

December 2009 ASX Report

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Alumina Limited - ABN 85 004 820 419

Financial Year ended 31 December 2009 ("Current Period")

Results for Announcement to the Market

| | | % change | \$A million |
|--|------|----------|-------------|
| Net loss for the period attributable to members of Alumina Limited (Refer Note below) | Down | 115% | 26.0 |

Dividends

| | Current Period Year ended 31 December 2009 | Previous Corresponding Period Year ended 31 December 2008 |
|--------------------------|---|---|
| Final dividend per share | 2¢ | Nil |
| Franked amount per share | 2¢ | Nil |

Note on underlying earnings within net profit for the period

Included in the calculation of net profit for the period is the Company's equity share of non-cash entries related to the revaluation, under year end market conditions, of AWAC's future benefits and obligations arising from certain energy purchase contracts and retirement benefit obligations. In order to analyse the Company's net profit it is important to understand those entries and the reasons for them.

Some AWAC long term energy purchase contracts include an aluminium price component in the energy price so that costs are partially linked to the price of aluminium. This results in an embedded derivative, which is revalued at year end.

AWAC has a small number of defined benefit schemes. The movement in future costs of retirement benefit obligations, net of investment returns, is also reflected in the Company's equity share of AWAC's result.

These accounting entries do not relate to operations during the current reporting period, and accordingly are removed from net profit after tax to arrive at underlying earnings.

The impact of these items in the Company's result for the twelve months to 31 December 2009 has been to decrease net profit after tax by net \$23.8 million (2008 \$33.6 million decrease) as shown in the following table. Net profit after tax before these items is referred to in the Directors' Report as 'Underlying Earnings'.

| | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|--------------------------------|--------------------------------|
| Net (loss)/profit for the period, after tax | (26.0) | 168.0 |
| Non-operating non-cash items: | | |
| Equity share of AWAC retirement benefit obligations | (22.2) | 103.1 |
| Equity share of AWAC embedded derivatives | 46.0 | (69.5) |
| Underlying earnings for the period after restructure costs, after tax | (2.2) | 201.6 |
| Restructure costs | - | 39.5 |
| Underlying earnings for the period excluding restructure costs, after tax | (2.2) | 241.1 |
| Underlying earnings per share | negative 0.1c | 15.5c |
| Underlying earnings return on equity | negative 0.07% | 10.2% |

This year end report is to be read in conjunction with the most recent annual financial report.

Condensed consolidated income statement

| | \$A million | |
|---|---------------------------|---------------------------|
| | Year ended 31 Dec 2009 | Year ended 31 Dec 2008 |
| Revenue from continuing operations | 5.4 | 3.9 |
| General and administrative expenses | (13.1) | (19.2) |
| Net gains on Reals financial instruments | 15.0 | (7.9) |
| Finance costs | (38.9) | (48.8) |
| Share of net profit of associates accounted for using the equity method | 4.6 | 242.6 |
| (Loss)/profit before income tax | (27.0) | 170.6 |
| Income tax credit/(expense) from continuing operations | 1.0 | (2.6) |
| (Loss)/profit for the year | (26.0) | 168.0 |
| Other comprehensive income/(loss) | | |
| Changes in the fair value of cash flow hedges | - | 0.5 |
| Exchange differences on translation of foreign operations | (461.2) | 157.8 |
| Income tax relating to components of other comprehensive (loss) | (8.5) | - |
| Other comprehensive (loss)/income for the year, net of tax | (469.7) | 158.3 |
| Total comprehensive (loss)/income for the year attributable to the owners of Alumina Limited | (495.7) | 326.3 |

Earnings per share (EPS)

| | Year ended 31 Dec 2009 | Year ended 31 Dec 2008 |
|-------------|---------------------------|---------------------------|
| Basic EPS | Negative 1.2¢ | 11.3¢ ¹ |
| Diluted EPS | Negative 1.2¢ | 11.3¢ ¹ |

¹ Prior period EPS adjusted for rights issues

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Condensed consolidated statement of financial position

| | 31 December 2009 \$A million | 31 December 2008 \$A million |
|---|---------------------------------|---------------------------------|
| Current Assets | | |
| Cash and cash equivalents | 340.6 | 66.8 |
| Related party loan | - | 72.1 |
| Derivative financial instruments | - | 6.6 |
| Receivables | 0.1 | 0.6 |
| Other assets | 9.6 | 1.6 |
| Total current assets | 350.3 | 147.7 |
| Non-current Assets | | |
| Investments accounted for using the equity method | 3,555.2 | 3,748.6 |
| Property, plant and equipment | 0.2 | 0.2 |
| Deferred tax assets | - | 2.1 |
| Total non-current assets | 3,555.4 | 3,750.9 |
| Total assets | 3,905.7 | 3,898.6 |
| Current Liabilities | | |
| Payables | 5.9 | 4.8 |
| Interest bearing liabilities | - | 360.9 |
| Derivative financial instruments | 1.6 | - |
| Current tax liabilities | - | 0.4 |
| Related Party Loan | - | 50.8 |
| Provisions | 0.2 | 0.1 |
| Other | 0.9 | 1.6 |
| Total current liabilities | 8.6 | 418.6 |
| Non-current Liabilities | | |
| Interest bearing liabilities | 644.1 | 686.9 |
| Provisions | 0.3 | 0.3 |
| Total non-current liabilities | 644.4 | 687.2 |
| Total liabilities | 653.0 | 1,105.8 |
| Net assets | 3,252.7 | 2,792.8 |
| Equity | | |
| Contributed equity | 2,400.9 | 1,444.4 |
| Treasury shares | (1.1) | (0.7) |
| Reserves: | | |
| - Group | (255.9) | 214.3 |
| - Associates | 1.9 | 1.9 |
| Retained earnings: | | |
| - Group | 895.2 | 743.6 |
| - Associates | 211.7 | 389.3 |
| Total equity | 3,252.7 | 2,792.8 |

Condensed consolidated statement of changes in equity

| | Contributed Equity ¹ \$A million | Reserves \$A million | Retained earnings \$A million | Total \$A million |
|--|---|-------------------------|-------------------------------------|----------------------|
| Balance as at 1 January 2008 | 411.2 | 14.0 | 1,238.7 | 1,663.9 |
| Total comprehensive income for the year | - | 158.3 | 168.0 | 326.3 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividend Reinvestment Plan | 146.5 | - | - | 146.5 |
| Rights issue, net of transaction costs | 886.0 | - | - | 886.0 |
| Option premium on convertible bonds | - | 44.7 | - | 44.7 |
| Transaction costs on convertible bonds | - | (1.1) | - | (1.1) |
| Movement in share based payments reserve | - | 0.3 | - | 0.3 |
| Dividends provided for or paid | - | - | (273.8) | (273.8) |
| Balance at 31 December 2008 | 1,443.7 | 216.2 | 1,132.9 | 2,792.8 |
| Balance as at 1 January 2009 | 1,443.7 | 216.2 | 1,132.9 | 2,792.8 |
| Total comprehensive loss for the year | - | (469.7) | (26.0) | (495.7) |
| Movement in treasury shares | (0.4) | - | - | (0.4) |
| Rights issue, net of transaction costs | 952.8 | - | - | 952.8 |
| Tax impact of transaction costs | 3.7 | - | - | 3.7 |
| Movement in share based payments reserve | - | (0.5) | - | (0.5) |
| Balance at 31 December 2009 | 2,399.8 | (254.0) | 1,106.9 | 3,252.7 |

¹ Contributed equity includes treasury shares

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Condensed consolidated statement of cash flows

| | Year ended 31 Dec 2009 \$A million | Year ended 31 Dec 2008 \$A million |
|--|--|--|
| Cash Flows Related to Operating Activities | | |
| Payments to suppliers and employees (inclusive of goods and service tax) | (19.1) | (22.5) |
| GST refund received | 1.9 | 1.6 |
| Dividends and distributions received from associates | 182.2 | 356.0 |
| Interest received | 3.1 | 3.1 |
| Interest paid | (30.3) | (55.1) |
| Income taxes paid | (2.0) | (1.2) |
| Other | 2.9 | (1.8) |
| Net cash inflow from operating activities | 138.7 | 280.1 |
| Cash Flows Related to Investing Activities | | |
| Payments for investment in associates | (576.8) | (787.9) |
| Proceeds from option premiums | 24.8 | - |
| Payments for option premiums | - | (14.5) |
| Net cash outflow from investing activities | (552.0) | (802.4) |
| Cash Flows Related to Financing Activities | | |
| Loans to related parties | (120.2) | (70.0) |
| Loans repaid by related parties | 128.1 | 50.8 |
| Proceeds from issue of shares | - | 118.2 |
| Proceeds from issue of convertible bonds | - | 360.0 |
| Proceeds from rights issue | 980.3 | 910.3 |
| Payments for rights issue related costs | (27.2) | (22.4) |
| Proceeds from borrowings | 919.9 | 1,257.1 |
| Repayment of borrowings | (1,138.7) | (1,802.2) |
| Proceeds from return of capital | 0.6 | - |
| Dividends paid | - | (245.7) |
| Net cash inflow from financing activities | 742.8 | 556.1 |
| Net Increase in Cash and cash equivalents | 329.5 | 33.8 |
| Cash and cash equivalents at the beginning of the period | 66.8 | 29.1 |
| Exchange rate adjustments | (55.7) | 3.9 |
| Cash and cash equivalents at the end of the period | 340.6 | 66.8 |

Reconciliation of Cash

| | As at 31 Dec 2009 \$A million | As at 31 Dec 2008 \$A million |
|--|-------------------------------------|-------------------------------------|
| Reconciliation of cash at the end of the reporting period (as shown in the condensed consolidated statement of cash flows) to the related items in the accounts is as follows: | | |
| Cash on hand and at bank | 260.0 | 66.8 |
| Money market deposits (with maturity on investment three months or less) | 80.6 | - |
| Cash assets | 340.6 | 66.8 |
| Total cash and cash equivalents at the end of the reporting period | 340.6 | 66.8 |

1. Basis of Preparation

This financial report for the year ended 31 December 2009 has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting standards Board and the *Corporations Act 2001*.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2008 and any public announcements made by Alumina Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous year.

2. Consolidated Retained Profits

| | Year ended 31 Dec 2009 \$A million | Year ended 31 Dec 2008 \$A million |
|--|--|--|
| Retained profits at the beginning of the reporting period | 1,132.9 | 1,238.7 |
| Net (loss)/profit attributable to members of Alumina Limited | (26.0) | 168.0 |
| Dividends and other equity distributions paid | - | (273.8) |
| Retained profits at the end of the reporting period | 1,106.9 | 1,132.9 |

3. Income Tax

| | Year ended 31 Dec 2009 \$A million | Year ended 31 Dec 2008 \$A million |
|--|--|--|
| (Loss)/profit from ordinary activities before tax | (27.0) | 170.6 |
| <i>Prima facie tax expense for the period at the rate of 30%</i> | 8.1 | (51.2) |
| The following items caused the total charge for income tax to vary from the above: | | |
| Rebateable and exempt income | 1.6 | (242.6) |
| Previously unrecognised tax losses now recouped to reduce current tax expense | (2.3) | - |
| Amounts assessable for tax | 6.8 | 9.8 |
| Non-deductible expense | 1.4 | 8.9 |
| Timing differences not recognised | 9.1 | 62.0 |
| Net movement | 16.6 | (161.9) |
| Consequent reduction in charge for income tax | (5.0) | 48.6 |
| Over provision of tax in prior years | (2.1) | - |
| Aggregate Income tax credit/(expense) for the period | 1.0 | (2.6) |

4. Earnings Per Share (EPS)

| | Year ended 31 Dec 2009 | Year ended 31 Dec 2008 |
|--|---------------------------|---------------------------|
| <i>Earnings in cents per ordinary share</i> | | |
| Basic EPS | Negative 1.2¢ | 11.3¢ ¹ |
| Diluted EPS | Negative 1.2¢ | 11.3¢ ¹ |
| <i>Weighted average number of shares outstanding during the year used in the calculation of earnings per share</i> | | |
| Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share | 2,149,625,667 | 1,486,074,718 |

The convertible bonds of US\$350 million issued in May 2008 could potentially dilute earnings per share in the future, but were not included in the calculation of diluted earnings per share because they were anti-dilutive for the period.

¹ Prior period EPS adjusted for rights issues

5. Net Tangible Asset Backing Per Security

| | | |
|--|--------|--------|
| Net tangible asset backing per ordinary security | \$1.21 | \$1.71 |
|--|--------|--------|

6. Details of Entities Over Which Control Has Been Lost or Gained

On 30 October 2009, Alumina Limited acquired a 9.07% interest and through a controlled subsidiary acquired a 90.93% interest in Alumina Limited Do Brasil S.A., a Brazilian entity, to hold the Group's main interest in AWAC's Brazilian operations. Alumina Limited Do Brasil S.A. did not have a material impact on Group results during 2009.

During the period, Westminer Investments BV, a 100% controlled subsidiary, was placed into liquidation as part of the Group's reorganization of its European operations. The liquidation of Westminer Investments BV had no impact on the Group results during 2009.

7. Dividends

Since year end directors have declared a dividend, payable on 19 March 2010, amounting to \$48.8 million. This amount has not been recognised as a liability at year end.

Record date to determine entitlements to the dividend is 18 February 2010.

Franking account balance as at 31 December 2009 was \$267.2 million.

Directors have determined that the Company's Dividend Reinvestment Plan is suspended until further notice. The Dividend Reinvestment Plan will therefore not apply to the 2009 final dividend.

8. Dividend Per Share

| | Year ended 31 Dec 2009 | Year ended 31 Dec 2008 |
|--|---------------------------|---------------------------|
| Final dividend per share (cents) | | |
| Amount per share | 2 | Nil |
| Franked amount per share at 30% tax rate | 2 | Nil |

9. Total Dividend Paid on All Shares During 2009

| | Year ended 31 Dec 2009 \$A million | Year ended 31 Dec 2008 \$A million |
|--|--|--|
| Final dividend paid on ordinary shares | - | 135.5 |
| Interim dividend paid on ordinary shares | - | 138.3 |
| Total | - | 273.8 |

10. Details of Aggregate Share of Results of Associates

| | Year ended 31 Dec 2009 \$A million | Year ended 31 Dec 2008 \$A million |
|---|--|--|
| Alumina's share of associates: | | |
| (Loss)/profit from ordinary activities before income tax | (5.3) | 426.8 |
| Income tax credit/(charge) on ordinary activities | 9.9 | (184.2) |
| Net profit attributable to members of Alumina Limited | 4.6 | 242.6 |
| Dividends and distributions received/receivable by Alumina Limited | (182.2) | (356.0) |
| Surplus of dividends/distributions received over equity share of profits | (177.6) | (113.4) |

11. Material Interests In Entities Which Are Not Controlled Entities

Alumina has an interest in the following entities:

| | Percentage of ownership interest held at end of period or date of disposal | | Contribution to net profit | |
|------|--|---------------------------|----------------------------|---------------------------|
| | Year ended 31 Dec 2009 | Year ended 31 Dec 2008 | Year ended 31 Dec 2009 | Year ended 31 Dec 2008 |
| | Equity accounted associates and joint venture entities | | | |
| AWAC | 40% | 40% | 4.6 | 242.6 |

12. Ratios

| | Year ended 31 Dec 2009 % | Year ended 31 Dec 2008 % |
|---|--------------------------------|--------------------------------|
| Profit after tax/equity interests | | |
| Consolidated net profit from ordinary activities after tax attributable to members as a percentage of average members' equity | Negative 0.8 | 8.5 |

13. Issued and Quoted Securities At End Of Current Reporting Period

| Category of Securities | Number issued | Number quoted | Issue price per share |
|---|---------------|---------------|-----------------------|
| Ordinary shares | | | |
| Fully paid | 2,440,196,187 | 2,440,196,187 | |
| Ordinary Shares - Changes during current reporting period: | | | |
| Increase in fully paid shares following Entitlement Offer | 980,338,936 | | \$1.00 |

14. Financing Facilities

| | Year ended 31 Dec 2009 \$A million | Year ended 31 Dec 2008 \$A million |
|--|--|--|
| The facilities available at end of reporting period were as follows: | | |
| Total loan facilities | 1,440.4 | 2,201.2 |
| Used at end of reporting period – borrowings | 644.1 | 1,047.8 |
| Unamortised finance costs | 38.3 | 62.6 |
| Available at end of reporting period | 758.0 | 1,090.8 |

Funding facilities include bilateral bank facilities, a syndicated loan, a development bank loan and a convertible bond. The syndicated facilities are available in US dollars, EURO and Australian dollars. The bilateral facilities are available in both US and Australian dollars and some are available in EURO. The development bank loan is available in US dollars and Brazilian reals. Funding facilities in currencies other than Australian dollars have been converted to Australian dollar equivalents at year end exchange rates.

*The convertible bond includes unamortised finance costs of A\$38.3 million (2008: A\$62.6 million).

During 2009, the Company completed a planned refinancing programme, strengthening its balance sheet by extending the maturity of debt that was due to mature in 2009, the majority until 2012. The maturity of a further US\$100 million facility, due to mature in 2010, was extended to 2012. The Company has also received long term funding from BNDES, the Brazilian National Development bank, which enabled the Company to cancel some bilateral and syndicated facilities which were due to mature during 2010. The Company has US\$187 million of committed undrawn facilities that mature in 2011, and US\$300 million of committed undrawn facilities that mature in 2012. Since year end, the Company has cancelled a further US\$150 million of undrawn committed facilities that were due to expire in 2010.

15. Segment Information

Business Segment

Alumina Limited's primary asset is its 40% interest in the series of operating entities forming Alcoa World Alumina & Chemicals (AWAC). The Company operates in the alumina/aluminium business through its equity interests in AWAC.

16. Events Occurring After the Balance Sheet Date

There have been no significant transactions or events since 31 December 2009 (2008: Nil).

Compliance Statement

1. This report has been prepared in accordance with AASB Standards and other AASB authoritative pronouncements.
2. This report gives a true and fair view of the matters disclosed.
3. This report is based on accounts which are in the process of being audited.
4. Alumina Limited has a formally constituted Audit Committee.



John Bevan
Chief Executive Officer

9 February 2010

Alumina Limited 2009 Highlights

Underlying Earnings¹ \$2.2 million loss (2008: \$201.6 million profit).

AWAC global bauxite and alumina business remained profitable and paid dividends, despite very difficult market conditions.

AWAC cash from operations (excluding net movements in non-current assets) remained positive, despite the rapid and severe downturn in market conditions.

AWAC smelters returned to profitability in the final quarter.

Successful commissioning of Brazilian expansion projects well underway.

Record AWAC production in the fourth quarter.

Improved global demand and pricing for alumina and aluminium.

Alumina Limited balance sheet restructured and debt maturity profile extended.

Alumina Limited Dividend

Directors have declared a 2 cent per share final dividend. Alumina received dividends of A\$176 million from AWAC during 2009, and the outlook for 2010 creates an environment for Alumina Limited to expect to receive an improved dividend flow from AWAC.

Alumina Limited Reported Profit

AWAC Equity Profit After Tax

Alumina Limited's share of AWAC underlying earnings after IFRS adjustments declined to \$28.4 million reflecting lower realised prices and volumes, partially offset by reduced costs of production. In 2009, underlying earnings included a charge of A\$33 million (2008: A\$2 million) for accounting adjustments arising mainly from recognition of differences between US GAAP and IFRS for the Suralco acquisition, inventory movements, and asset retirement obligations.

Further commentary provided at "AWAC Profit and Loss".

Gains on Real Instruments

A \$15.0 million net gain on Brazilian Real financial instruments, principally on BRL options, was recognised. The options provided a partial cap to Real/USD currency exposure arising from capital funding expenditure on the Brazilian mine and refinery expansion. All options have now expired.

Corporate Costs

Corporate costs reduced 32%, mainly as a result of the additional one-off costs in the prior year, including legal and tax fees associated with corporate restructuring and retirement benefits.

Net Borrowing Costs

Net borrowing costs were down 25% mainly due to lower debt levels and lower LIBOR. Fees for committed debt facilities increased with the commencement of new contracts.

Change in fair value of derivatives and pension costs

The embedded derivatives arise mainly from Australian energy supply contracts and vary in value in part based on movements in LME aluminium prices. Revaluation of the derivative at year end reduced Alumina's share of AWAC profits by \$46 million. Improvements in global share markets resulted in a positive movement of \$22.2 million in pension plan revaluations.

Alumina Limited Key Financials

| | 2009 | 2008 |
|---|---------|---------|
| Underlying earnings¹ A\$m | (2.2) | 201.6 |
| NPAT A\$m | (26.0) | 168.0 |
| Average AUD/USD exchange rate | 0.79 | 0.85 |
| Average LME aluminium price US\$m | 1,704 | 2,623 |
| Net Debt A\$m³ | 342 | 1,044 |
| Gearing³ | 9% | 27% |
| EPS (cents per share) | (1.2) | 11.3 |
| Underlying EPS (cps) | (0.1) | 15.5 |
| Return on Equity (ROE) | (0.8%) | 8.5% |
| ROE based on underlying earnings | (0.07%) | 10.2% |
| Total Shareholder Return² | 52.5% | (72.6%) |

Alumina Limited Reported Profit

| | 2009 A\$m | 2008 A\$m |
|--|--------------|--------------|
| Share of AWAC underlying profit | 28.4 | 276.2 |
| Gain on Real instruments | 15.0 | (7.9) |
| Corporate costs | (13.1) | (19.2) |
| Net borrowing costs | (33.5) | (44.9) |
| Tax credit (expense) | 1.0 | (2.6) |
| Underlying earnings | (2.2) | 201.6 |
| Embedded derivative, AWAC | (46.0) | 69.5 |
| Pension costs, AWAC | 22.2 | (103.1) |
| Net profit after tax | (26.0) | 168.0 |

Definitions and notes

1. Underlying earnings calculated by adding \$23.8m to reported net profit after tax, being the impact of embedded derivatives for energy contracts and actuarial gains and losses, net of investment returns, of pension plans.
2. Total Shareholder return = (Change in share price + dividend) / opening share price. TSR is adjusted for rights issues.
3. Includes component of convertible bond in equity.

Alumina Limited Balance Sheet*Funding and Capital Management*

A rights issue in 1H09 raised A\$953 million (net of costs). The funds were used to repay debt and strengthen the balance sheet.

Debt facilities have been diversified and maturities extended. The average maturity of funding has been extended and now includes a six and a half year amortising loan from the Brazil National Development Bank (BNDES). The BNDES loan facility of US\$305 million was drawn to US\$262 million at 31 December 2009 and will be amortised from December 2010 to July 2016.

No debt matures in 2010. The Company has available US\$187 million of committed undrawn debt facilities, due to expire in 2011, and a further US\$300 million due to expire in 2012. The convertible bond of US\$350 million converts in May 2013 or can be put to the company in May 2011.

Net debt at year end was A\$342 million³ and gearing was 9%.

Alumina Limited Cash Flows

The reduction in dividends received from AWAC was consistent with the reduction in profit and cash flows as a result of lower realised prices and volumes.

Cash outflows for corporate costs and interest, net of other income reduced to A\$43.5 million from A\$75.9 million.

Alumina Limited invested A\$442 million (US\$336 million) in completion and commissioning of the Brazilian expansion projects, including establishment of working capital balances for the new mine and expanded refinery. Further investments were made in AWAC entities to meet cash flow requirements.

At times during the year, Alumina Limited also provided short term funding (nil at year end) to certain AWAC entities to support working capital needs.

Change in Functional Currency for Financial Reporting

With the commissioning of production at the Juruti mine and the Alumar refinery in Brazil almost complete, Alumina Limited is reaching the end of the investment program in Brazil. Greater production and cash flows to shareholders are expected from these assets in future. In addition, during 2009 Alumina received most dividends in US dollars and this will continue for 2010 and onwards. The Board recognises that this changes the balance of factors that are assessed to determine Alumina's functional currency. Effective for the reporting period ending 31 December 2010, the Board has determined that Alumina Limited's functional currency is US dollars.

There will be no change to the AWAC financial statements.

This change will increase the ability of shareholders and analysts to better understand the impact of AWAC earnings on the results of Alumina Limited, and will provide more meaningful analysis of the financial results.

Alumina Limited Balance Sheet

| | 2009 | 2008 |
|---|---------------|---------------|
| | A\$m | A\$m |
| Cash and equivalents | 340.6 | 66.8 |
| Related party loan | - | 72.1 |
| Derivative fin. instruments | - | 6.6 |
| Investments | 3555.2 | 3748.6 |
| Total Assets | 3905.7 | 3898.6 |
| Payables | 5.9 | 4.8 |
| Interest bearing liabilities – current | - | 360.9 |
| Related party loan | - | 50.8 |
| Interest bearing liabilities – non-current | 644.1 | 686.9 |
| Total Liabilities | 653.0 | 1105.8 |
| Net Assets | 3252.7 | 2792.8 |

Alumina Limited Cash Flow

| | 2009 | 2008 |
|-----------------------------|----------------|----------------|
| | A\$m | A\$m |
| Dividends received | 176.0 | 356.0 |
| Partnership distribution | 6.2 | - |
| Interest paid | (30.3) | (55.1) |
| Other | (13.2) | (20.8) |
| Cash from operations | 138.7 | 280.1 |
| Cash for investing | (552.0) | (802.4) |
| Cash from financing | 742.8 | 556.1 |
| Net increase in cash | 329.5 | 33.8 |

Definitions and notes

3. Includes component of convertible bond in equity

AWAC Business Highlights***Alumina production actively managed to meet changed market conditions***

13.5 million tonnes alumina production (2008: 14.4 million tonnes)

368 thousand tonnes aluminium production (2008: 388 thousand tonnes)

Approximately 67% of total alumina production came from the low cash cost Australian refineries. The Australian refineries operated at above nameplate capacity, and production records were established at Pinjarra, Wagerup and Jamalco.

Production was curtailed at the higher cost Point Comfort, Suralco and San Ciprian refineries in the first half of the year and increased in the second half as customer demand re-established.

Strong focus on cash flow management

AWAC operations established and maintained a strong cash focus throughout 2009. Cash conservation programs included curtailment of production at higher cost facilities as outlined above, deferral of non-critical capital expenditure, wage freezes and reduced use of contractors, and active working capital management.

Sustaining capital expenditure in AWAC declined to US\$162 million from US\$312 million in 2008. This was consistent with the curtailment of some operations in response to market conditions and an increased focus on cash optimisation.

Cash from operations (excluding net movements in non-current assets) remained positive at US\$305 million, despite the rapid downturn in market conditions. This enabled the continued payment of dividends from AWAC to the joint venture partners, and results from the success of the AWAC cash conservation program.

Improved cost base

The cost reduction target for the year was substantially met, when the negative impacts of currency and energy movements in the second half are taken into account.

The overall improvement reflects a changing production mix (greater percent of production from lower cost refineries), lower energy and freight costs, and cost restructuring programs to reduce overhead costs.

Forward contracts to lock in operating margins for 2010 smelter grade alumina production at the Point Comfort and San Ciprian refineries were completed in 2009. These contracts secure a cash positive outcome for these operations in 2010 and are expected to provide in excess of US\$100 million of EBITDA improvement to AWAC compared to 2009.

Major Expansion Program in Commissioning

The expanded Sao Luis refinery in Brazil commenced production during August. The operation is expected to achieve nameplate capacity production rates in the first half of 2010. The Juruti mine commissioning is nearly final. The projects are being completed in line with the previously advised budget of US\$1.4 billion for capital expenditure (Alumina's share). As advised during 2009, certain aspects of mine capital expenditure not essential to initial commissioning were deferred to 2010. (Alumina Limited's forecast capital contribution in 2010 is expected to be a further US\$80 million to finalise the project.)

Positioning for Return to Growth

AWAC's alumina production capacity has increased by 15%.

During the year AWAC acquired the remaining 45% share of the Suralco joint venture, with no associated capital outlay. The acquisition increases AWAC capacity by 1mt.

The Brazilian expansion projects add a further 1.1mt of capacity.

After completion of commissioning, AWAC production capacity will be over 17mt, well above 2009 production of 13.5mt. This gives AWAC additional capacity to increase alumina production, and production in 2010 is expected to be 15.8mt.

In December 2009, AWAC entered into an agreement relating to the joint venture development with Ma'aden for the construction of a bauxite mine and refinery in Saudi Arabia. AWAC will have a 20 percent economic interest in the mine and refinery. Alumina Limited's equity contribution over the period 2010 to 2014 is expected to be approximately US\$120 million. The joint venture will utilise project financing of approximately 60 percent of the required capital.

AWAC Profit and Loss (US GAAP)

AWAC NPAT for 2009 includes profit on acquisition of 45% interest in the Suriname refinery of US\$89 million (Alumina's share of Suralco gain A\$25 million after tax), Brazilian project start-up costs of US\$33 million, expenses relating to MRN taxation settlement of US\$16 million, and unrealised gains on translation of balance sheet items of US\$60 million.

The AWAC smelters in Victoria, Australia reduced the cost of aluminium production by 13% (AUD comparison) through a focus on cash conservation and curtailment of production on higher cost energy tranches. This was insufficient to offset the loss of revenue from lower LME prices and a weakening US dollar, and overall these operations made a loss in 2009, despite returning to profitability in the final quarter.

Revenue

Revenue declined 35% mainly due to a 35% decline in average 3 month LME prices. The impact of lower aluminium prices was partially absorbed by an improvement in alumina prices relative to aluminium prices as a result of a higher proportion of contracts with shorter repricing intervals.

Cost of Goods Sold

Costs of Goods Sold declined 23% due to lower production volumes, lower input prices and cost saving initiatives.

Caustic soda prices declined approximately 11% in H209 following a significant decline in global prices and contract renegotiations in H109.

Energy prices declined by more than US\$20 per tonne of alumina in H109 but some of this improvement was lost in H209 as global energy prices increased.

Costs in the second half were negatively impacted by US\$58 million from the weakening of the US dollar.

Selling, Admin, R&D

The 15% decrease in administration and selling costs arose from the disciplined cash conservation program implemented in AWAC this year.

Depreciation and Amortisation

Depreciation increased in Brazil by US\$29 million during the second half as the new mine and refinery commenced operations. The depreciation charge in Brazil is expected to be US\$36 million more in 2010, compared to 2009.

Tax

Net tax credit was US\$9.8 million, with charges in certain jurisdictions offset by credits arising from corporate restructures and losses in other jurisdictions.

AWAC Profit and Loss (US GAAP)

| | 2009 | 2008 |
|-----------------------------|-----------------|-----------------|
| | US\$m | US\$m |
| Sales revenue | 2706.1 | 3743.4 |
| Related party revenue | 1371.9 | 2566.0 |
| Total Revenue | 4078.0 | 6309.4 |
| COGS and operating expenses | (3711.7) | (4821.8) |
| Selling, Admin, R&D | (108.9) | (128.7) |
| Deprec'n and Amortis'n | (314.5) | (295.3) |
| Other | 153.7 | (39.1) |
| Total Expenses | (3981.4) | (5284.9) |
| Profit before Tax | 96.6 | 1024.5 |
| Income Tax | 9.8 | (432.5) |
| Net Profit After Tax | 106.4 | 592.0 |

AWAC Balance Sheet (US GAAP)*Inventories*

Inventories increased as a result of higher production from Brazil and the acquisition of the 45% of Suralco, with corresponding increases in work in progress and finished goods, and increases in the Australian dollar and Brazilian Real.

Receivables

The focus on cash conservation, along with the decline in sales prices, resulted in a significant reduction in receivables.

Property Plant and Equipment and Other Assets

AWAC invested a further US\$837 million in Brazil in 2009 (Alumina's share US\$335 million). US\$748 million contributed to capital works and VAT with remaining amounts covering start-up costs, mine-stripping costs and increases in working capital.

Accounts payable

The reduction in accounts payable reflects the initiatives to reduce raw material inventories and therefore accounts payable.

Other liabilities

Other liabilities have increased as a result of advance customer deposits and mark to market movements of derivatives in the margin lock program for Point Comfort and San Ciprian. Additional asset retirement obligations have been provided for following the acquisition of the remaining 45% of Suralco. Pension fund provisions and adjustments to the rehabilitation liabilities in Australia have also increased.

AWAC Cash Flow (US GAAP)

The primary reduction in AWAC cash flows resulted from a reduction in underlying profit.

Net working capital balances improved as a result of the decline in customer receivables.

Changes in non-current assets include a payment of US\$145 million in value added tax (VAT) to Brazilian authorities. VAT is recoverable as sales revenues increase.

AWAC financing inflows are 100% provided by the AWAC joint venture partners.

Cash used in investing includes US\$607 million in relation to the Brazilian expansion projects and US\$31 million on the Dampier to Bunbury gas pipeline in Australia, which is 20% owned by AWAC.

AWAC Balance Sheet (US GAAP)

| | 2009 | 2008 |
|----------------------------|---------------|---------------|
| | US\$m | US\$m |
| Cash, cash equivalents | 203.4 | 70.0 |
| Receivables | 573.7 | 708.3 |
| Inventories | 726.1 | 674.1 |
| Property plant & equipment | 6801.3 | 5530.1 |
| Other assets | 1655.5 | 1308.4 |
| Total Assets | 9960.0 | 8290.9 |
| Short term borrowings | 271.2 | 181.6 |
| Payables | 632.7 | 789.5 |
| Taxes payable and deferred | 385.4 | 532.3 |
| Other liabilities | 1066.2 | 763.9 |
| Total Liabilities | 2355.5 | 2267.3 |
| Equity | 7604.5 | 6023.6 |

AWAC Cash Flow (US GAAP)

| | 2009 | 2008 |
|---|---------|---------|
| | US\$m | US\$m |
| Net income | 106.4 | 592.0 |
| Depreciation | 314.5 | 295.3 |
| Decrease (increase) in receivables | 188.6 | (58.8) |
| Decrease (increase) in inventories | 101.2 | (189.9) |
| (Decrease) increase in accounts payable | (130.3) | 113.4 |
| Other | (275.8) | 154.5 |
| Cash from Trading Activities | 304.6 | 906.5 |
| Net change in non-current assets and liabilities | (368.4) | (255.1) |
| Cash from operations | (63.8) | 651.4 |

Guidance for 2010

The following guidance is provided to assist the understanding of the sensitivity of AWAC results to key external factors. The guidance is not predictive of exact results, rather it provides direction and approximate quantum of the impact on profit before tax of movements in key figures, and should be seen as a package. Actual results will vary from those computed using the guidance.

Global demand for alumina is expected to be 10% above 2009, with China's growth expected to be the majority of this growth.

The pricing of alumina is expected to improve over average 2009 levels, not just due to the improvement in aluminium prices, but also because higher spot prices are driving new contract prices higher, resulting in a greater convergence of contract and spot pricing.

The 2010 financial year has commenced with average LME prices approximately 31% higher than the average in 2009. The benefit of higher prices is expected to be offset to some degree by a higher AUD/USD exchange rate.

As Alumina Limited will be reporting 2010 results in US dollars, guidance is now given in US dollars. Guidance on the LME and AUD should be applied to average rates in 2009.

A US\$100 movement in the LME is expected to impact AWAC profits by approximately US\$160 million before tax. This is equivalent to a movement in Alumina Limited's pre-tax profit of approximately US\$14 million for each 1 cent per pound movement in the LME.

A 10% movement in the AUD/USD exchange rate is expected to impact AWAC profits by US\$173 million before tax. This is equivalent to a movement in Alumina Limited's pre-tax profit of approximately US\$9 million for each 1 cent movement in the exchange rate.

A 10% movement in the USD/BRL exchange rate is expected to impact AWAC profits by US\$47 million. This is equivalent to a movement in Alumina Limited's pre-tax profit of US\$1 million for each 1 cent movement in the exchange rate.

AWAC costs of production of alumina are expected to remain flat, with higher energy costs offset by caustic price reduction and other management actions to constrain costs. Significant movements in exchange rates may also impact expected costs.

AWAC growth capital expenditure in 2010 is estimated at US\$200 million, with a further US\$200 million invested in sustaining capital expenditure.

Production of alumina is expected to increase approximately 2mt to 15.8mt to meet increased demand from Middle East and Chinese smelters.

Production of aluminium is expected to be slightly lower than 2009 at 355kt.

Corporate costs for Alumina in 2010 are expected to be largely in line with 2009.

Market Outlook

The outlook for aluminium demand globally is expected to be 10% above 2009 levels. This is still below 2008 levels. China will provide the majority of the growth, with recovery outside China only moderate.

Against a backdrop of rising alumina and energy prices in China, we expect the majority of aluminium producers in China are cash positive at prices above \$2,000 per tonne.

Alumina demand and supply are expected to be balanced overall, principally with Chinese capacity being added to world production to meet demand. China is expected to remain a net importer of alumina.

The marginal producers of alumina in China are largely using imported bauxite. Increases in bauxite and freight costs, as well as energy, are underpinning the alumina price.

A significant proportion of non-Chinese alumina is manufactured in Australia and Brazil, both of which have seen the impact of the weakening US dollar on costs.

Outlook for Alumina Limited

The outlook for improved returns for shareholders has strengthened. The market outlook for the AWAC joint venture has certainly improved. Aluminium prices in January were approximately 55% above what they were at the beginning of 2009, even though they are well below the peaks of 2008.

AWAC alumina production is forecast to grow by around 2 million tonnes in 2010, and average production costs are targeted to remain at the improved 2009 levels.

These factors, along with the capital expenditure project in Brazil coming to an end, create an environment for Alumina Limited to expect to receive an improved dividend flow from AWAC.

Forward Looking Statements

Some statements in this report 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; (e) constraints on the availability of bauxite; and (f) the other risk factors summarized in Alumina's Form 20-F for the year ended 31 December 2008. Forward-looking statements that reference past trends or activities should not be taken as a representation that such trends or activities will necessarily continue in the future. Alumina Limited does not undertake any obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements which speak only as of the date of the relevant document.