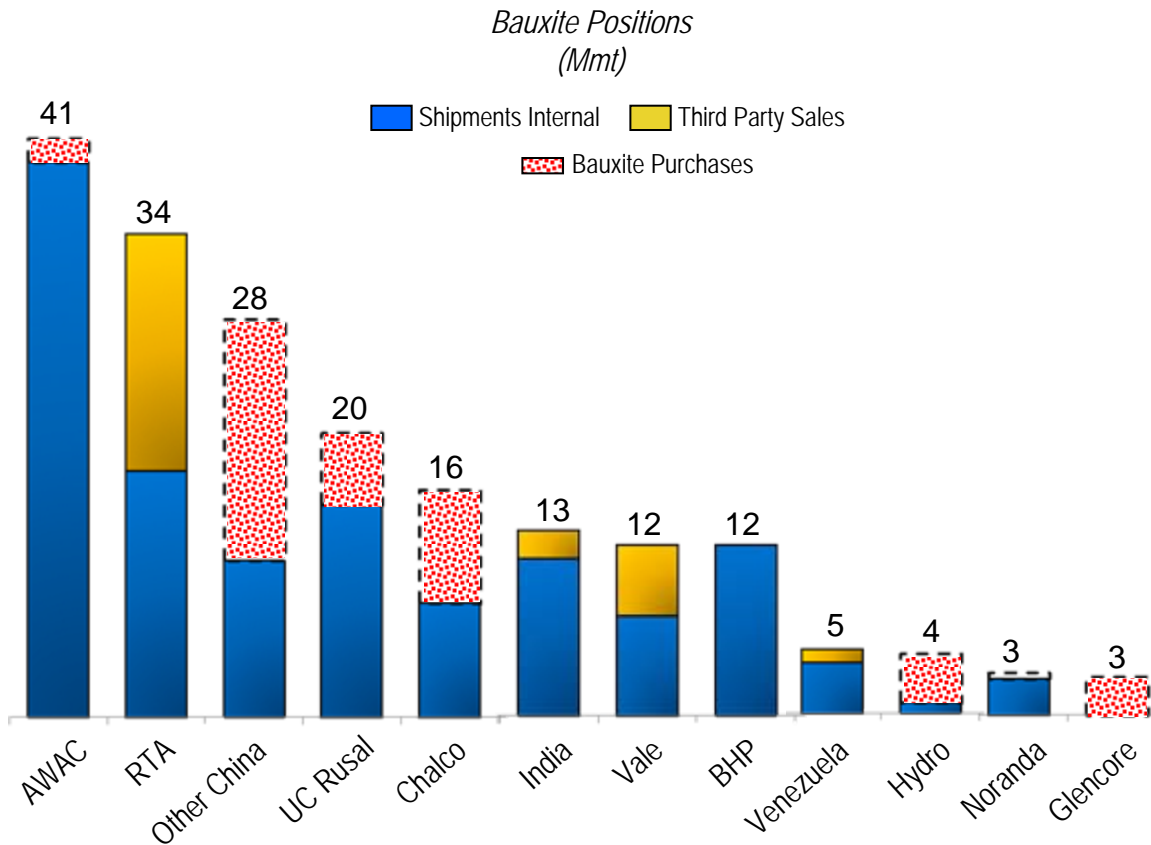
Long life, low cost alumina assets are difficult to replicate and expensive to develop

Long life, accessible bauxite is key

- Best refinery projects co-located with bauxite reserves
- Bauxite quality is diminishing, is not accessible and is becoming harder to gain approvals for expansions or new mines
- Some traded bauxite no longer available
- Chinese looking for bauxite projects outside China to accommodate future growth



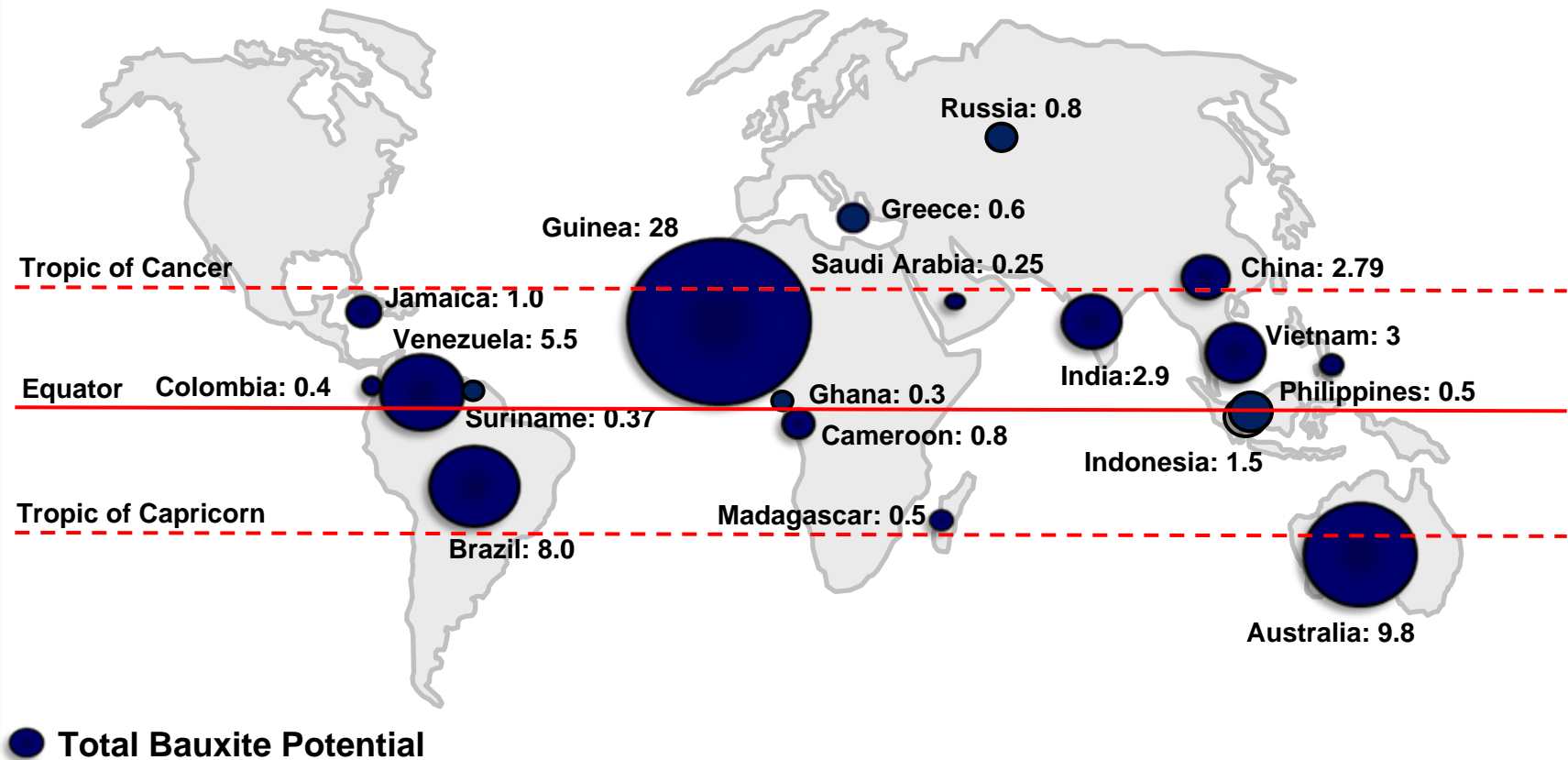
Not all industry participants are long on bauxite



- Considerable existing need for third-party purchases and sales
- Non-integrated refiners exposed to third-party sea borne purchases of bauxite will set the marginal price for alumina
- Chinese refineries import more than a third of their bauxite

Bauxite is plentiful, but needs refinery integration

Global Bauxite Availability (BMT)



What makes a Tier 1 asset in alumina

- Close to long life bauxite reserves
- Long term energy supply
- Stable workforce
- Close to deep water port
- Port giving direct access to main customers



Pinjarra - 4.2m mtpy

Why Western Australia is a Tier 1 asset



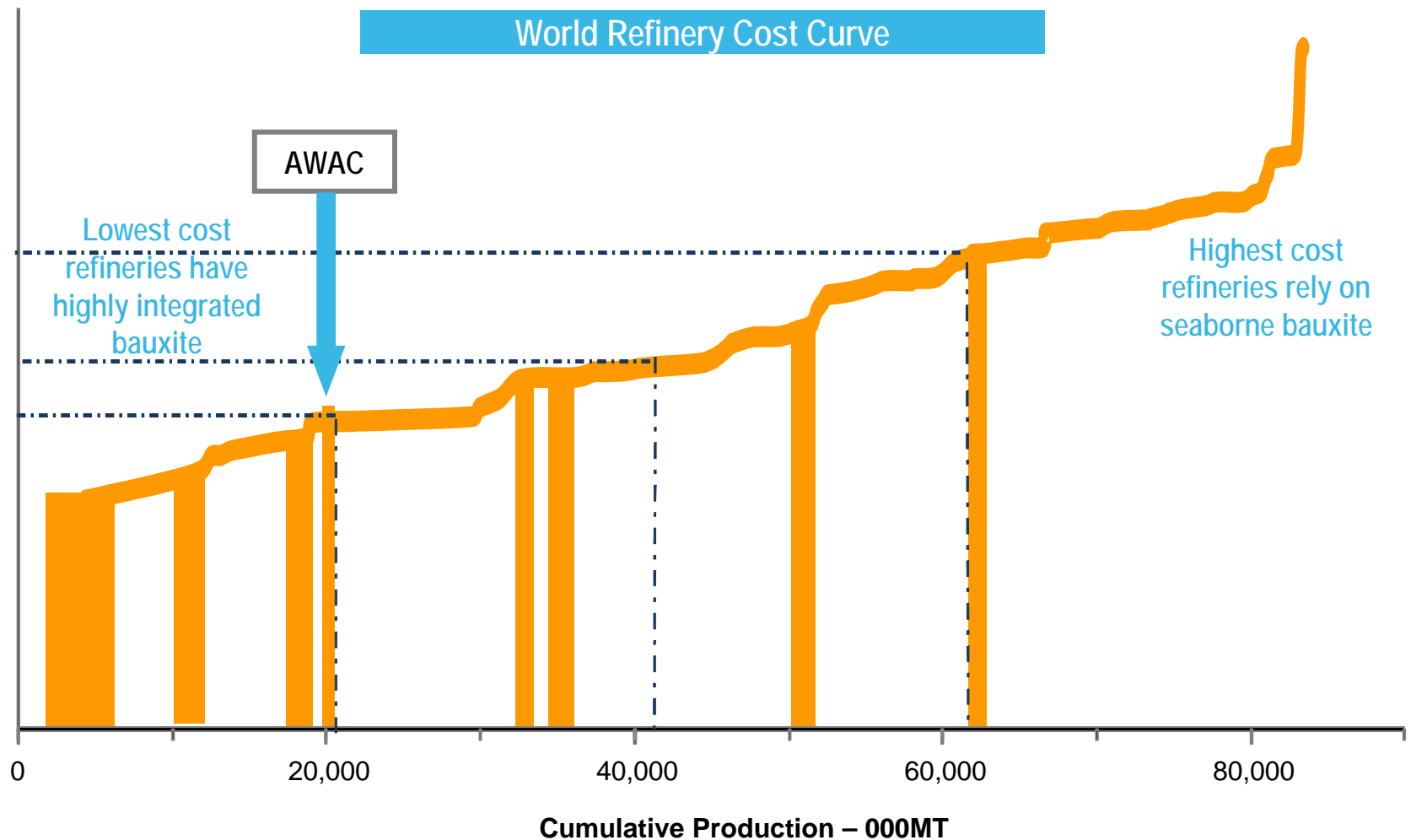
1. Long life bauxite reserves
2. Low reactive silica → caustic usage lower than most
3. Close to skilled workforce
4. Long term energy supply – part owner of Dampier to Bunbury pipeline
5. Close to deep water port
6. Close to customers

AWAC's Brazil investment: further investment in Tier 1 bauxite and refinery capacity

- Juruti is now commissioned
 - 100+ years of mine life
 - infrastructure developed for major mine
- Sao Luis in commissioning
 - 1.1 million tonnes extra capacity
- AWAC has spent \$3.7bn on these projects – includes \$200m to complete in 2010
- Investment return not yet reflected in earnings



Key to low cost is bauxite/refinery integration



Source: CRU, Alcoa Analysis

Key: ■ AWAC Refineries

Capital costs continue to rise

Capital Cost US\$/tonne

China	\$1,074
North Australia	1,534
Western Australia	1,419
India	1,227
Guinea	1,887

Implied range \$1,000 - \$1,900 per tonne

- Infrastructure costs rising quickly – ports, railways
- Long life mines difficult to develop
- ROI requires certainty of pricing based on fundamentals for long life investments to continue
- AWAC has 17.1m tonnes of installed capacity
- AWAC has 10 million tonnes of lowest quartile cost capacity in Australia and Brazil

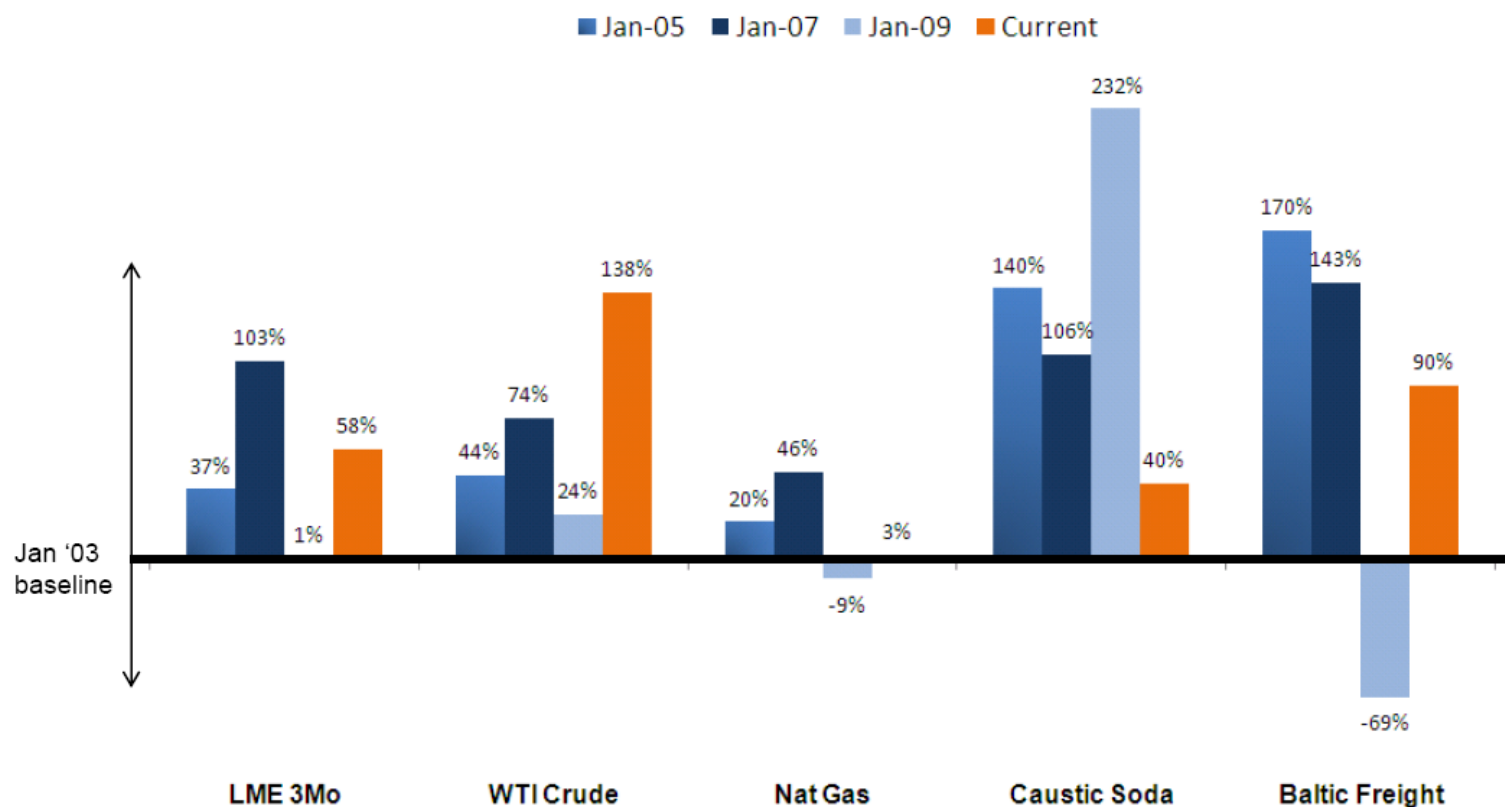
Why alumina pricing is in transition

Key pricing dynamics

- Growing bauxite and alumina capacity is required
- Capex required to build Tier 1 alumina capacity is growing
- The pricing model linking alumina to LME aluminium does not reflect alumina production costs and will not provide the incentive for new capacity
- Refining growth in China is less integrated, and Chinese alumina prices reflect the marginal, non-integrated producer's costs

Linked alumina prices are disconnected from input costs

- Low correlation between LME aluminium prices and alumina input costs
- Margins have become volatile
- Current pricing system does not reflect alumina industry fundamentals



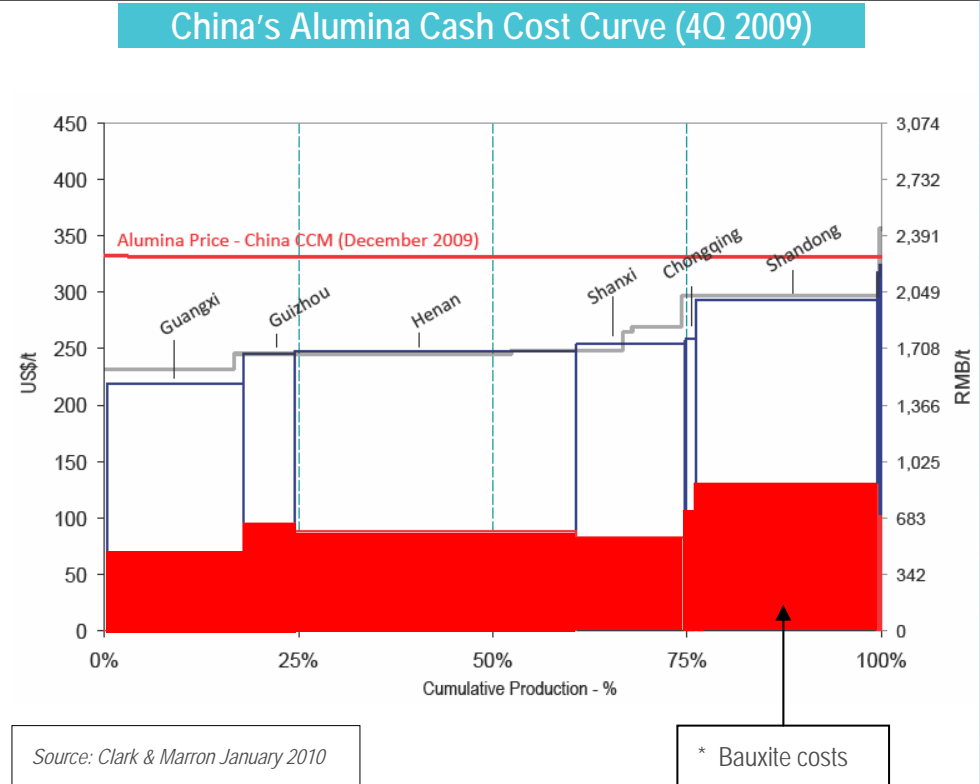
Source: LME, NYMEX, CMAI, Baltic

Chinese alumina sector – driving structural change

- China's share of world metallurgical alumina market growing – 3% (1985), 34% (2008)
- Chinese industry is relatively less integrated
 - China very influential in third party markets for bauxite and alumina
 - this increases non-integration
- Third-party transactions globally in alumina growing as a percentage of the total market*:
 - approximately 30% late 1980's
 - 41.1% 2006
 - 45.0% 2009
- Non integration means the alumina pricing should increasingly reflect industry supply/demand conditions and marginal producers' costs

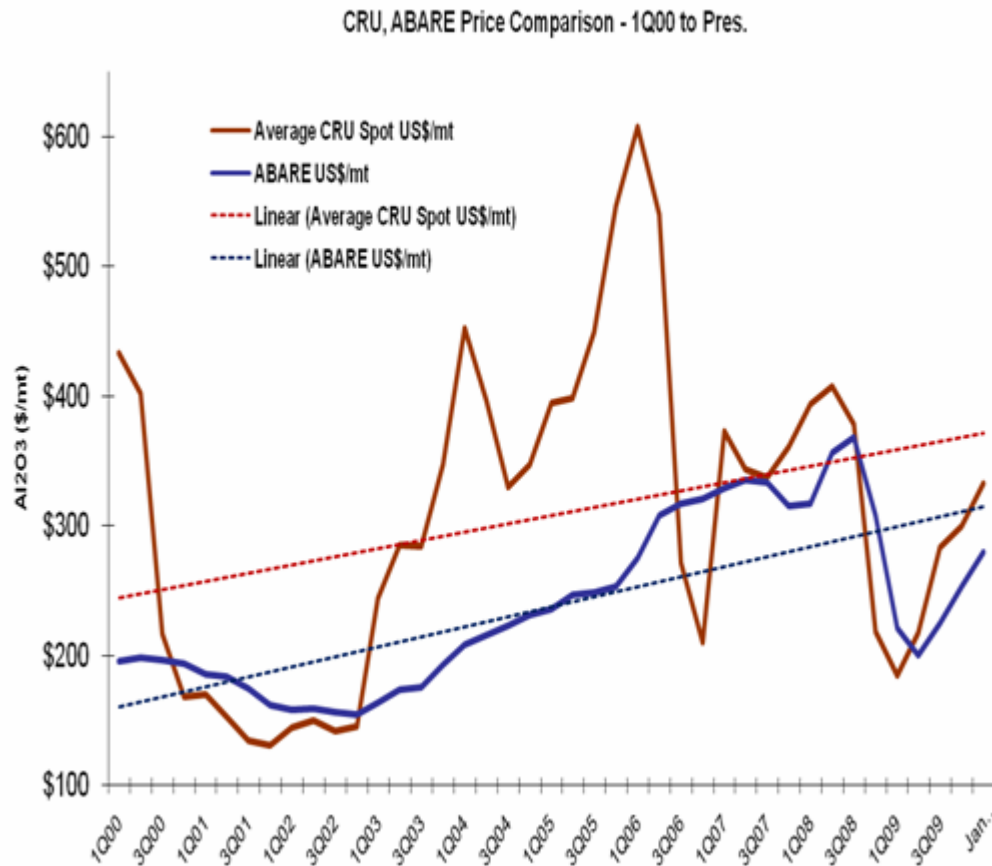
Chinese producers set global spot prices

- Chinese alumina contracts are predominantly short term or spot
- One-third of China's bauxite needs are imported
- Most marginal producers are bauxite importers
- Chinese alumina prices are now ~US\$320/t



Refineries that rely on seaborne bauxite remain at the top of the cost curve and are influencing spot and contract pricing

Spot prices usually at a significant premium to contract prices



- Structural change in the alumina market driven by developments in the Chinese industry will increase the volume and importance of the spot market

* ABARE is a proxy for LME linked contract pricing

The alumina pricing model must change

- Linkage increases are likely to converge with an increasing spot or fundamentals-based market
- A new pricing mechanism should evolve with more spot sales outside China, possibly leading to a fundamentals-based alumina price index
- The impact will increase as current linked contracts roll off

Why is Alumina Limited in a good position to benefit from industry changes?

AWAC is well placed!

- Market prices well up since lows (realised third party alumina prices up 13% 1Q 2010)
- Capital investment completed to take advantage of market improvement
- AWAC capacity of 17.1 million tonnes of alumina – 3.7 million tonnes of growth in excess of 2009 production
- AWAC has majority of Tier 1 alumina assets in market
- AWAC has options to expand Tier 1 assets
- Industry economics likely to cause pricing mechanism to change
- AWAC smelters repowered with new electricity contracts



Alumina Limited

- Strong balance sheet
 - current gearing 9%, net debt A\$342 million*
 - minimal further capital investment in AWAC 2010, 2011
- Improving flow of dividends expected from AWAC in improving market
 - dividend of US\$133 million received from AWAC in 2009
 - dividend of US\$58 million received from AWAC Jan-March 2010
- Final 2009 dividend of 2 cents per share fully franked

* As at 31 December 2009

Questions
