



**THE MELBOURNE MINING CLUB
LUNCHEON**
22nd August, 2007 John Marlay - CEO Alumina
Limited
Topic: Outlook for Aluminum



A strong crowd gathered in Melbourne's Town Hall to hear one of the aluminium industry heavyweights express his opinion on the industry's outlook. Alumina Limited is a leading Australian company with a global alumina business. Their strategy is to invest world-wide in bauxite mining, alumina refining and selected aluminum smelting operations. Mr Marlay's upbeat presentation would have made lunch especially enjoyable for those on the Rio Tinto table at the lunch, given the criticism they have recently received in the financial press for paying over the odds for Alcan.

A Macquarie Commodities Research Team (August 2007) quote set the scene for the presentation. The report stated "The massive escalation in prices, as well as costs of building new capacity, has rendered previous assumptions about long run prices embarrassingly redundant. The mining industry (and the investment banking community) is floundering with respect to what the appropriate basis to forecast long run prices should be"

Mr Marlay told the lunch the outlook for alumina and aluminum demand was strong, with global aluminum consumption projected to double between 2005 and 2020. To meet that growth, Mr Marlay said supply would have to expand at three times the rate of supply growth seen over the previous 20 years.

Outlining the myriad of factors impacting the Aluminum Industry - Rapid growth in global consumption; China – self sufficiency accelerating; Brazil, India, Russia – consumption growing; New capacity growth – capital cost escalation; Energy – higher long term costs, plus carbon; Alumina and aluminum cost curves have moved up; Outlook for long term prices; Bauxite supply capacity – now stretched & Industry consolidation – continuing, one thing is clear... 'it's certainly "game on" for those within the sector.

Mr Marlay said Alumina's growth focus was on expanding current operations and possibly pursuing new refinery developments, rather than buying assets, noting that the best assets were already tightly held. "While I wouldn't rule out (acquisitions), our primary growth will be through organic opportunities," he said. The current consensus for long-term aluminum prices at around US80c a pound was too low, given rising costs of energy and materials. Current prices are around US110c. "You won't see investment in the industry over the next 20 years if that were to be the long-term price," he said. His counterparts at Rio Tinto and others within the room would probably agree the price outlook needed to rise... only time will tell.

