

# December 2015 ASX Report

**Alumina Limited – ABN 85 004 820 419**

**Financial Year ended 31 December 2015 (“Current Period”)**

**Results for Announcement to the Market**

		Change	US\$ million
Net profit/(loss) from ordinary activities after tax attributable to members of Alumina Limited (“the Company”)	Up	190%	88.3
Net profit/(loss) for the year attributable to members of Alumina Limited (Refer Note below)	Up	190%	88.3

## Dividends

	Year ended 31 Dec 2015 US cents	Year ended 31 Dec 2014 US cents
Final dividend per share	1.8¢	1.6¢
Franked amount per share	1.8¢	1.6¢
Interim dividend per share	4.5¢	Nil
Franked amount per share	4.5¢	n/a

The record date to determine entitlements to the dividend is 3 March 2016.

## Significant items affecting the net profit/(loss) for the period

The Company’s net profit/(loss) was negatively affected by individually significant items. These items are disclosed in the table below to enhance an understanding of the Company’s operational performance during the reporting period.

	Year ended 31 Dec 2015 US\$ million	Year ended 31 Dec 2014 US\$ million
<b>Net profit/(loss) for the period, after tax</b>	<b>88.3</b>	<b>(98.3)</b>
<i>Significant items included in net profit/(loss), after tax:</i>		
Suriname restructuring charges and deferred tax assets adjustment <sup>1</sup>	(88.4)	-
Point Comfort restructuring charges <sup>2</sup>	(34.3)	-
Anglesea restructuring charges <sup>3</sup>	(15.4)	-
Point Henry restructuring charges <sup>4</sup>	-	(90.8)
Sale of interest in Jamalco	1.3	(106.5)
Portland impairment charge <sup>5</sup>	(20.0)	-
Other <sup>6</sup>	(13.1)	7.9
<i>Total Significant items included in net profit/(loss), after tax</i>	<i>(169.9)</i>	<i>(189.4)</i>

<sup>1</sup> On 18 March 2015 Alcoa Inc announced plans to curtail 443,000 metric tonnes per year of alumina refining capacity at Suralco in Suriname. On 15 September 2015 Alcoa Inc announced plans to fully curtail the remaining 887,000 metric tonnes per year of alumina refining capacity at Suralco by the end of November 2015. Ongoing costs will be recognised in future financial years relating to the curtailment.

<sup>2</sup> On 3 November 2015 Alcoa Inc announced plans to curtail 1,200,000 metric tonnes per year of alumina refining capacity at Point Comfort. On 8 January 2016 Alcoa Inc announced plans to fully curtail the remaining 810,000 metric tonnes per year of alumina refining capacity at Point Comfort by the end of the second quarter 2016. Ongoing costs will be recognised in future financial years relating to the curtailment.

<sup>3</sup> On 12 May 2015 Alcoa of Australia Limited an Alcoa World Alumina and Chemicals (“AWAC”) entity, decided to permanently close the Anglesea coal mine and power station which was completed in August 2015. Further costs will be recognised in future financial years relating to the closure, demolition and remediation activities that are expected to be completed by the end of 2020.

<sup>4</sup> On 18 February 2014 Alcoa of Australia Limited decided to permanently close the Point Henry aluminium smelter which was done in August 2014. Further costs will be recognised in future financial years relating to the closure, demolition and remediation activities that are expected to be completed by the end of 2018.

<sup>5</sup> The IFRS impairment is in relation to the Portland smelter and has been included as a GAAP adjustment within the equity accounted share of net profit of associate.

<sup>6</sup> Refer page 19 for further details.

**This year-end report should be read in conjunction with the most recent annual financial report**

## December 2015 ASX Report

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 Dec 2015 US\$ million	Year ended 31 Dec 2014 US\$ million
Revenue from continuing operations	0.1	0.1
Share of net profit/(loss) of associates accounted for using the equity method	109.9	(73.6)
Other income	-	1.5
General and administrative expenses	(11.9)	(13.5)
Change in fair value of derivatives/foreign exchange losses	(3.2)	1.6
Finance costs	(6.6)	(13.6)
<b>Profit/(loss) before income tax</b>	<b>88.3</b>	<b>(97.5)</b>
Income tax expense from continuing operations	-	(0.8)
<b>Profit/(loss) for the year</b>	<b>88.3</b>	<b>(98.3)</b>
<b>Other comprehensive (loss)/income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Share of reserve movements accounted for using the equity method	(0.7)	(0.6)
Foreign exchange translation difference	(452.2)	(224.6)
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of retirement benefit obligations accounted for using the equity method	32.0	(46.6)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(420.9)</b>	<b>(271.8)</b>
<b>Total comprehensive loss for the year attributable to the owners of Alumina Limited</b>	<b>(332.6)</b>	<b>(370.1)</b>

### Earnings Per Share (EPS)

	Year ended 31 Dec 2015 US cents	Year ended 31 Dec 2014 US cents
Basic EPS	Positive 3.1¢	Negative 3.5¢
Diluted EPS	Positive 3.1¢	Negative 3.5¢

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## Consolidated Balance Sheet

	31 Dec 2015 US\$ million	31 Dec 2014 US\$ million
<b>Current Assets</b>		
Cash and cash equivalents	9.3	24.9
Receivables	-	0.2
Other assets	3.3	3.5
<b>Total current assets</b>	<b>12.6</b>	<b>28.6</b>
<b>Non-current Assets</b>		
Investments in associates	2,098.0	2,514.5
Property, plant and equipment	0.1	0.1
<b>Total non-current assets</b>	<b>2,098.1</b>	<b>2,514.6</b>
<b>Total assets</b>	<b>2,110.7</b>	<b>2,543.2</b>
<b>Current Liabilities</b>		
Payables	1.7	1.9
Provisions	0.2	0.2
Current tax liabilities	-	0.8
Other liabilities	0.2	0.2
<b>Total current liabilities</b>	<b>2.1</b>	<b>3.1</b>
<b>Non-current Liabilities</b>		
Borrowings	110.5	111.5
Derivative financial instruments	14.7	4.1
Provisions	0.5	0.5
<b>Total non-current liabilities</b>	<b>125.7</b>	<b>116.1</b>
<b>Total liabilities</b>	<b>127.8</b>	<b>119.2</b>
<b>Net assets</b>	<b>1,982.9</b>	<b>2,424.0</b>
<b>Equity</b>		
Contributed equity	2,682.9	2,620.0
Treasury shares	(1.4)	(1.2)
Reserves	(1,305.9)	(853.0)
Retained earnings	607.3	658.2
<b>Total equity</b>	<b>1,982.9</b>	<b>2,424.0</b>

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## Consolidated Statement of Changes in Equity

	Contributed Equity <sup>1</sup> US\$ million	Reserves US\$ million	Retained Profits US\$ million	Total US\$ million
<b>Balance as at 1 January 2014</b>	<b>2,618.7</b>	<b>(628.4)</b>	<b>803.1</b>	<b>2,793.4</b>
Loss for the year	-	-	(98.3)	(98.3)
Other comprehensive loss for the year	-	(225.2)	(46.6)	(271.8)
<b>Transactions with owners in their capacity as owners:</b>				
Movement in treasury shares	0.1	-	-	0.1
Movement in share based payments reserve	-	0.6	-	0.6
<b>Balance at 31 December 2014</b>	<b>2,618.8</b>	<b>(853.0)</b>	<b>658.2</b>	<b>2,424.0</b>
<b>Balance as at 1 January 2015</b>	<b>2,618.8</b>	<b>(853.0)</b>	<b>658.2</b>	<b>2,424.0</b>
Profit for the year	-	-	88.3	88.3
Other comprehensive (loss)/income for the year	-	(452.9)	32.0	(420.9)
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid	-	-	(171.2)	(171.2)
Dividend reinvestment plan	62.9	-	-	62.9
Movement in treasury shares	(0.2)	-	-	(0.2)
<b>Balance at 31 December 2015</b>	<b>2,681.5</b>	<b>(1,305.9)</b>	<b>607.3</b>	<b>1,982.9</b>

<sup>1</sup> Treasury shares have been deducted from contributed equity.

# December 2015 ASX Report

## Consolidated Statement of Cash Flows

	Year ended 31 Dec 2015 US\$ million	Year ended 31 Dec 2014 US\$ million
<b>Cash Flows Related to Operating Activities</b>		
Payments to suppliers and employees (inclusive of goods and services tax)	(12.1)	(15.0)
GST refund received	0.4	0.5
Dividends received from associates	61.4	16.0
Distributions received from associates	1.5	4.3
Finance costs paid	(8.4)	(12.5)
Interest received	-	0.1
Interest paid under cross currency interest rate swap	(3.3)	-
Interest received under cross currency interest rate swap	5.2	-
Tax paid	(1.0)	(0.4)
Other	(0.1)	(0.6)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>43.6</b>	<b>(7.6)</b>
<b>Cash Flows Related to Investing Activities</b>		
Payments to investments in associates	(2.4)	(41.5)
Proceeds from return of invested capital	43.4	98.9
<b>Net cash inflow from investing activities</b>	<b>41.0</b>	<b>57.4</b>
<b>Cash Flows Related to Financing Activities</b>		
Proceeds from note issue	-	107.1
Repayment on termination of cross currency interest rate swap	-	(6.9)
Proceeds from borrowings	110.0	55.0
Repayment of borrowings	(100.0)	(202.6)
Dividends paid	(108.2)	-
<b>Net cash outflow from financing activities</b>	<b>(98.2)</b>	<b>(47.4)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(13.6)</b>	<b>2.4</b>
Cash and cash equivalents at the beginning of the reporting period	24.9	24.0
Effects of exchange rate changes on cash and cash equivalents	(2.0)	(1.5)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>9.3</b>	<b>24.9</b>

# December 2015 ASX Report

## 1. Basis of Preparation

This consolidated financial report for the year ended 31 December 2015 has been prepared in accordance with the Australian Stock Exchange Listing Rules as they relate to Appendix 4E and in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, and the *Corporations Act 2001*.

This consolidated 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 2014 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 financial year.

## 2. Reconciliation of Cash

	31 Dec 2015 US\$ million	31 Dec 2014 US\$ million
Reconciliation of cash at the end of the financial year (as shown in the consolidated statement of cash flows) as follows:		
Cash on hand and at bank	1.8	2.4
Money market deposits (with maturity on investment three months or less)	7.5	22.5
<b>Total cash and cash equivalents at the end of the financial year</b>	<b>9.3</b>	<b>24.9</b>

## 3. Consolidated Retained Earnings

	Year ended 31 Dec 2015 US\$ million	Year ended 31 Dec 2014 US\$ million
Retained earnings at the beginning of the financial year	658.2	803.1
Net profit/(loss) attributable to members of Alumina Limited	88.3	(98.3)
Dividends paid	(171.2)	-
Re-measurements of retirement benefit obligations accounted for using the equity method	32.0	(46.6)
<b>Total retained earnings at the end of the financial year</b>	<b>607.3</b>	<b>658.2</b>

## 4. Income Tax

	Year ended 31 Dec 2015 US\$ million	Year ended 31 Dec 2014 US\$ million
<b>Profit/(loss) from ordinary activities before income tax</b>	88.3	(97.5)
<b>Prima facie tax (expense)/benefit for the year at the rate of 30%</b>	(26.5)	29.2
The following items caused the total charge for income tax to vary from the above:		
Share of equity accounted (profit)/loss not assessable for tax	(109.9)	73.6
Foreign income subject to accruals tax	1.8	0.6
Share of Partnership income assessable for tax	1.5	4.3
Tax losses not recognised	17.8	21.3
Timing differences not recognised	(1.4)	-
Amounts non-assessable for tax	-	(1.5)
Non-deductible expenses	1.9	1.7
<b>Net movement</b>	<b>(88.3)</b>	<b>100.0</b>
<b>Consequent decrease/(increase) in charge for income tax</b>	<b>26.5</b>	<b>(30.0)</b>
Estimated tax expense in relation to allocation agreement	-	(0.8)
<b>Aggregate income tax expense for the year</b>	<b>-</b>	<b>(0.8)</b>

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### 5. Contributed Equity

	Year ended 31 Dec 2015 US\$ million	Year ended 31 Dec 2014 US\$ million
<b>Ordinary share capital issued and fully paid</b>		
Balance brought forward	2,620.0	2,620.0
Shares issued	62.9	-
<b>Total issued capital</b>	<b>2,682.9</b>	<b>2,620.0</b>
<b>Movements in Share Capital</b>		
Opening number of shares	2,806,225,615	2,806,225,615
Movement for the year	73,617,883	-
<b>Total issued capital</b>	<b>2,879,843,498</b>	<b>2,806,225,615</b>

On 9 April 2015, Alumina Limited decided to recommence its dividend reinvestment plan (DRP), which was suspended in 2010. Under the DRP, shareholders may elect to have all, a portion, or none of their dividends invested in new shares issued by the Company.

In September 2015, 73,617,883 shares were issued under the plan at a 1.5% discount to the market price.

### 6. Movement in Treasury Shares

	Year ended 31 Dec 2015 Shares	Year ended 31 Dec 2014 Shares	Year ended 31 Dec 2015 US\$	Year ended 31 Dec 2014 US\$
Balance brought forward	423,695	499,314	1,176,904	1,312,156
Acquisition of shares by Alumina Employee Share Plan Pty Ltd (average price: \$1.78 per share)	600,000	-	827,340	-
Employee performance rights vested	(961,978)	(75,619)	(590,638)	(135,252)
<b>Total treasury shares</b>	<b>61,717</b>	<b>423,695</b>	<b>1,413,606</b>	<b>1,176,904</b>

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### 7. Earnings Per Share (EPS)

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculation of basic and diluted EPS (US\$ million)	88.3	(98.3)
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted EPS	2,824,328,800	2,805,745,467
Basic EPS (US cents)	Positive 3.1¢	Negative 3.5¢
Diluted EPS (US cents)	Positive 3.1¢	Negative 3.5¢

### 8. Net Tangible Asset Backing Per Security

	31 Dec 2015	31 Dec 2014
Net assets (US\$ million)	1,982.9	2,424.0
<i>Less equity accounted intangible assets:</i>		
Goodwill (US\$ million)	175.8	175.8
Mineral rights and bauxite assets net of deferred tax liabilities (US\$ million)	73.7	75.2
Net tangible assets (US\$ million)	1,733.4	2,173.0
Number of issued ordinary shares (including treasury shares)	2,879,843,498	2,806,225,615
<b>Net tangible asset backing per ordinary security (US\$)</b>	<b>0.60</b>	<b>0.77</b>

### 9. Dividends

Since the year end the Directors have determined that a fully franked dividend of US 1.8 cents per share will be payable on 23 March 2016, amounting to US \$51.8 million. This amount has not been recognised as a liability at the year end. Record date to determine entitlement to the dividend is 3 March 2016.

Directors determined that the Company's Dividend Reinvestment Plan is suspended and will not apply to the 2015 final dividend.

The franking account balance, which is maintained in Australian dollars, was A\$339.9 million as at 31 December 2015 (A\$409.1 million as at 31 December 2014).

	Year ended 31 Dec 2015 US\$ million	Year ended 31 Dec 2014 US\$ million
Final dividend for the year ended 31 December 2014 of 1.6 cent per share (2013: nil)	44.9	-
Interim dividend for the year ended 31 December 2015 of 4.5 cents per share (2014: nil)	126.3	-
<b>Total</b>	<b>171.2</b>	<b>-</b>



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### 10. Material Interests in Entities which are Not Controlled Entities

Alumina Limited has an interest in the following entities forming AWAC:

	Ownership Interest Held (%)	
	31 Dec 2015	31 Dec 2014
Alcoa of Australia Limited	40	40
Alcoa World Alumina LLC	40	40
Alumina Espanola S.A.	40	40
Alcoa World Alumina Brasil Ltda.	40	40
AWA Saudi Ltda.	40	40
Enterprise Partnership	40	40

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

There was no loss or gain of control for the years ended 31 December 2015 and 31 December 2014.

### 12. AWAC Contribution to Net Profit/(Loss) of Alumina Limited and Controlled Entities

	Year ended 31 Dec 2015 US\$ million	Year ended 31 Dec 2014 US\$ million
Revenues	5,380.4	5,862.0
Profit/(loss) from continuing operations	278.5	(180.2)
<b>Profit/(loss) for the year<sup>1</sup></b>	<b>278.5</b>	<b>(180.2)</b>
Other comprehensive loss for the year	(1,052.3)	(679.5)
<b>Total comprehensive loss for the year</b>	<b>(773.8)</b>	<b>(859.7)</b>
Group Share of profit/(loss) for the year as a percentage	40%	40%
Group Share of profit/(loss) for the year in dollars	111.4	(72.1)
Mineral rights and bauxite amortisation	(2.1)	(2.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.6	0.6
<b>Share of profit/(loss) from associate accounted for using equity method</b>	<b>109.9</b>	<b>(73.6)</b>
<b>Dividends and distributions received from AWAC</b>	<b>62.9</b>	<b>20.3</b>

<sup>1</sup> The profit/(loss) for the twelve month periods ended 31 December 2015 and 31 December 2014 include significant items that have affected AWAC's net profit/(loss) after tax. For further details refer to the reconciliation on page 19.

### 13. AWAC Legal Matters

Lockheed Martin Corporation ("Lockheed") filed a complaint (the "Lockheed Action") against Virgin Islands Aluminium Company ("Vialco") and its parent Glencore Xstrata Plc ("Glencore") in the United States District Court, Southern District of New York following Lockheed's settlement of environmental lawsuits previously brought by the Government of the US Virgin Islands against Lockheed and Vialco in connection with the past ownership and operation of the alumina refinery.

Glencore has demanded that St Croix Alumina LLC ("SCA") and Alcoa World Alumina LLC ("AWA"), AWAC entities, indemnify Glencore from any losses incurred as a result of the Lockheed Action under the 19 July 1995 Acquisition Agreement (the "1995 Agreement") between Vialco and AWA pursuant to which SCA purchased the refinery from Vialco. AWA has denied that it owes Glencore any such obligation of indemnity and has filed a declaratory judgement action in Delaware seeking clarification of its rights and obligations under the 1995 Agreement.

Alumina Limited is unable to reasonably predict an outcome or to estimate a range of a reasonably possible loss in relation to these legal proceedings.

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### 14. AWAC Commitments

On 8 April 2015, Alcoa of Australia Limited, an AWAC entity, secured a 12-year gas supply agreement for the initial supply of 120 terajoules per day of natural gas to power its alumina refineries in Western Australia beginning in July 2020. This agreement was conditional on the completion of a third-party acquisition of the related energy assets from the then current owner, which occurred in the second quarter of 2015. The terms of the gas supply agreement require a prepayment of \$500 million to be made in two instalments. The first instalment of \$300 million was paid at the time of the completion of the third-party acquisition in June 2015. The second instalment of \$200 million is due in the first half of 2016.

### 15. Borrowings

	Year ended 31 Dec 2015 US\$ million	Year ended 31 Dec 2014 US\$ million
Bank loans <sup>(a)</sup>	20.0	10.0
Fixed rate note <sup>(b)</sup>	90.5	101.5
<b>Total borrowings</b>	<b>110.5</b>	<b>111.5</b>

#### (a) Bank Loans

Alumina Limited has a US\$300 million syndicated bank facility with two equal tranches maturing in December 2017 and July 2020. As at 31 December 2015 there was \$20 million drawn against the syndicated facility so the undrawn available facility amount as at 31 December 2015 was \$280 million.

#### (b) Fixed rate note

On 12 November 2014, Alumina Limited issued an A\$125 million face value 5.5% fixed rate note at a discount of A\$0.7 million. The note matures on 19 November 2019. The fixed rate note has been converted to US dollar equivalents at year-end exchange rates.

### 16. Segment Information

Alumina Limited's primary assets are its 40 per cent interest in the series of operating entities forming AWAC. Alumina Limited has one reportable segment, namely the investment in the alumina/aluminium business through its equity interest in AWAC.

### 17. Events Occurring After the Balance Sheet Date

There have been no significant events occurring since 31 December 2015.

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## Compliance Statement

1. This financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, and the *Corporations Act 2001*.
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.
5. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Peter Wasow  
Director

Melbourne  
25 February 2016

# December 2015 ASX Report

## Alumina Limited Highlights

### Significant increase in profit

- Profit increased by \$186.6 million.
- Excluding significant items, profit increased by \$167.1 million.

### Balance sheet stability

- Maturity profile of borrowings extended with improved pricing.
- Balance sheet gearing at 4.8%.

### Improvement in free cash flow

- Net cash receipts from AWAC (after capital contributions) increased by \$26.2 million.

### Final dividend declared and interim dividend paid

- The directors declared a fully franked final dividend of US 1.8 cents per share, payable on 23 March 2016 to shareholders on the register as at 5pm on 3 March 2016.
- The fully franked interim dividend for 2015 of 4.5 cents per share was paid on 28 September 2015.

## AWAC Highlights (US GAAP)

### Increase in EBITDA

- EBITDA increased by \$688.5 million.
- Excluding significant items, EBITDA increased by \$495.5 million.
- Alumina EBITDA margin increased by \$37 per tonne.
- Proportion of third party smelter grade alumina shipments that were priced on spot or alumina indexed basis increased to 75%.

### Increase in cash from operations

- Cash from operations increased by \$333 million.
- Cash from operations includes the \$300 million prepayment for natural gas supply from 2020.

## Alumina Limited Key Financials

	2015	2014
Net profit/(loss) after tax US\$m	88.3	(98.3)
Total significant items after tax US\$m <sup>1</sup>	(169.9)	(189.4)
Net profit after tax excluding significant items US\$m	258.2	91.1
Cash received from AWAC US\$m	106.3	119.2
Contributions paid to AWAC US\$m	(2.4)	(41.5) <sup>2</sup>
EPS (US cps)	3.1	(3.5)
Total dividends declared (US cps)	6.3	1.6

	31 Dec 2015	31 Dec 2014
Net Debt US\$m	101.2	86.6
Gearing <sup>3</sup>	4.8%	3.4%

<sup>1</sup> For further details refer to the reconciliation on page 19.

<sup>2</sup> Includes Ma'aden entry fee reimbursement to Alcoa Inc of \$5.4 million.

<sup>3</sup> Calculated as (debt - cash) / (debt + equity).

## AWAC Key Financials

	2015	2014
EBITDA US\$m <sup>1</sup>	989.5	301.0
Total significant items before tax US\$m <sup>1</sup>	(375.0)	(568.0)
EBITDA excluding significant items US\$m <sup>1</sup>	1,364.5	869.0
Alumina EBITDA margin US\$/t <sup>2</sup>	91	54
Alumina average realised price US\$/t	296	305
Alumina cash cost of production US\$/t	216	249
Alumina shipments priced on spot or index basis (%)	75	68
Cash from operations US\$m	808.9	475.9

<sup>1</sup> For further details refer to the reconciliation on page 19.

<sup>2</sup> The EBITDA margin is calculated as AWAC's EBITDA excluding significant items, smelter's EBITDA and equity accounted income/(losses) divided by tonnes of alumina produced.

## AWAC Production and Shipments

	2015	2014
Bauxite third party shipments	2.0mt	1.6mt
Bauxite production BDT <sup>(1)</sup>	38.0mt	38.9mt
Alumina shipments	15.5mt	15.9mt
Alumina production	15.1mt	15.9mt
Aluminium shipments	164kt	267kt
Aluminium production	163kt	269kt

<sup>1</sup> Production from AWAC's own mines.

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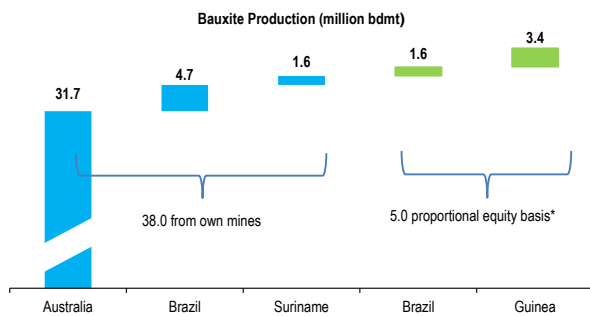
## AWAC Business Review (US GAAP)

### Mining

In January 2015, Alcoa Inc restructured its businesses which included the creation of mining as a separate unit, although it still falls under the alumina reporting segment. This new business unit is predominantly represented by the AWAC mining operations and interests.

AWAC owns, or partly owns bauxite mines currently operating in four countries that meet the production needs of the AWAC refineries.

AWAC's own mines produced 38.0 million bone dry tonnes (BDT) of bauxite, a decrease of 0.9 million tonnes mostly related to the curtailment of the mine in Suriname.



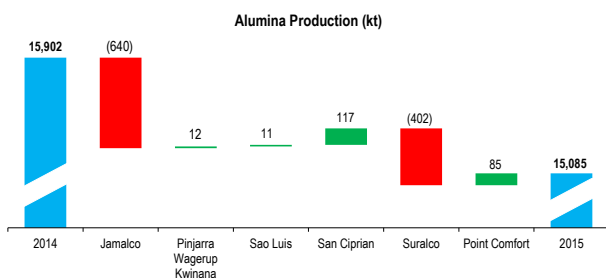
\* Mines in which AWAC has an equity interest are included if they supply refineries operated by AWAC.

During 2015, AWAC sold to third parties 2.0 million BDT of bauxite and purchased 1.1 million BDT from third parties. Also, the Government of Western Australia granted permission to export trial shipments from AWAC's Western Australian mines. The first trial shipment is scheduled in early 2016. In addition, AWAC has put in place contracts for 2016 to sell excess volume resulting from the refining curtailments.

Average mine costs per tonne were lower than 2014 levels, primarily due to the strengthening of the US dollar against the Australian dollar and the Brazilian Real.

### Refining

Production of alumina was 15.1 million tonnes in 2015, compared to 15.9 million tonnes in 2014. Production was lower due to the sale of the Jamalco refinery in the second half of 2014 and the curtailment of production at the Suralco refinery, which was partly offset by higher production at the Point Comfort and San Ciprian refineries. Production at the other refineries was almost unchanged at 10.8 million tonnes.



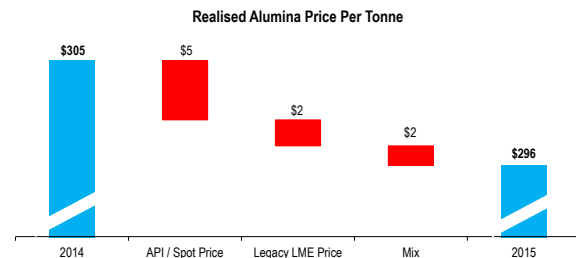
Alumina shipments were 15.5 million tonnes in 2015, compared to 15.9 million tonnes in 2014 and include approximately 0.3 million tonnes of purchased tonnes that were on sold to third parties.

Approximately 75% of third party smelter grade alumina shipments (excluding purchased tonnes) were priced on spot or alumina indexed basis for 2015 compared to 68% for 2014. For 2016, shipments (excluding purchased tonnes) on a spot or alumina indexed basis are expected to be approximately 85% of the total.

Revenue per tonne from smelter grade alumina sales priced by reference to indices and spot continued to be higher than the legacy LME-linked contracts in 2015.

The average three-month LME aluminium price, determined on a two-month lag basis, decreased by 5.4% in 2015 compared to 2014, and the average alumina price index FOB Australia (one month lag) decreased by 4.3%.

The net result was that 2015 average realised alumina prices decreased by 3.0% to \$296 per tonne compared to \$305 per tonne in 2014.

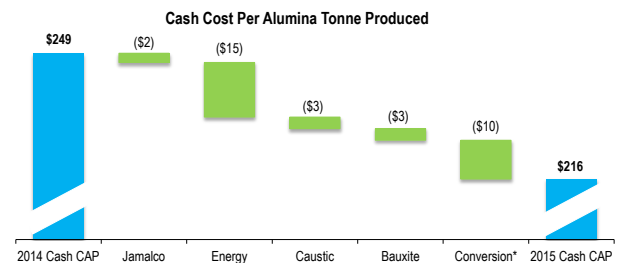


AWAC's average 2015 cash cost per tonne of alumina produced (which includes the mining business unit at cost) decreased by 13.3% to \$216 per tonne, largely assisted by the stronger US dollar.

Approximately two dollars per tonne reduction is a result of the sale of the high cost Jamalco refinery during 2014.

The balance of the decrease was predominantly due to lower energy costs driven by lower prices and the conversion of the San Ciprian refinery to natural gas from fuel oil.

There were also cost benefits from lower mining costs and productivity initiatives in raw materials that more than offset their higher usage. Lower caustic prices more than offset increased usage at Suralco due to bauxite quality as the refinery and mine were curtailed.



\* conversion includes: employee costs, indirect costs and other raw materials costs.

The alumina EBITDA margin (which includes the mining business unit at cost) was \$91 per tonne of alumina produced in 2015, an increase of \$37 per tonne compared to 2014. Increased margins were a result of the lower costs more than offsetting lower prices.

## December 2015 ASX Report

### Smelting

Production of approximately 163,000 tonnes was lower than 2014 due to the closure of the Point Henry smelter on 1 August 2014. The Portland smelter is the remaining smelting operation in the AWAC portfolio.

Portland contributed \$30.9 million in EBITDA, at a margin of \$188 per tonne of aluminium produced.

Portland's 2015 average cash cost of aluminium per tonne produced decreased by 9.1% to \$1,589 per tonne, mainly due to the weaker Australian dollar against the US dollar. The average realised price decreased by 14.9% to \$1,911 per tonne.

### Portfolio Restructuring and Repositioning

During 2015, there were a number of events that are related to the restructuring and repositioning of AWAC's portfolio in order to improve the quality of returns.

In January, the mining business unit was established, recognising the growing commercial value of bauxite, the extensive resource available to AWAC and the mining capabilities and infrastructure capacity of AWAC, adding another dimension to the existing operations of AWAC.

In March, Alcoa Inc initiated a 12-month review of 2.8 million tonnes in refining capacity that includes AWAC refineries for possible curtailment (partial or full), permanent closure or divestiture. As a part of this review:

- In March, AWAC curtailed 0.443 million tonnes per year (one digester) of capacity at the Suralco (Suriname) refinery. This curtailment was completed by the end of April. In September, Alcoa Inc announced that it planned to curtail the remaining capacity of 0.887 million tonnes (two digesters) at Suralco. The curtailment was completed by the end of November. Alcoa Inc is currently in discussions with the Suriname Government to determine the best long-term solution for Suralco due to limited bauxite reserves and the absence of a long-term energy alternative.
- In November, AWAC partly curtailed 1.2 million tonnes of refining capacity at Point Comfort refinery in Texas, USA.
- In January 2016, AWAC announced the decision to curtail 1.0 million tonnes of alumina refining capacity by the end of the second quarter 2016. The curtailment includes the remaining 0.8 million tonnes of production capacity at the Point Comfort.

In May, Alcoa of Australia Limited decided to permanently close the Anglesea coal mine and power station, which was completed during August. Demolition and remediation activities related to Anglesea power station have begun and are expected to be completed by the end of 2020.

AWAC's total charges associated with the portfolio restructuring and repositioning was \$385.4 million post-tax compared to \$479.0 million post-tax for 2014. For further details refer to the reconciliation on page 19.

In April, Alcoa of Australia Limited, an AWAC entity, secured a 12-year gas supply agreement to power its alumina refineries in Western Australia, beginning in July 2020. This gas supply agreement secures the low cost position of AWAC's Australian alumina refining business. The agreement brings to almost 75% the amount of gas now secured by Alcoa of Australia Limited to replace existing gas supply agreements, which expire at the end of the decade.

During December 2014, the Ma'aden refinery began operating using bauxite from its own mine. The refinery produced 846 thousand tonnes (AWAC's share is 212 thousand tonnes) of alumina in 2015 and should be one of the lowest cash production cost per tonne refineries in AWAC's portfolio. The 2015 results included \$46.5 million of equity losses related to start and ramp up activities compared to \$33.9 million in 2014.

The San Ciprian refinery in Spain completed its conversion of energy source from oil to natural gas in February. As a result of the conversion, San Ciprian's production costs should be \$20 per tonne lower, compared to historic levels.

## December 2015 ASX Report

### AWAC Balance Sheet (US GAAP)

The value of assets and liabilities denominated in foreign currencies has declined, mainly due to the effect of the stronger US dollar particularly against the Australia dollar and the Brazilian Real.

The decline in property, plant and equipment was further affected by the closure of the Anglesea coal mine and power station, restructuring of Suralco and Point Comfort, and asset write-offs.

During 2015, Alcoa of Australia Limited secured a 12-year gas supply agreement, beginning in July 2020, which required a prepayment of \$500 million to be made in two instalments. The first instalment of \$300 million was paid in June 2015 and is reflected in other assets on the AWAC consolidated balance sheet. The second instalment will be made during the first half of 2016.

The movement in other assets also includes the decline in value of derivative contracts of approximately \$100.9 million and a \$195.5 million decline in deferred tax assets of which \$85 million relates to the revaluation of certain deferred tax assets of Suralco, which mainly related to employee benefits and the carry forward of tax losses.

The reduction in other liabilities also reflects the \$74 million Alba settlement paid in January 2015. In accordance with the allocation agreement with Alcoa Inc, AWAC funded \$2.9 million of this payment. The balance was funded by Alcoa Inc as part of its assumption of the additional 25% equity share of the Alba settlement payments and costs. The remaining instalment payments totalling \$222 million will be fully funded by Alcoa Inc under the same arrangement, of which \$74 million was funded in January 2016.

The movement in other liabilities also includes the decline in value of derivative contracts of approximately \$94.3 million.

AWAC's borrowings as at 31 December 2015, including capital lease obligations, was \$13.6 million, compared to \$73.4 million as at 31 December 2014. The majority of the decline relates to Alumina Espanola SA's repayment of debt through improved operating performance of the San Ciprian refinery. The majority of AWAC's short term borrowings is represented by the balance of Alumina Espanola SA's debt.

### AWAC Cash Flow (US GAAP)

Cash from operations includes the payment of the first instalment of \$300 million for the 12-year gas supply agreement, \$92.7 million of payments relating to significant items (2014: \$37.9 million) and payment for the Alba settlement of \$74 million (2014: \$88 million).

Adjusting for all of the above and movements in working capital, there would have been an increase in cash from operations in line with the improvement in EBITDA, excluding the significant items.

During 2015, sustaining capital expenditure was \$171.8 million compared to \$234.9 million in 2014. The majority of the expenditure related to the refineries. Significant projects included residue filtration for the Kwinana and Point Comfort refineries. The mining business unit's expenditure was \$29 million in 2015, largely for haul roads and the crusher relocation in Western Australia.

During 2015, growth capital expenditure was \$6.6 million compared to \$3.0 million in 2014. The expenditure largely related to creep production at the Western Australian refineries.

### AWAC Balance Sheet (US GAAP)

	31 Dec 2015	31 Dec 2014
	US\$m	US\$m
Cash, cash equivalents	531.8	238.2
Receivables	329.1	524.6
Related party note receivable	113.6	88.9
Inventories	436.8	550.7
Property, plant & equipment	3,691.8	4,772.3
Other assets	2,032.5	2,229.0
<b>Total Assets</b>	<b>7,135.6</b>	<b>8,403.7</b>
Short term borrowings	10.0	66.6
Payables	635.8	733.5
Taxes payable and deferred	306.3	292.3
Capital lease obligations & long term debt	3.6	6.8
Other liabilities	1,308.8	1,485.5
<b>Total Liabilities</b>	<b>2,264.5</b>	<b>2,584.7</b>
<b>Equity</b>	<b>4,871.1</b>	<b>5,819.0</b>

### AWAC Cash Disbursements

	2015	2014
	US\$m	US\$m
Dividends	152.2	40.0
Distributions	3.7	10.7
Capital returns	112.1	251.7

### AWAC Cash Flow (US GAAP)

	2015	2014
	US\$m	US\$m
<b>Cash from operations</b>	<b>808.9</b>	<b>475.9</b>
Capital contribution arising from the allocation agreement <sup>1</sup>	71.2	53.4
Capital contributions from partners	5.9	89.3
Net movement in borrowings	(49.6)	(85.1)
Capital expenditure	(178.4)	(237.9)
Other financing and Investing activities <sup>2</sup>	(54.1)	66.2
Effects of exchange rate changes on cash and cash equivalents	(42.3)	(10.7)
<b>Cash flow before distributions</b>	<b>561.6</b>	<b>351.1</b>
Distributions paid to partners	(268.0)	(302.4)
<b>Net Change in cash and cash equivalents</b>	<b>293.6</b>	<b>48.7</b>

<sup>1</sup> Contributions by Alcoa Inc in accordance with the allocation agreement whereby Alcoa Inc assumes an additional 25% equity share relating to the Alba settlement payments and costs.

<sup>2</sup> Made up of changes to capital lease obligations, related party notes receivable and other.



## December 2015 ASX Report

### Alumina Limited Reported Profit/(Loss)

Alumina Limited recorded a net profit after tax of \$88.3 million compared to a net loss of \$98.3 million in 2014.

The net profit was negatively affected by the equity share of AWAC's significant items totalling \$169.9 million in 2015 (2014: \$189.4 million). Significant items were largely the result of restructuring activities to improve the portfolio mix of AWAC. These activities included the curtailment of the Suralco and Point Comfort refineries, closure of the Anglesea coal mine and power station, Portland impairment charge and AWAC asset write offs. For further details refer to the reconciliation on page 19.

Excluding significant items, net profit would have been \$258.2 million (2014: \$91.1 million profit). This improvement is in line with the better operating performance of AWAC.

Most of Alumina Limited's general and administrative costs are incurred in Australian dollars. The decrease in costs reflects both the weaker Australian dollar against the US dollar and lower expenses.

Finance costs include interest expense, commitment fees paid, net payments under cross currency interest rate contracts, amortised upfront fees and bank charges. Finance costs decreased to \$6.6 million in 2015 from \$13.6 million in 2014 mainly due to lower average borrowings and a lower average interest rate following the refinancing of the Brazilian National Development Bank (BNDES) loan with the A\$125 million fixed rate note.

### Alumina Limited Balance Sheet

Alumina Limited's net debt as at 31 December 2015 was \$101.2 million. Gearing increased to 4.8% due to the negative currency translation impact on net assets.

The decline in investments in associates was mainly due to AWAC's restructuring charges and the loss on foreign currency balance sheet revaluations that more than offset the improved operating performance of AWAC.

On 12 November 2014, Alumina Limited issued an A\$125 million 5.5% fixed rate note which matures on 19 November 2019. The proceeds from the note were swapped into US dollars and used to repay the higher cost BNDES loan. As a result of this issuance, Alumina Limited also extended the maturity profile of its borrowings.

In addition to the fixed rate note, Alumina Limited had \$300 million of committed bank facilities. These bank facilities were extended and re-priced in June 2015. As at 31 December 2015, these facilities expire as follows:

- \$150.0 million in December 2017 (\$20 million drawn under these facilities as at 31 December 2015).
- \$150.0 million in July 2020 (no amounts drawn under these facilities as at 31 December 2015).

Following the completion of the restructuring of Alumina Limited's banking arrangements and the issuance of the note, the Company achieved significant improvement in its debt terms, such as borrowing margins, maturity and less financial undertakings.

### Alumina Limited Reported Profit/(Loss)

	2015	2014
	US\$m	US\$m
Share of AWAC profit/(loss)	109.9	(73.6)
Other income	-	1.5
General and admin costs	(11.9)	(13.5)
Finance costs	(6.6)	(13.6)
Other & tax	(3.1)	0.9
<b>Net profit/(loss) after tax<sup>1</sup></b>	<b>88.3</b>	<b>(98.3)</b>

<sup>1</sup> The profit/(loss) for the twelve month periods ended 31 December 2015 and 31 December 2014 include significant items that have affected Alumina Limited's net profit/(loss) after tax. For further details refer to the reconciliation on page 19.

### Alumina Limited Balance Sheet

	2015	2014
	US\$m	US\$m
Cash and equivalents	9.3	24.9
Investments	2,098.0	2,514.5
Other	3.4	3.8
<b>Total Assets</b>	<b>2,110.7</b>	<b>2,543.2</b>
Payables	1.7	1.9
Interest bearing liabilities – non-current	110.5	111.5
Other	15.6	5.8
<b>Total Liabilities</b>	<b>127.8</b>	<b>119.2</b>
<b>Net Assets</b>	<b>1,982.9</b>	<b>2,424.0</b>



## December 2015 ASX Report

### Alumina Limited Cash Flow

Alumina Limited's free cash flow principally comprise the net capital, dividends and income distributions received from the AWAC entities offset by the Company's general, administrative and finance costs.

The \$6.0 million reduction in finance costs paid is largely due to lower net debt balances and lower interest rates following the refinancing of the BNDES loan with the A\$125 million fixed rate note.

Alumina Limited's total receipts from AWAC during 2015 were \$106.3 million, compared to \$119.2 million in 2014. Dividends received in 2015 included an additional \$5.2 million arising from the sale of the interest in Jamalco bauxite mine and alumina refinery, which was sold during 2014, with the balance of \$56.2 million being received from Alcoa of Australia Limited. Capital returns amounted to \$43.4 million during 2015, of which \$33.7 million was received from AWA Brazil and \$9.7 million from the Enterprise Partnership.

Alumina Limited's cash contributions to AWAC during 2015 were \$2.4 million, compared to \$41.5 million in 2014, including the reimbursement to Alcoa Inc of \$5.4 million being the Ma'aden joint venture entry fee during 2014. The decline mainly reflects the completion of the construction of the Ma'aden joint venture mine and refinery, which became fully operational in December 2014, and the improved operations of the San Ciprian refinery in Spain, which includes the effect of the conversion of its energy source from oil to natural gas.

As a result, free cash flow was \$34.8 million higher in 2015 compared to 2014.

### Alumina Limited Cash Flow

	2015	2014
	US\$m	US\$m
Dividends received	61.4	16.0
Distributions received	1.5	4.3
Net finance costs paid	(6.5)	(12.5)
Payments to suppliers and employees	(12.1)	(15.0) <sup>1</sup>
GST refund, interest received & other	(0.7)	(0.4)
<b>Cash from operations</b>	<b>43.6</b>	<b>(7.6)</b>
Net receipts - investments in associates	41.0	57.4
<b>Free cash flow<sup>2</sup></b>	<b>84.6</b>	<b>49.8</b>

<sup>1</sup> Includes CEO retirement payments.

<sup>2</sup> Free cash flow calculated as cash from operations less net investments in associates.

## December 2015 ASX Report

### Guidance and Sensitivities

The following 2016 guidance is provided to assist the understanding of the sensitivity of AWAC results to key external factors. The guidance cannot be expected to be predictive of exact results; rather it provides direction and approximate quantum of the impact on profit before tax of movements around a given base figure. Actual results will vary from those computed using the guidance. Guidance is not linear, hence significant movement away from the base rates used may result in different sensitivities. Sensitivity of each element of the guidance has been considered in isolation and no correlation with movements in other elements within the guidance has been made.

Item	2016 Guidance
Production – alumina	Approximately 12.7mt
Production – aluminium	Approximately 164,000t
Australian \$ Sensitivity: +1¢ in USD/AUD	Approximately -\$26.0 million profit before tax Approximately -\$1.70/t alumina EBITDA
Brazilian \$ Sensitivity: +1¢ in BRL/USD	Minimal impact
Third party smelter grade alumina shipments expected to be based on alumina price indices or spot	Approximately 85% for the year
AWAC sustaining capital expenditure	Approximately \$150 million
AWAC growth capital expenditure	Approximately \$25 million
AWAC Point Comfort after tax restructuring <ul style="list-style-type: none"> <li>- Charges (IFRS)</li> <li>- Cash Flows</li> </ul>	Approximately \$31 million Approximately \$31 million
AWAC Suralco after tax restructuring <ul style="list-style-type: none"> <li>- Charges (IFRS)</li> <li>- Cash Flows</li> </ul>	Approximately \$13 million Approximately \$13 million
AWAC Point Henry and Anglesea after tax restructuring <ul style="list-style-type: none"> <li>- Charges (IFRS)</li> <li>- Cash Flows</li> </ul>	Approximately \$2 million Approximately \$15 million

## December 2015 ASX Report

### Reconciliations

#### AWAC's significant items (US GAAP)

The AWAC's net profit/(loss) was negatively affected by individually significant items. These items are disclosed in the table to enhance an understanding of AWAC's operational performance during the year.

Significant Items	2015	2014
	US\$m	US\$m
Suriname restructuring charges	(178.4)	-
Point Comfort restructuring charges	(85.7)	-
Anglesea restructuring charges	(68.2)	-
Point Henry restructuring charges	(2.0)	(329.2)
Sale of interest in Jamalco	3.3	(266.3)
Capital work in progress write-offs	(33.0)	-
Gain on sale of gold mining interest in Suriname	-	27.5
Other (includes severance and redundancy payments)	(11.0)	-
<b>Total significant items (pre-tax)</b>	<b>(375.0)</b>	<b>(568.0)</b>
<b>Total significant items (after-tax)<sup>1</sup></b>	<b>(385.4)</b>	<b>(479.0)</b>

<sup>1</sup> For the year ended 31 December 2015 after tax significant items include an \$85.2 million income tax charge for a revaluation of certain deferred tax assets of Suralco, which mainly related to employee benefits and the carry forward of tax losses.

#### AWAC's EBITDA and EBITDA excluding significant items (US GAAP)

AWAC's EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

	2015	2014
	US\$m	US\$m
Net profit/(loss) after tax	318.2	(243.0)
Add back: Income tax charge <sup>1</sup>	367.1	135.0
Add back: Depreciation and Amortisation	302.9	404.5
Add back: Net interest	1.3	4.5
<b>EBITDA</b>	<b>989.5</b>	<b>301.0</b>
<b>Add back: significant items</b>	<b>375.0</b>	<b>568.0</b>
<b>EBITDA excluding significant items</b>	<b>1,364.5</b>	<b>869.0</b>

<sup>1</sup> Includes \$85.2 million deferred tax asset adjustment in 2015 in relation to the Suralco refinery curtailment. In 2014, includes \$52 million and \$27 million deferred tax assets adjustment in relation to the changes in Brazilian and Spanish tax rate respectively

#### Alumina Limited's significant items (IFRS)

Alumina Limited's share of net profit/(loss) of associates was negatively affected by its equity share of individually significant items incurred by AWAC. These items are disclosed in the table to enhance an understanding of Company's operational performance during the year.

Significant Items (post-tax)	2015	2014
	US\$m	US\$m
Suriname restructuring charges and deferred tax assets adjustment	(88.4)	-
Point Comfort restructuring charges	(34.3)	-
Anglesea restructuring charges	(15.4)	-
Point Henry restructuring charges	-	(90.8)
Sale of interest in Jamalco	1.3	(106.5)
Capital work in progress write-offs	(9.2)	-
Gain on sale of gold mining interest in Suriname	-	7.2
Legal matters of associate	-	0.7
Portland impairment charge	(20.0)	-
Other (includes severance and redundancy payments)	(3.9)	-
<b>Total significant items</b>	<b>(169.9)</b>	<b>(189.4)</b>

## December 2015 ASX Report

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### Market Outlook

#### Aluminium demand

The world aluminium demand outlook remains positive. Global aluminium consumption is expected to grow by around 4% in 2016, compared with growth of 3% in 2015. Chinese aluminium demand is forecast to grow by 6.5% in 2016, less than in 2015, mainly due to reduced demand in the construction sector. World demand over the next five years is expected, however, to grow at around 3%, or half the rate at which demand grew over the previous five years.

#### Aluminium supply

Global aluminium production growth in 2015 was the fastest in four years at 8% (China expanding by 12% and the rest of the world by 2%). This resulted in a surplus of approximately 1.4 million tonnes of primary aluminium production in 2015. Global aluminium production costs reduced by around \$240 per tonne over 2015, particularly due to lower energy costs and currency devaluations. World primary aluminium inventories have risen and are at record high levels. These factors have resulted in low aluminium prices and premiums in 2015. There was a supply response in China and the US in the latter part of 2015, although the production cuts were not as deep as originally announced. While China has been closing high cost capacity, new capacity which is low on the cost curve has been added.

World aluminium production growth in 2016 is expected to be around 1.5 million tonnes in China and around 0.5 million tonnes in the rest of the world.

Pressure from governments in China and the rest of the world to continue to operate for social and employment reasons is expected to remain a risk to pricing. However, there is the prospect of further smelter closures in the US and elsewhere if low prices persist over 2016 (around 2 million tonnes of smelting production outside China continues to lose money on a cash cost basis).

#### Alumina demand

The world total annual alumina demand growth in 2016 is expected to be over 3% in 2016. This is likely to fluctuate with the extent smelting curtailments are increased, sustained or reversed.

#### Alumina supply

There was an excess of alumina production compared with demand outside China in 2015. In addition there was a significant drop in the alumina cash cost curve. Together with the lower aluminium price and margins, Chinese and Australian alumina prices fell, in the case of Australian alumina from \$355 to \$201 per tonne over the course of 2015.

Towards the end of 2015 and extending into 2016, this sustained low alumina price led to significant alumina production curtailments inside and outside China. AWAC announced the full curtailments of its refineries in Suriname (completed in 2015) and Point Comfort (to be completed in the first half of 2016). While these refineries were already partly curtailed, this will result in the curtailment of a total of 4.5 million tonnes of capacity. Some 1 million tonnes of capacity was also curtailed at the Lanjigarh refinery in India. Non-AWAC refineries in the US are also considering further curtailments.

In China, where the cost of production is on average much higher than AWAC's, there has been a significant curtailment response to low prices. It has been estimated that at January 2016 prices, all Chinese refineries were cash negative. Seven million tonnes of Chinese alumina capacity is slated for curtailment. Also, planned additional capacity has been slowed. As a result, it is expected that the supply/demand surplus will tighten considerably over 2016. These factors have led to a modest price recovery in early 2016.

Supply and demand for alumina is expected to be nearly balanced in 2016 (or potentially in deficit, if all of the announced refining curtailments occur and hold during 2016). Whilst these curtailments provide cautious optimism for a modest alumina price recovery over the course of 2016, there are downside risks as a significant volume of aluminium production remains challenged at current prices.

The significant gap between current alumina prices and an incentive price to build a new refinery means that there are very few refineries outside China likely to be built for a number of years at least. Beyond the ramping-up of the AWAC refinery in Saudi Arabia and the 1 million tonne Hongqiao Well Harvest Winning refinery project in Indonesia, both due to be completed this year, there are no refinery projects fully committed outside China. The next most likely refinery to be completed outside China in the next four years may be the Emirates Global Aluminium greenfields refinery in the United Arab Emirates, due for completion in 2018. Development of refinery projects in India seems to have stalled.

#### Bauxite

Total imports of bauxite into China in 2015 was around 56 million tonnes. Malaysia became the biggest exporter of bauxite to China in 2015, shipping around 24 million tonnes. This bauxite was supplied at low cost, which impacted the pricing of other third party bauxite. Bauxite prices were around \$52 per tonne at the end of 2015 (delivered to China, adjusted on a value-in-use basis) and have since dropped further to around \$47 per tonne.

## December 2015 ASX Report

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The Malaysian Government introduced a three month ban on bauxite mining from 15 January 2016 due to growing environmental concerns. The Government has also announced that no new bauxite export licences will be issued. Whether this is a temporary or a longer term supply disruption, it is not expected to cause alumina or aluminium production shortfalls, as there are significant bauxite stockpiles in China and bauxite imports into China could be increased from other sources but at a higher cost. Chinese bauxite customers have commenced importing more bauxite from Guinea – at a higher cost than Malaysia.

Indian and Australian exports of bauxite could increase but would also be at a higher cost than from Malaysia.

AWAC's bauxite production costs are expected to remain relatively stable compared with the imported bauxite costs of Chinese merchant refiners. Whilst a devaluation of the yuan would reduce the Chinese denominated costs of production in US dollar terms, it would increase the cost of bauxite imports, which are priced in US dollars. Over the longer term, the share of Chinese alumina production based on imported bauxite is expected to increase from approximately one-third today to approximately 60% by 2030, due to the expected worsening quality and higher mining and processing costs of Chinese domestic bauxite. Whilst current large bauxite stocks provide a buffer for most Chinese bauxite-importing refineries in 2016, it is expected that by 2019, new and large greenfields mines outside China will be required to feed the Chinese needs.

Peter Wasow  
Director

Melbourne

25 February 2016

### **Forward Looking Statements**

*Neither Alumina Limited nor any other person warrants or guarantees the future performance of Alumina Limited or any return on any investment made in Alumina Limited securities. This document may contain certain forward-looking statements, including forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. The words "anticipate", "aim", "believe", "expect", "project", "estimate", "forecast", "intend", "likely", "should", "could", "will", "may", "target", "plan" and other similar expressions (including indications of "objectives") are intended to identify forward-looking statements. Indications of, and guidance on, future financial position and performance and distributions, and statements regarding Alumina Limited's future developments and the market outlook, are also forward-looking statements.*

*Any forward-looking statements contained in this document are not guarantees of future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Alumina Limited and its directors, officers, employees and agents that may cause actual results to differ materially from those expressed or implied in such statements. Those risks, uncertainties and other factors include (without limitation): (a) material adverse changes in global economic conditions, alumina or aluminium industry conditions or the markets served by AWAC; (b) changes in production or development costs, production levels or sales agreements; (c) changes in laws, regulations or policies; (d) changes in alumina or aluminium prices or currency exchange rates; (e) Alumina Limited does not hold a majority interest in AWAC and decisions made by majority vote may not be in the best interests of Alumina Limited; and (f) the other risk factors summarised in Alumina Limited's Annual Report 2014. Readers should not place undue reliance on forward-looking statements. Except as required by law, Alumina Limited disclaims any responsibility to update or revise any forward-looking statements to reflect any new information or any change in the events, conditions or circumstances on which a statement is based or to which it relates.*

### **Note regarding non-IFRS financial information**

*This document contains certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior year and to assess the operating performance of the business. Where non-IFRS measures are used, definition of the measure, calculation method and/or reconciliation to IFRS financial information is provided as appropriate.*