To: The Manager
Announcements
Company Announcements Office
Australian Stock Exchange

ALUMINA LIMITED

Public Announcement 2006 – 6AWC

Attached, in accordance with Listing Rule 4.7, is a copy of Alumina Limited's Concise Annual Report 2005 that will be distributed to shareholders today.

Stephen Foster
Company Secretary

24 March 2006

Alumina Limited

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ALUMINA
LIMITED

CONCISE ANNUAL REPORT 2005 PART 1 OF 2

Long-term profitability demands direction, planning and timely action. This year has been a time of progress for Alumina Limited and our AWAC joint venture with Alcoa. By investing now, we can continue to build a sustainable asset to provide growth and dividends well into the future.

PART 1

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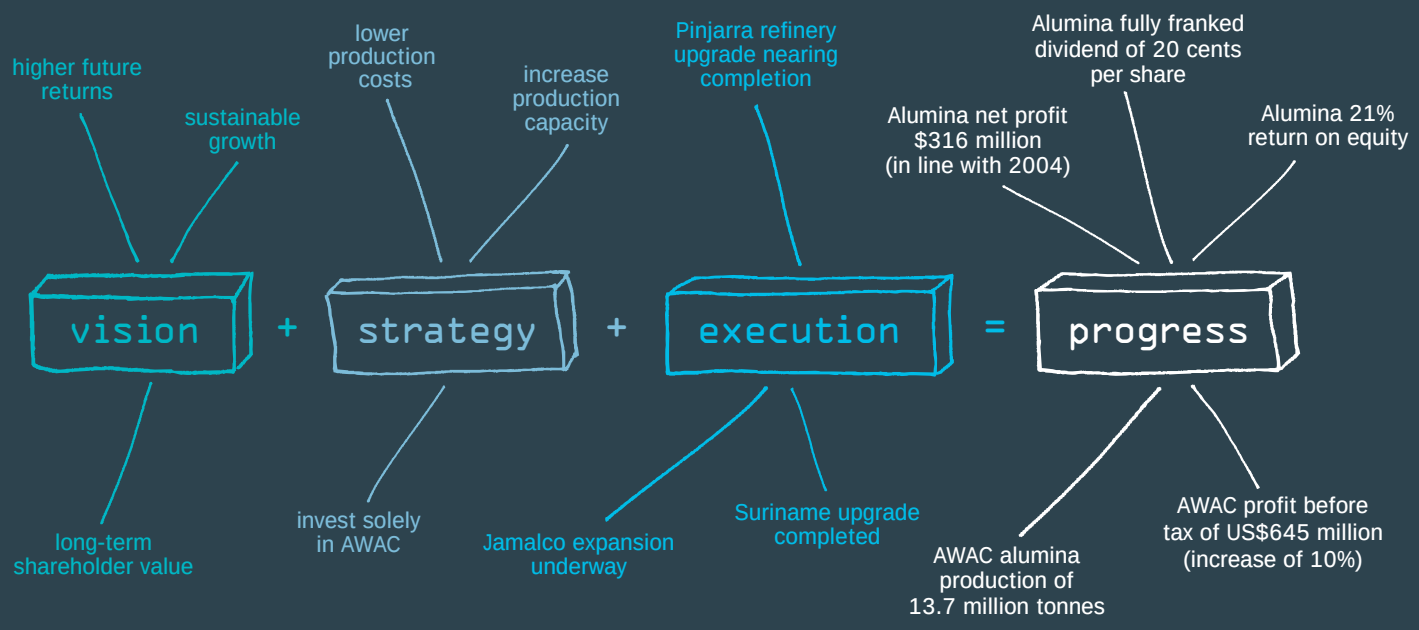
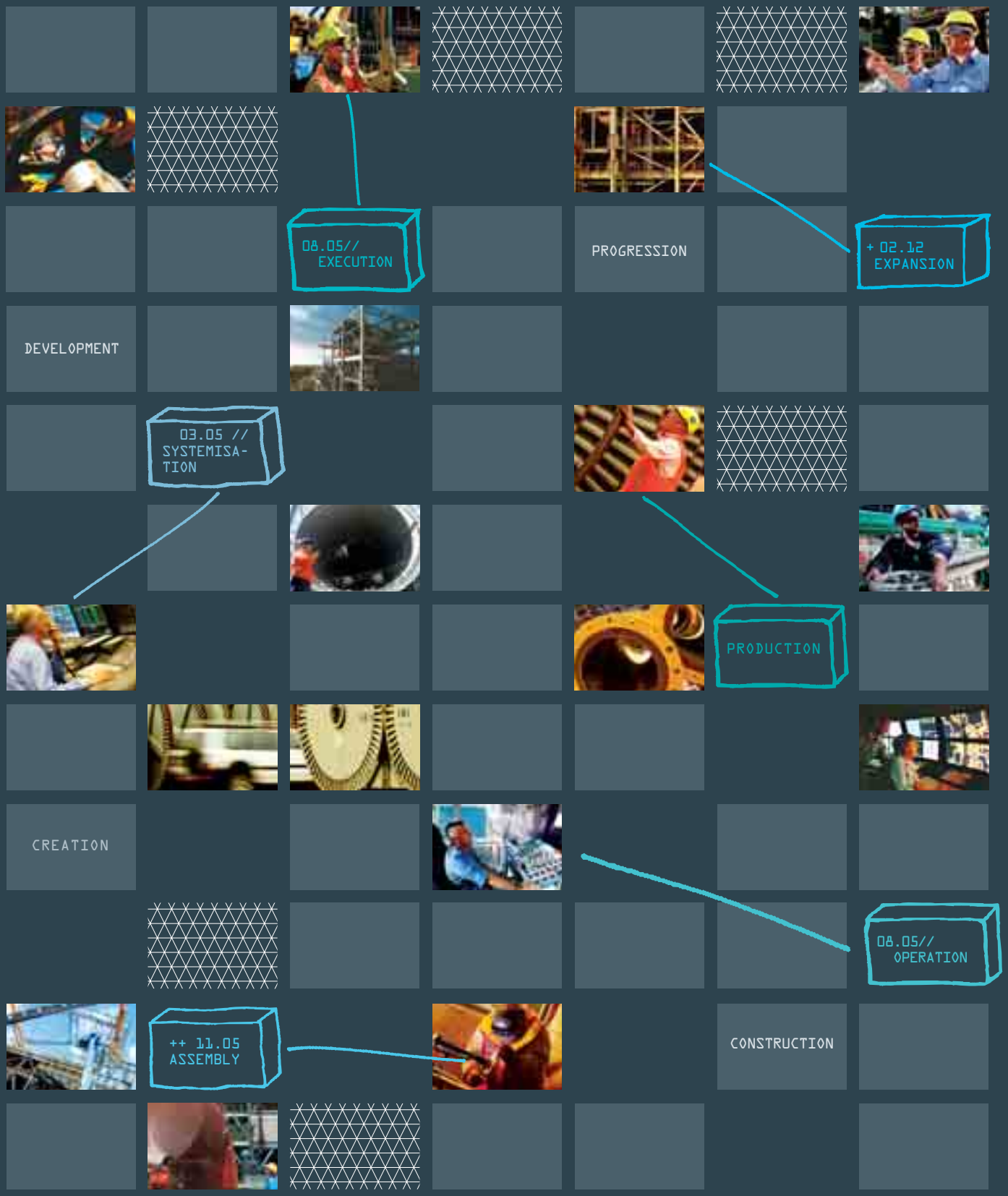
ALUMINA LIMITED ABN 85 004 820 419 // The Alumina Limited Concise Annual Report 2005 provides a review of Alumina Limited's, operating performance and financial data for the year ended 31 December 2005. The Concise Report for the purposes of section 314(2) of the Corporations Act 2001 comprises two parts: Part 1 (Concise Report) and Part 2 (Concise Report). The two parts are distributed together as one document and should be read together. These documents may be distributed by a person on the basis that Part 1 (Concise Report) and Part 2 (Concise Report) are distributed together. Printed reports are available for distribution to shareholders and prospective investors, or may be accessed via the Alumina Limited website (www.aluminalimited.com). All dollar amounts are Australian dollars and all units of measurement are metric unless otherwise stated.

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 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; and (e) the other risk factors summarised in Alumina's Form 20-F for the year ended 31 December 2004.


higher future returns
sustainable growth
long-term shareholder value
vision
+
lower production costs
increase production capacity
invest solely in AWAC
strategy
+
Pinjarra refinery upgrade nearing completion
Jamalco expansion underway
Suriname upgrade completed
execution
=
Alumina fully franked dividend of 20 cents per share
Alumina net profit $316 million (in line with 2004)
Alumina 21% return on equity
AWAC alumina production of 13.7 million tonnes
AWAC profit before tax of US$645 million (increase of 10%)
progress


08.05//
EXECUTION
PROGRESSION
+ 02.12
EXPANSION
DEVELOPMENT
03.05 //
SYSTEMISA-
TION
PRODUCTION
CREATION
08.05//
OPERATION
++ 11.05
ASSEMBLY
CONSTRUCTION

AN EQUATION THAT WORKS Alumina Limited is a leading Australian company listed on the Australian Stock Exchange (ASX) and the New York Stock Exchange (NYSE). We invest worldwide in bauxite mining, alumina refining and selected aluminium smelting operations through our 40 per cent ownership of Alcoa World Alumina and Chemicals (AWAC), the world's largest alumina business. Our partner, Alcoa, owns the remaining 60 per cent of AWAC, and is the manager. The AWAC joint venture was formed in 1994 and our partnership with Alcoa dates back to 1961.

ON THE GROUND

Progress depends on having the vision to invest in projects that will continue to deliver long-term value and substantial dividends to shareholders.

++++/// 08.05
KWI-
NANA...FUSING TARGETS//CREATING.....
SUSTAINABLE ASSETS>

THE BIG PICTURE

Alumina Limited's profitable investment growth is underpinned by AWAC's strategy of developing low-cost brownfield refinery expansions to supply its customers.

++++/// 07.05

INVESTING TO GROW...//PROGRESS...//
DRIVEN
BY STRONG DEMAND>>

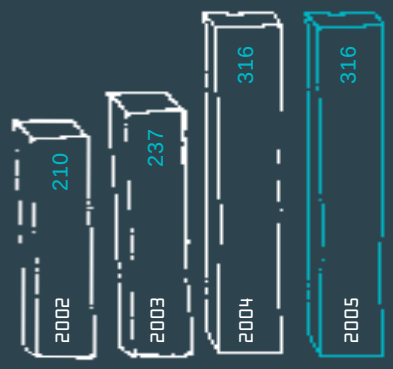
SEEING RESULTS

The strong demand for alumina and aluminium, combined with favourable market fundamentals, is expected to continue in 2006. Alumina Limited is well placed to profit from these market conditions.

MAKING THINGS HAPPEN

CHAIRMAN + CEO'S REPORT

We are pleased to report that the Company delivered substantial returns in 2005, with a profit of $316 million and total shareholder return of 28 per cent. In the three years since demerger, the Company has produced consistent earnings and pursued profitable growth options for shareholders.



Alumina Limited Profit // A$m

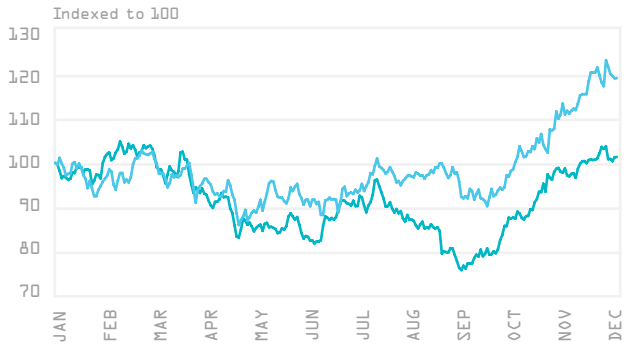
In the worldwide resources industry, Alumina Limited has a unique position with a 40 per cent interest in the Alcoa World Alumina and Chemicals (AWAC) business. In 2005, AWAC continued its construction of the Pinjarra refinery efficiency upgrade and committed to major expansion at its world-class alumina refineries in Brazil and Jamaica. AWAC has also commenced the development of its wholly owned Juruti bauxite mine in Brazil. Through Alumina Limited's investment in AWAC, we are progressing our strategy of delivering both long-term value and substantial dividends to shareholders.

2005 Results

Alumina Limited's 2005 net profit after tax of $316 million was in line with 2004. Underlying earnings after tax rose by 5 per cent to $331 million. Higher alumina and aluminium prices offset significantly higher energy and raw material costs.

Return on equity of 20.6 per cent was lower than in 2004 (22.4 per cent), reflecting the significant capital expenditure during the year on AWAC growth projects. The Board declared fully franked dividends of 20 cents for the 2005 year. This is consistent with the Board's stated intention to at least maintain dividends through our current growth phase, and represents a dividend payout ratio of 73 per cent. This compares with dividends declared for 2004 of 20 cents, franked to 17.5 cents. During the year, Alcoa of Australia Ltd and Alumina Limited applied for a ruling from the Australian Taxation Office (ATO) to release substantial franking credits that had been accumulated in Alcoa of Australia. The positive ruling enabled the 2005 interim dividend to be fully franked and provides confidence of the Company's capacity to declare fully franked dividends at the current level, through until the first quarter of 2007.

Alumina Limited's corporate costs in 2005 were $1.2 million higher than 2004 (net of costs relating to the WMC Stock Appreciation Plan), due primarily to the additional costs of obtaining the ATO ruling relating to the release of franking credits, recruitment and staffing costs, and fees associated with the implementation of A-IFRS.



Share Price Compared to the Global Aluminium Index // 2005

= Alumina Limited = Global Aluminium Index

The Company's share price increased from $5.94 at 1 January 2005 to $7.42 by year end, capitalising it at $8.6 billion. Alumina Limited's share price has appreciated significantly more than the average of its peers in the Global Aluminium Index.

AWAC's Results

AWAC generated a profit of US$645 million, up 10 per cent, with operating cash flows of US$802 million in 2005. AWAC's return on equity of 19.8 per cent for the year, and an average of 19.8 per cent over the five years from 2001 to 2005, demonstrates consistent strength in returns through economic cycles.

Cash dividends paid by AWAC to Alumina Limited were lower at $96 million ($160 million in 2004) due to AWAC's cash flow being partially utilised to fund capital expenditure. A further dividend paid to Alumina Limited and reinvested in Alcoa of Australia is discussed on page 21.

AWAC's capital expenditure was US$608 million in 2005, compared with US$321 million in 2004. Capital expenditure of US$428 million in 2005 for growth projects was predominantly for the Pinjarra alumina refinery upgrade and early work on the Jamalco alumina refinery, Alumar alumina refinery and Juruti bauxite mine projects.

AWAC's Operating Performance

Alcoa manages the operations of the AWAC joint venture. AWAC's safety performance continues to lead the alumina/aluminium industry, with a lost work day rate of 0.11 per 200,000 man hours worked in 2005, compared to an industry average of approximately 0.4.

AWAC's alumina production in 2005 was 13.7 million tonnes, compared with 13.6 million tonnes in 2004, with five refineries achieving annual production records. AWAC's alumina production in 2005 fell short of target due to the combined impact of production issues in the Australian refineries in the first half of 2005, lower production levels at the Suralco refinery in Suriname and unscheduled shutdowns at the Jamalco and Point Comfort refineries caused by hurricanes Rita and Wilma. Production at the Suralco refinery fell short of plan due to lower bauxite quality as existing mines approach the end of their productive life and before new mines are brought on stream.

AWAC production costs for alumina rose by US$26 per tonne, principally due to higher input costs for energy, caustic soda and purchased bauxite, higher freight costs, increased maintenance, and a higher A$ exchange rate. Higher alumina and aluminium prices received by AWAC offset these higher costs. The average LME aluminium metal price for 2005 increased to US 86 cents per pound from US 78 cents per pound in the previous year. AWAC alumina prices were higher as a consequence and also as a result of improved terms for AWAC third-party alumina contracts.

We advised at the start of 2005 that AWAC had negotiated improved contract prices, equivalent to 2 per cent of LME metal prices, for about one-third of long-term supply agreements with third-party customers. AWAC's average realised price for alumina in 2005 was US$239 per tonne.

Aluminium production at AWAC's smelters at Portland (55 per cent AWAC owned) and Point Henry in 2005 was 2 per cent lower than the prior year at 377,000 tonnes, due to a fourth quarter power outage and the subsequent extended recovery process at Portland. The Point Henry smelter incurred the cost of the four-yearly overhaul of the Anglesea power station. This reduced the Company's earnings in the first half of 2005 by A$9 million.

Alumina Limited's Strategy

The Alumina Limited Board conducted a comprehensive review of corporate strategy and reaffirmed our commitment to the strategy of a sole focus on the Company's 40 per cent interest in AWAC, providing exposure to bauxite mining, alumina refining and selected aluminium smelting operations.

AWAC's strategy is to expand its long-life, low-cost alumina refineries to meet growth in global consumption. The continuing growth of the Chinese economy supports a positive global outlook for aluminium and alumina demand.

AWAC Growth Projects

AWAC is well positioned to benefit from the strong alumina market and an improving world economy. The high growth rate of Chinese aluminium consumption (a 16 per cent increase in 2005) and US economic strength contributed to a 5 per cent increase in global consumption of aluminium during the year. AWAC's alumina production capacity is expanding in 2006 to supply this growth. The Pinjarra efficiency upgrade of 657,000 metric tonnes per year (mtpy) is due for mechanical completion in the first quarter of 2006.

AWAC approved expansions at the Alumar (Brazil) and Jamalco (Jamaica) alumina refineries in 2005. These projects, together with the Pinjarra efficiency upgrade, are designed to increase AWAC's alumina production capacity by 3.2 million mtpy by the end of 2008.

AWAC and its Jamalco partner, the Government of Jamaica, agreed to expand the Jamalco alumina refinery capacity by 1.5 million mtpy to 2.8 million mtpy. AWAC will fund the full cost of the expansion (estimated at US$1.2 billion), and will own all the increased production capacity.

AWAC also committed to the expansion of the Alumar alumina refinery in Sao Luis, Brazil and the development of a bauxite mine in Juruti in the Para State of Brazil. AWAC is implementing specific organisational structures and processes to manage the Alumar and Jamalco expansion projects. This includes engineering and construction alliances with outside contractors who will integrate with AWAC on these projects.

When completed, these projects will significantly increase AWAC's alumina production, enhancing AWAC's profitability as well as funding further capacity expansion and dividends to shareholders. AWAC's current and potential growth projects are described in Section 3 on page 26.

ALUMINA LIMITED'S STRONG BALANCE SHEET WILL ENABLE IT TO PROVIDE ADEQUATE FUNDING CAPACITY FOR ITS SHARE OF THESE EXPANSION PROJECTS.

Capital Management

AWAC will use its strong operating cash flow to partially fund this capacity growth, with the remainder being contributed by Alumina Limited and Alcoa. Alumina Limited's strong balance sheet will enable it to provide adequate funding capacity for its share of these expansion projects. Alumina and Alcoa are developing funding plans for future expansion projects under which, if agreed, the Company would fund its share of the capital projects and continue to pay franked dividends.

Alumina Limited's net debt increased during the year from $280 million to $463 million, reflecting the lower level of dividends paid by AWAC, as a significant part of AWAC's cash flow was invested in refinery expansions. The movement in the A$/US$ exchange rate also increased the Company's borrowings when translated to Australian dollars. AWAC held net cash of US$106 million at 31 December 2005.

Alumina Limited will increase its debt facilities to ensure it has sufficient capacity for contribution to the São Luis and Jamalco refinery expansion projects. It is intended that these facilities will be put in place progressively. Alumina's increased debt levels in the future will result in the Company's interest costs rising significantly from 2006.

In November 2005, Standard & Poor's reviewed Alumina Limited's financial position and capacity to fund its participation in AWAC's approved growth program over the next several years. Standard & Poor's confirmed the Company's A– long-term debt credit rating. The Board's intention, subject to business conditions, is to continue to at least maintain dividends to Alumina Limited shareholders at current levels through the period of substantial investment in AWAC growth projects.

Governance

Alumina Limited's annual results are reported on the basis of the Australian equivalents to International Financial Reporting Standards (A-IFRS) for the first time.

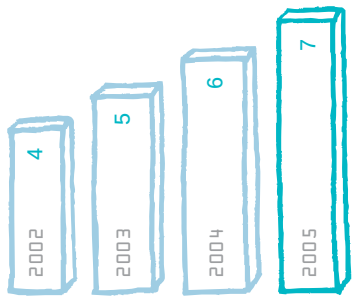
The Board and management work together to advance and protect the interests of shareholders. Alumina Limited meets ASX best practice corporate governance principles. A complete outline of our corporate governance practices are described on page 36 in Part 2 of this report.

Alumina Limited's management team and employees deal with a variety of complex strategic and business issues relating to the Company and its interest in AWAC.

A review of employee remuneration was undertaken during 2005 and Directors concluded that changes to both the structure and level of executive remuneration were required. A full explanation is provided in the Remuneration Report. Shareholders will have the opportunity to consider the Remuneration Report at the 2006 Annual General Meeting.

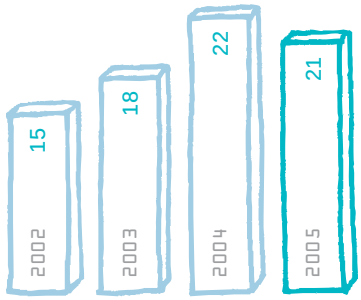
The Company's Chief Financial Officer, Bob Davies, resigned to take up a position as CFO with the major Canadian resources company, Inco Limited. We thank Bob for his valuable contributions to Alumina Limited. Mr Ken Dean accepted the position of Chief Financial Officer in October 2005. Ken joined us after a 30-year career with Shell, both in Australia and overseas.

We thank our employees for their contribution and commitment to achieving our objectives.



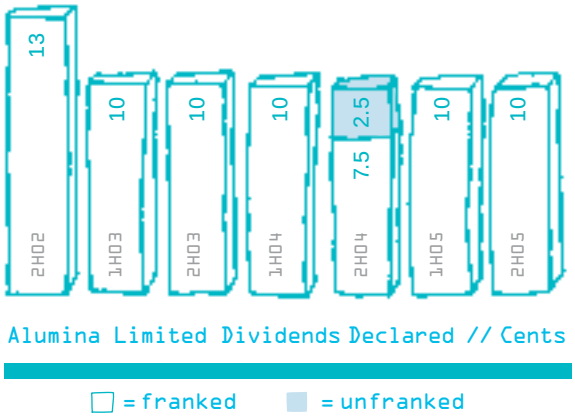
China Aluminium Consumption

Million Tonnes



Alumina Limited Return On Equity

Per Cent



Market Conditions and Outlook

Global alumina and aluminium consumption exceeded production in 2005. Alumina refining capacity worldwide was, and is expected to continue at high utilisation levels in 2006. Aluminium inventories remain low. Alumina and aluminium demand is forecast to exceed production through 2006. In addition, materially higher power costs continue to impact the aluminium industry, causing several aluminium smelters in Europe and North America to cease production during 2005.

LME aluminium prices in early 2006 have risen above 2005 levels resulting in higher alumina prices for AWAC.

Alumina production is targeted to increase in 2006 with the full commissioning of the Pinjarra project during quarters two and three, resolution of production issues at the Suralco refinery and assuming no loss of production due to weather at AWAC's refineries in the Gulf of Mexico and the Caribbean.

AWAC ANNOUNCED A 2.1 MILLION TONNE CAPACITY EXPANSION OF THE ALUMAR ALUMINA REFINERY IN SAO LUIS, BRAZIL AND THE DEVELOPMENT OF A BAUXITE MINE IN JURUTI IN THE PARA STATE OF BRAZIL.

AWAC was protected, to some degree, from higher energy prices in 2005 through its energy price hedging program. In 2006 AWAC will be more exposed to movements in the market price of oil and gas. Costs of raw materials and energy, particularly oil and gas are forecast to remain high, which would increase AWAC costs by approximately US$14 per tonne over 2005 levels.

AWAC will focus on mitigating these expected higher costs in 2006 with increased alumina production and operating improvements including energy efficiency, caustic soda usage and maintenance efficiency.

Based on average aluminium prices and exchange rates for 2005, the sensitivity of the Company's 2006 net profit after tax to a US 1 cent movement in the aluminium metal price is expected to be approximately A$15 million. The sensitivity to the A$/US$ exchange rate is A$7.2 million for each 1 cent movement. These sensitivities exclude any impact of accounting for embedded derivatives and balance sheet revaluations of US dollar assets.

Profitable Growth

The Board and management of Alumina Limited are committed to delivering increased value to shareholders. The AWAC growth projects provide an important opportunity to both lower alumina production costs and profitably expand AWAC's refinery network for the long-term and meet growing market demand.
We are confident that the AWAC business will successfully grow and continue to provide excellent returns for shareholders.

DON MORLEY // CHAIRMAN

JOHN MARLAY // CHIEF EXECUTIVE OFFICER

SECTION 2.

MAKING PROFITS

//RESULTS + MARKET OUTLOOK

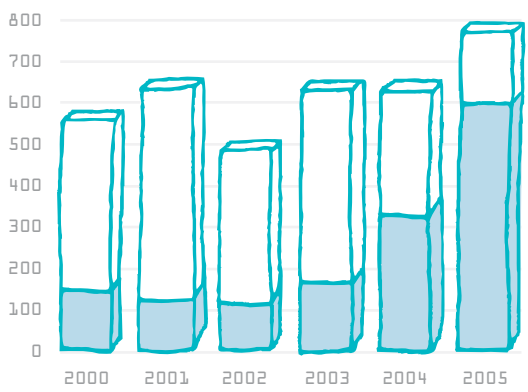
In 2005, Alumina Limited generated a net profit after tax of $315.6 million, maintained dividends to shareholders, and paved the way for significant future growth.

OBJECTIVES	ACHIEVEMENTS IN 2005
Deliver substantial returns to shareholders	Alumina Limited net profit in line with 2004 at $316 million 20 cents per share dividends – fully franked Alumina dividends declared represented 73 per cent of profits Return on equity of 21 per cent Released franking credits from Alcoa of Australia For more on financial results, turn to page 20
Maintain AWAC's leadership in the alumina industry	AWAC produced 13.7 million tonnes of alumina, up 1 per cent from 13.6 million tonnes in 2004 AWAC produced 377,000 tonnes of aluminium, down 2 per cent from 2004
Grow AWAC to meet market demands and maintain leadership position	AWAC progressed construction of the Pinjarra efficiency upgrade to increase annual production by 657,000 tonnes AWAC commenced construction of the 150,000 tonne Phase 1 expansion of an expected overall 1.5 million tonne expansion of the Jamalco refinery in Jamaica AWAC approved a 2.1 million tonne expansion of the jointly owned Alumar alumina refinery in Brazil. (AWAC 54 per cent share) For more on AWAC's Strategies for Growth, turn to page 26
Increase market understanding of Alumina Limited	We provided a clear strategy to grow solely through AWAC AWAC announced a substantial pipeline of growth projects
Participate in the strategic direction of AWAC	We are positioned to participate in AWAC growth Alumina Limited acquired a 40 per cent interest in the Juruti bauxite deposits in Brazil For more on strategic direction, turn to page 25

WHAT IS A-IFRS?

Accounting standards set the framework for financial reporting. From 2005, new accounting standards have been adopted in Australia to bring the financial reporting of Australian companies largely into line with standards developed by the International Accounting Standards Board (IASB). Those International Financial Reporting Standards (IFRS) are also now applied in many overseas financial markets, especially in Europe (including the United Kingdom) and Asia. The IASB and the Financial Accounting Standards Board (the equivalent standards-setting body in the US) are committed to working together to further reduce the remaining differences between IFRS and US accounting and financial reporting.

The Australian application of these new standards – the Australian equivalent to International Financial Reporting Standards, or A-IFRS – has introduced a number of changes to accounting concepts and therefore to the way financial results are calculated. Those changes are reflected in the Alumina Limited 2005 results as detailed in this report. Where appropriate, the changes from previous Australian standards are outlined in the notes to the 2005 Financial Report. The changes include the recognition of embedded derivatives which, under the new standard's transition rules, is effective from 1 January 2005 with no adjustment for 2004. A charge against profit of $22.9 million after tax has been recorded at 31 December, which represents the movement since 1 January 2005 in the mark-to-market valuation, based on the forward LME aluminium price, of embedded derivatives within AWAC energy supply contracts. Underlying earnings for the year increased by 5 per cent to $331 million from $316 million in 2004. Underlying earnings has been calculated by adding back to reported net profit for the period an amount of $15.7 million relating to the net value of non-cash entries which do not reflect the year's operations, but relate to mark-to-market valuations of AWAC embedded derivatives and employee retirement benefit obligations. The treatment under A-IFRS of certain balance sheet changes in the profit and loss statement will increase the volatility of annual profit.



AWAC Dividends + Capital Expenditure // $US m

= Capex = AWAC Dividend

Alumina Limited's net profit after tax was $316 million in 2005, in line with the 2004 profit. The Company's cash flow from operating activities in 2005 was $72 million ($148 million in 2004).

The adoption of A-IFRS has changed a number of accounting treatments in ways that have significantly affected the Company's financial results. These are discussed above. As well as having an impact on the 2005 results as described in this report, these changes to accounting standards are likely to make future years' reported earnings more volatile.

The company also reports underlying earnings which adds back non-cash entries relating to mark-to-market valuations of AWAC embedded derivatives and employee retirement benefit obligations which do not reflect the year's operational performance.

Alumina Limited's equity share of AWAC's* profit reflects AWAC's higher realised alumina and aluminium prices and higher alumina sales volumes, offset by the effect of significantly higher input costs, especially energy and caustic soda, and a weaker US dollar.

Higher shipping, raw materials and contractor costs also contributed to increased alumina production costs for 2005. Alumina prices were higher, reflecting higher London Metal Exchange (LME) aluminium prices and improved pricing terms in customer contracts. With the continuing strength of the world economy, and particularly growth in Chinese aluminium consumption, AWAC's realised alumina price increased by an average of 15 per cent to $239 per tonne in 2005. The average LME aluminium price was 10 per cent higher in 2005 than in 2004. The year-end LME price of US$1.03 per pound was 39 per cent higher than the 2004 close (US$0.74 per pound).

Alumina Limited's cash dividends received from AWAC in 2005 were lower at $96 million, compared with $160 million in 2004. Ninety-five per cent of these dividends were fully franked. The cash dividends received in 2005 were lower, as funds from operations were reinvested in AWAC growth projects, particularly for the capacity upgrade of the Pinjarra alumina refinery in Western Australia and early work on the Jamalco refinery and Alumar refinery project.

In November 2005, Alcoa of Australia (AofA) also paid a fully franked dividend of A$800 million, of which Alumina Limited's share was A$320 million. This was reinvested as equity in AofA. This dividend did not provide additional cash flow to Alumina Limited but released franking credits from AofA to the Company.

The Company declared fully franked dividends of 20 cents per share for the 2005 year, compared with dividends of 20 cents per share, franked to 17.5 cents, in 2004.

AWAC Production

AWAC's alumina production increased by 1 per cent to 13.7 million tonnes, but fell short of target as a result of operational issues in Western Australian refineries in the first half of 2005, lower production from the Suralco refinery in Suriname, and disruptions from hurricanes in the second half of 2005 at US and Jamaica refining operations. Production at the Suralco refinery (Suriname) fell short of target due to lower bauxite quality as existing mines approach the end of their productive life before new mines are brought on stream.

AWAC's aluminium production in Australia decreased by 2 per cent in 2005 to 377,000 tonnes. Production was lower due to a power outage at the Portland smelter, impacting production and involving a subsequent extended recovery process.

AWAC Financial Performance

AWAC increased its net profit after tax by 10 per cent in 2005 to US$645 million.

AWAC production costs for alumina rose by US$26 per tonne, principally due to higher input costs for energy, caustic soda and purchased bauxite, higher freight costs, increased maintenance and a higher A$/$US exchange rate. Aluminium costs also increased due to higher alumina prices and higher power and maintenance costs. However, the strong world economy that drove input costs higher also produced higher aluminium demand. The consequently higher demand for alumina and aluminium resulted in substantially higher realised alumina and aluminium prices. AWAC's average 2005 realised alumina sales price was US$239 per tonne.

AWAC's operating cash flow for the 2005 year was US$802 million, compared with US$661 million in the previous year.

In 2005, average caustic soda prices doubled from that of the prior year, driven by strong demand growth and limited production capacity. Caustic soda is a co-product from chlorine manufacture.

THE STRONG WORLD ECONOMY WHICH DROVE INPUT COSTS HIGHER ALSO PRODUCED HIGHER ALUMINIUM DEMAND.

* Alumina Limited accounts for its interest in the AWAC joint venture on an equity accounting basis.

Aluminium Price // US Cents/lb
Source: Reuters

$A/$US Exchange Rate // Dollars
Source: Reuters

Alumina production is energy intensive, with energy being one of the major costs of production. Three of AWAC's eight alumina refineries use oil as their energy source, and the Point Comfort refinery uses natural gas. AWAC's Australian refineries source natural gas from the North West Shelf. In 2005, AWAC's energy costs increased as a result of the increase in world energy prices.

The Australian dollar averaged US$0.76 for the year – 2 cents higher than the average for 2004. On a year-end basis, the Australian dollar declined against the US dollar as at 31 December 2004 from US$0.78 to US$0.73 at 31 December 2005. The movement in the year-end exchange rate affected the Australian dollar carrying value of US dollar assets held by Alcoa of Australia, resulting in a balance sheet revaluation, which increased Alumina Limited's profit by $5.7 million.

It is current practice for both AWAC and Alumina Limited not to hedge exposure to aluminium price risk or the currency exposures arising from operating activities.

AWAC held cash of US$229 million and debt of US$114 million at 31 December 2005 (2004 US$226 million and US$118 million).

AWAC's capital expenditure was US$608 million in 2005, compared with US$321 million in 2004. Capital expenditure of US$428 million in 2005 for growth projects was predominantly on the Pinjarra refinery capacity upgrade and early work on the Jamalco, Alumar and Juruti projects. The increase in capital expenditure supports AWAC's strategy to grow low-cost refinery capacity to meet increasing alumina demand and provide long-term growth, and is forecast to continue over the next three to four years.

Alumina Capital Management

Alumina Limited held cash of A$15 million and borrowings of A$479 million as at 31 December 2005. The weakening of the Australian dollar to US$0.73 from US$0.78 during 2005 increased Alumina Limited's Australian dollar debt balance by A$28 million. The Company's dividend payments totalling A$233 million during 2005 exceeded cash dividends of A$96 million received from AWAC, which also increased debt balances. Net finance costs for the year of $11 million increased due to higher interest rates and a higher level of US dollar debt.

Market Outlook*

The average aluminium price as quoted on the London Metals Exchange (LME) increased 10 per cent compared to 2004. In December, the three-month LME aluminium price reached US$1.04 per pound, the highest level since 1989. Higher LME aluminium prices reflect increased worldwide demand, particularly arising from strong economic growth in China, resulting in a tightening global supply/demand balance. During 2005, consumption of aluminium increased in major markets, with the exception of Japan, where consumption was unchanged. LME aluminium inventories decreased by 7 per cent during the year to 645,000 tonnes at year end, equivalent to approximately six weeks of worldwide consumption.

ALUMINIUM CONSUMPTION IN CHINA ROSE BY MORE THAN ONE MILLION TONNES, AN INCREASE OF 16 PER CENT YEAR ON YEAR.

Aluminium consumption in China rose by more than 1 million tonnes, an increase of 16 per cent year on year, with strong demand to meet growth in construction, transport infrastructure and industrial production. Most of the alumina required to supply this Chinese growth is sourced from domestic producers or is imported under long-term contracts, with a significant volume purchased on the spot market.

Increases in the price of alumina for long-term contracts were achieved through 2005, due to higher aluminium prices and improved contract pricing in a tightening worldwide supply/demand balance for alumina. Spot alumina prices also remained high due to increasing demand, particularly from China.

In addition, materially higher power costs continue to have an impact on the aluminium industry, causing several aluminium smelters in Europe and North America to cease production. These market conditions are favourable for AWAC in renewing customer alumina supply agreements in 2006.

The majority of AWAC customer sales are long-term contracts, with only a small percentage sold in the spot market.

Alcoa is AWAC's largest customer, with sales of alumina from AWAC to Alcoa being priced at the average of AWAC's third-party (non-Alcoa) sales. Third-party sales include those made to Alumax smelters under a long-term contract, which had been entered into before Alcoa purchased Alumax in 1998.

Growth in global demand for aluminium is forecast to remain strong throughout 2006. In 2006 AWAC expects to continue to negotiate long-term contracts on terms more favourable than the current contract pricing, to underpin its investment in future capacity expansion. Strongly growing alumina demand in China has maintained a tight global alumina supply/demand balance. The rate of growth of alumina demand in 2006 is forecast to result in a continued tight alumina market throughout the year.

The substantial majority of AWAC's alumina sales are priced by reference to average LME prices and AWAC will benefit from the current high aluminium market prices through its contractual pricing formulae. AWAC's 2006 alumina production is targeted to increase, based on the full commissioning of the Pinjarra project during quarter 2 and quarter 3 and resolution of production issues at the Suralco refinery. Alumina Limited is well placed to participate in, and profit from, the current strong global aluminium and alumina markets.

* These comments represent the views of Alumina Limited only.

MAKING VISION A REALITY

ALUMINA LIMITED + AWAC STRATEGY

Alcoa World Alumina and Chemicals (AWAC) is a global joint venture with Alcoa. Alumina Limited owns 40 per cent of AWAC, our joint venturer Alcoa is the enterprise manager and owns 60 per cent.

Our investment in AWAC

Bauxite mining and alumina refining are AWAC's core business activities. AWAC is an integrated global network, strategically positioned to supply key global markets with alumina, the primary raw material in the manufacture of aluminium. AWAC's alumina refinery operations are located across five continents, with two low-cost aluminium smelters in Victoria, Australia.

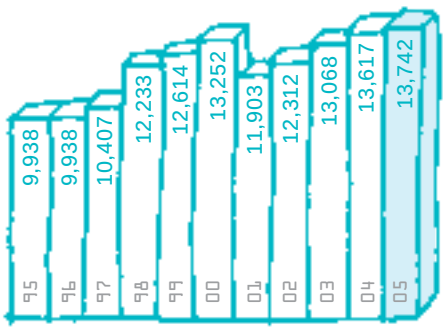
Alumina Limited's Investment Strategy

Alumina Limited's strategy is to participate solely within AWAC in bauxite mining, alumina refining and selected aluminium smelting operations globally.

AWAC is the world's largest alumina producer, with scope to expand capacity at its lowest cost refineries. Profitable expansion to supply forecast growth in global aluminium market demand means that AWAC provides the greatest potential to meet Alumina Limited's objectives of providing long-term capital growth and substantial dividends to shareholders.

Alumina Limited has developed a well-defined strategy to translate vision into reality.

ALUMINA'S STRATEGY	MECHANISMS
Support AWAC's market leadership, operational excellence and incremental capacity creep	Productivity improvement to ensure AWAC's low cash operating cost position is sustained AWAC technology and operational know-how utilised to achieve production capacity creep AWAC continuously meets customer expectations
Generate profitable growth for Alumina Limited shareholders, with planned and sustainable expansion of the AWAC enterprise	Achieve low-risk, brownfield expansion of existing alumina and bauxite capacity to meet growth in global alumina markets Participate in strategic greenfield refinery and bauxite mine investments that meet AWAC's risk and return criteria, to enhance AWAC's long-term capacity and cost position Undertake smelting investments within AWAC, where investment returns are high
Ensure substantial return on investment for shareholders	Maintain dividends through the period of growth Invest cash in high-return opportunities in AWAC, or return cash to shareholders



Alumina Production // '000 tonnes

AWAC Growth Projects

Several AWAC growth projects have commenced and feasibility studies are underway for other projects. These projects are targeted to increase production capacity over the next three to four years to meet growth in global alumina demand.

Growth in global aluminium consumption has resulted in aluminium and alumina prices rising strongly in the last three years. In 2004 and 2005, inventories of aluminium metal declined and the market for smelter grade alumina has been in deficit. The outlook for both aluminium and alumina is for consumption to exceed production at least through 2006.

AWAC Capacity Expansion

A 250,000 metric tonnes per year (mtpy) expansion of the Suralco Paranam alumina refinery located in Suriname was completed in February 2005, at a total cost of approximately US$65 million. This project increased the facility's total refining capacity to 2.2 million mtpy. AWAC has a 55 per cent interest in Suralco. Lower bauxite quality at the Suralco refinery in 2005 meant that AWAC did not benefit from the expanded capacity.

In Western Australia, the efficiency upgrade of the Pinjarra alumina refinery is targeted for mechanical completion in the first quarter of 2006. This upgrade adds an additional 657,000 tonnes of production capacity per annum, raising total capacity at the refinery to 4.2 million mtpy. The upgrade incorporates latest AWAC technology to improve energy efficiency and lower both greenhouse gas emissions and energy consumed per tonne of alumina. The Pinjarra refinery is AWAC's largest and most cost-efficient refinery.

In Jamaica, a 1.5 million mtpy capacity expansion of the Jamalco alumina refinery commenced in 2005. This expansion is to be completed in two phases. The initial phase will add 150,000 mtpy of capacity by the end of 2006 at a cost of US$77 million; the second phase of 1.35 million mtpy is targeted for completion during 2008, at a total project cost of US$1.2 billion. Finalisation of an agreement to bring natural gas to Jamaica and the Jamalco refinery, and changes to the joint venture agreement are underway to confirm the second phase of the project.

On completion of the total project, AWAC's ownership of Jamalco will increase from 50 per cent to approximately 77 per cent. The Government of Jamaica will retain ownership of the remaining 23 per cent.

In Brazil, construction of a 2.1 million mtpy expansion of the Alumar alumina refinery has been approved by the consortium partners – AWAC, Alcoa, BHP Billiton and Alcan. On completion, planned for the second half of 2008, total refinery capacity will increase to 3.5 million mtpy. AWAC has a 54 per cent interest in the expansion, or 1.08 million mtpy of capacity.

A new bauxite mine is being developed at the Juruti bauxite deposit in Brazil. Juruti, owned 100 per cent by AWAC, is being developed to supply the Alumar refinery expansion. The Juruti mine will initially produce 2.6 million tonnes of bauxite per year to supply AWAC's requirements for alumina to be produced at the expanded Alumar facility, with the ability for further expansions at low incremental investment. The Juruti mine development is an important part of AWAC's strategy to own high-quality, low-cost bauxite deposits that are close to its refineries.

AWAC's total investment for the Alumar refinery expansion and the Juruti mine development is estimated to be US$1.0 billion, to be spent over the 2006–2008 timeframe.

The expansion of AWAC's alumina production will also deliver improvements in energy usage, greenhouse gas intensity and reduced reliance on oil as the energy source. The Alumar expansion utilises coal as its energy source. The Pinjarra upgrade will draw on gas from the North West Shelf in Western Australia, and it is intended that Jamalco will change from its current oil-fired power to natural gas.

Potential AWAC Capacity Expansion

A potential expansion of the Wagerup alumina refinery in Western Australia, by over 2 million tonnes, is currently being considered following a comprehensive public consultation process. The Western Australian Government is expected to make a decision in early 2006 about whether to grant the regulatory approvals for this project. The project has received approval of the Environmental Protection Authority, subject to meeting certain conditions.

In November 2005, AWAC, Alcan and the Government of Guinea signed a Basic Agreement setting a framework to develop a 1.5 million mtpy alumina refinery in Guinea. A detailed feasibility study is expected to be completed by the end of 2006. A decision to proceed to construction could be made in 2007. AWAC and Alcan will own at least 80 per cent, with an option for the Government of Guinea to acquire an equity stake. AWAC has a longstanding involvement in bauxite production in Guinea through its 45 per cent equity interest in Halco (Mining) Inc. which has a 51 per cent interest in Compagnie des Bauxites de Guinée. A funding plan and investment and construction timeframe is yet to be determined.

In Ghana, a feasibility study is continuing that may provide Alcoa, AWAC and the Government of the Republic of Ghana with an agreement to develop bauxite mining, alumina refining, smelting and rail infrastructure. AWAC will participate in the bauxite and alumina operations in Ghana. This study is scheduled for completion by the end of 2006.

THE EXPANSION OF AWAC ALUMINA PRODUCTION AT PINJARRA WILL ALSO BRING IMPROVEMENTS IN ENERGY USAGE AND GREENHOUSE GAS INTENSITY.

AWAC - AN INTEGRATED GLOBAL NETWORK

GHANA POTENTIAL GROWTH PROJECT

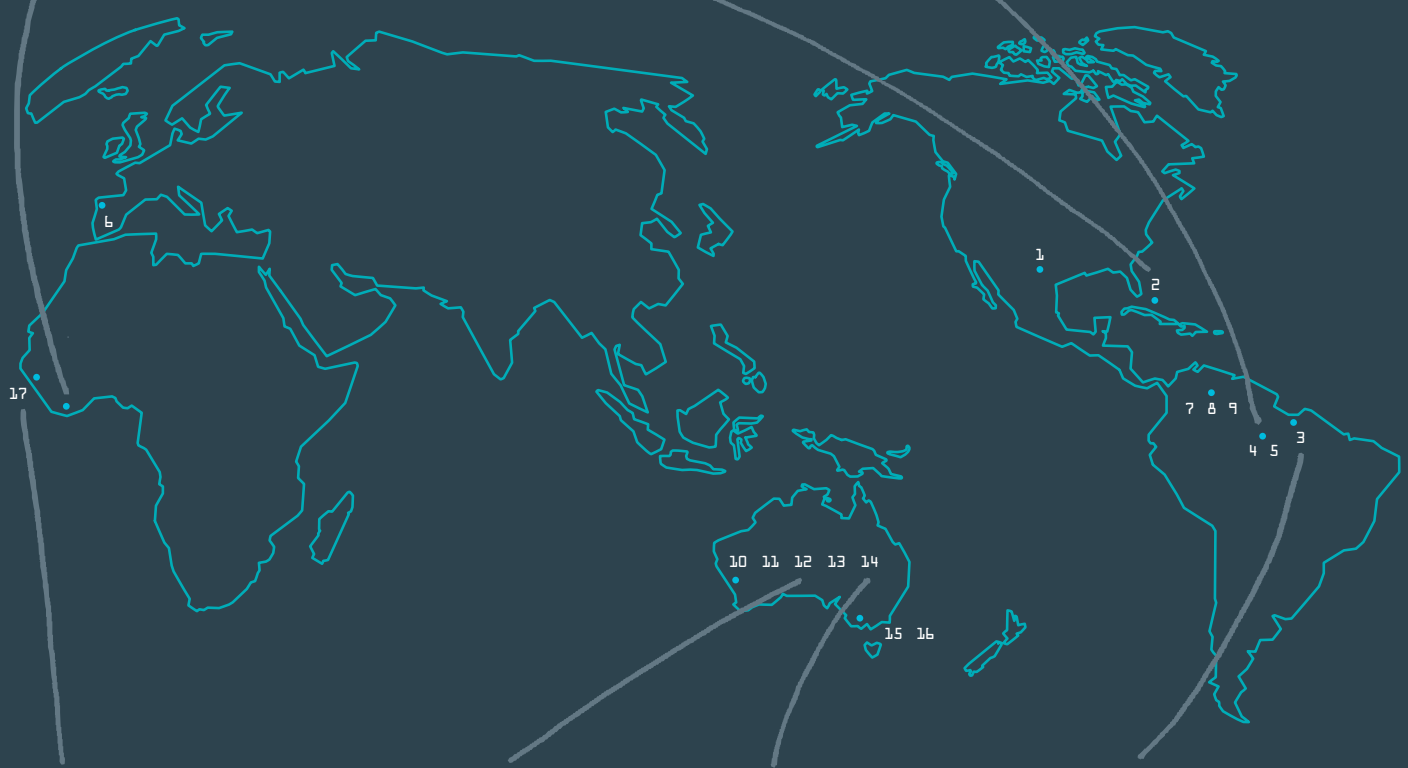
Evaluating potential bauxite mine and alumina refinery.

JAMALCO CURRENT GROWTH PROJECT

1.5 million mtpy expansion to be completed in two phases, 150,000 mtpy by end 2006, 1.35 million mtpy targeted for 2008.

JURUTI CURRENT GROWTH PROJECT

Development of a new bauxite mine.



GUINEA POTENTIAL GROWTH PROJECT

Feasibility study to be completed by end 2006 – 1.5 million mtpy alumina refinery.

PINJARRA CURRENT GROWTH PROJECT

657,000 mtpy upgrade targeted for mechanical completion 1Q 2006.

WAGERUP POTENTIAL GROWTH PROJECT

2 million mtpy expansion under consideration.

ALUMAR CURRENT GROWTH PROJECT

2.1 million mtpy expansion. Completion due 2008. AWAC 54 per cent interest.

AWAC'S GLOBAL INTERESTS

B AWAC Bauxite Mines/Interests R AWAC Alumina Refineries S AWAC Aluminium Smelters

USA
1 Point Comfort R

JAMAICA
2 Jamalco B R

BRAZIL
3 Alumar R
4 Trombetas B
5 Juruti B

SPAIN
6 San Ciprian R

SURINAME
7 Suralco R
8 Moengo B
9 Accaribo B

AUSTRALIA
10 Kwinana R
11 Huntly B
12 Pinjarra R
13 Willowdale B
14 Wagerup R
15 Portland S
16 Point Henry S

GUINEA
17 Sangaredi B

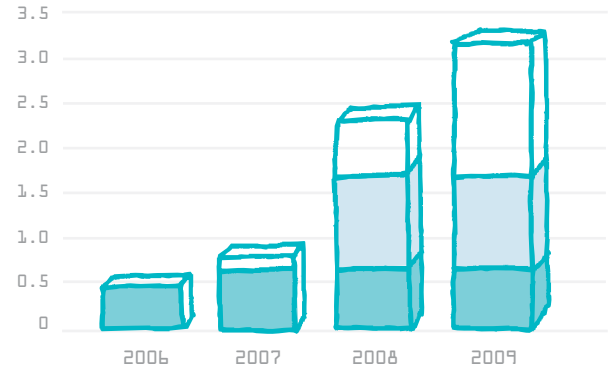
Profitable Growth

These growth projects to expand or develop AWAC's refining capacity and bauxite mining are capital-intensive and require significant investment in resources, with long lead times to deliver new low-cost alumina refinery capacity. Feasibility studies are being conducted to review that AWAC projects are economically viable over their full lives and throughout the economic cycles, and that long-term growth in alumina demand is sustainable. Demand is only one of the variables taken into account when considering investment in a major project. Cost of capital, access to competitive, long-term energy, and environmental and sustainability enhancement, are also key factors.

We believe this investment in these AWAC organic growth projects is necessary and sustainable. Increasing industrialisation and urbanisation in China is driving global aluminium consumption in the longer term. Growth in China is consistent with that in rapidly developing economies where typically, a number of factors drive demand for raw materials. China is in this growth phase and other developing economies, such as India, Brazil and Russia, are adding to the worldwide demand for alumina and aluminium. The dominating influence of China's strong domestic growth is forecast to maintain the global economic momentum for alumina and aluminium for several years. Domestic aluminium consumption in China in 2005 exceeded 16 per cent growth per annum and this growth underpinned world demand growth in 2005 of approximately 5 per cent.

We expect that the macro-economic environment, coupled with the strength in the Chinese economy, to be supportive of sustainable growth in the demand for aluminium and alumina. AWAC is strategically placed, with technologically advanced and sustainable low-cost alumina refinery operations to meet growth in customer demand. In the event of a significant decline in demand for aluminium, AWAC's investment in additional production capacity which is low-cost and AWAC's ability to modulate production levels to match demand also mitigates AWAC's risks.

AWAC is the world's largest producer of alumina. In 2005, AWAC's global network produced 13.7 million tonnes of alumina and 377,000 tonnes of aluminium.



AWAC Refinery Growth Projects // Million Tonnes

Pinjarra Alumar Jamalco

THE ALUMINIUM PROCESS

4 TONNES OF BAUXITE = 2 TONNES OF ALUMINA = 1 TONNE OF ALUMINIUM = 1 LARGE ALL-ALUMINIUM CAR OR 60,000 BEVERAGE CANS

ALUMINA (ALUMINIUM OXIDE) IS THE RAW MATERIAL FROM WHICH ALUMINIUM IS PRODUCED AND IS FOUND IN BAUXITE ORE.

ALUMINA (A WHITE POWDERY SUBSTANCE) IS EXTRACTED FROM THE BAUXITE IN A REFINING PROCESS.

THE ALUMINA IS PROCESSED IN A SMELTER AND CONVERTED INTO ALUMINIUM METAL.

ALUMINIUM // A SUSTAINABLE MATERIAL + A SUSTAINABLE INDUSTRY

Aluminium is a sustainable material. An inherent attribute of aluminium is its ability to be continually recycled without any deterioration in the quality of the material. Not only does this potentially eliminate wastage, but importantly, recycling aluminium uses only 5 per cent of the energy that is required to produce the same quantity of primary aluminium from alumina. Globally, one third of all aluminium metal that is available for use each year is sourced from recycled material. The ability to recycle aluminium metal is a key attribute with far-reaching economic, ecological and social implications.

Aluminium is lightweight, strong and durable, and is ideally suited to applications in the transport industry. Air travel would not be possible without the use of aluminium and aluminium alloys in the construction of modern passenger, freight and military aircraft. In recent years, the use of aluminium in the manufacture of cars, trucks, trains and ships has risen and is forecast to continue to rise. Aluminium is light-weight, resulting in savings in fuel and energy costs. Importantly, its use in the transportation industry aids in the reduction of greenhouse gas emissions. For every 1 kilogram of aluminium used to replace 1.5 kilograms of heavier metals in cars, 20 kilograms of carbon dioxide is saved over the life of the vehicle.

Aluminium ranks as the second most used metal in the world. Aluminium recycling benefits present and future generations by conserving energy and other natural resources. Global sources of mineable bauxite, required to produce alumina, are estimated to meet current demand for aluminium for over 300 years.

FOR EVERY 1 KILOGRAM OF ALUMINIUM USED TO REPLACE 1.5 KILOGRAMS OF HEAVIER METALS IN CARS, 20 KILOGRAMS OF CARBON DIOXIDE IS SAVED OVER THE LIFE OF THE VEHICLE.

Sustainability

Alcoa's commitment to sustainability ensures that AWAC's operations are managed in a way that progressively improves the environmental impact and the interests of the communities in which AWAC operates.

Energy efficiency and greenhouse gas emission reduction are significant issues being improved by the aluminium industry. AWAC's operations are actively managed to reduce greenhouse emissions and improve energy efficiency.

In the Western Australian operations, two cogeneration power plants are under construction by Alinta Limited at the Pinjarra alumina refinery. These plants will utilise gas-fired turbines to generate electricity for third-party customers, with the 'exhaust' heat producing steam for use by the refinery. Coupled with the upgrade of the Pinjarra refinery, the new cogeneration plants will reduce the greenhouse intensity of the Pinjarra refinery by about 14 per cent, giving an annual net carbon dioxide saving of around 380,000 tonnes. Cogeneration is a significantly better alternative to traditional electric power plants, which waste heat energy and steam in the process of producing electricity. The community also benefits from electricity generated by the gas-fired turbine power station, which will generate electricity for customers in the Western Australian electricity grid.

At AWAC's aluminium smelters in Victoria, Australia, direct greenhouse gas emissions have been reduced by 56 per cent from 1990 to 2004 and indirect emission related to electricity use, by over 2 per cent in the same period.

Alcoa has developed a sustainability framework that guides AWAC's future decision making and is consistent with the International Aluminium Institute's Global Sustainable Development Initiative. Alcoa is committed to demonstrate sustainable achievements in economic outcomes, environmental management, health and safety performance and partnering stronger communities though its community and employee relations across the AWAC enterprise.

At the World Economic Forum held in Davos, Switzerland in January 2005, Alcoa was named one of the top three most sustainable corporations in the world. Alumina Limited was also included in the Global 100 Most Sustainable Corporations.

For more detailed information about AWAC's activities and achievements in these areas, refer to AWAC's Sustainability Reports available online at the web addresses detailed below.

Community

A key management focus of AWAC is the continuing welfare of its employees, the environment and the communities in which AWAC operates. That underlying commitment is present in all aspects of AWAC's operations and future planning. An example of this philosophy in practice is the planning for the proposed 2 million tonne expansion of the Wagerup alumina refinery in Western Australia. AWAC initiated a comprehensive public consultation process with the aim to engage stakeholders in an open forum and to keep them fully informed of relevant issues.

Health and Safety

AWAC has a long-standing committment to high standards and continuous improvement in occupational health and safety. AWAC's goal is for an injury-free workplace. In the Australian operations, the predominant injury sustained relates to strains and sprains. A program was introduced in 2004 to identify ergonomic risks and develop a solution. A target of 50 per cent reduction in risks before 2006 was agreed and 23 per cent of the 204 significant risk reductions identified were eliminated at the end of 2004. In 2005 AWAC recorded a lost work days rate of 0.11 per 200,000 man hours worked.

AWAC SUSTAINABILITY REPORTS

Australia – www.alcoa.com/australia/en/pdf/alcoa_sustain_2004-05_final.pdf
Suriname – www.alcoa.com/suriname/en/alcoa_suriname/sustainability_report_2003/suralco_sustainability_report_2003.pdf
Jamaica – www.alcoa.com/locations/jamaica_clarendon/en/pdf/jamalco_sustain_04.pdf

BOARD OF DIRECTORS

Alumina Limited directors in office as at 31 December 2005 were:

MR DONALD M MORLEY
Age 66 BSc MBA FAusIMM
Chair, Independent Non-Executive Director

Mr Morley was elected a director and appointed Chairman of Alumina Limited on 11 December 2002. He is a director of Iluka Resources Ltd, a role he has held since December 2002 and has also been a director of SPARK Infrastructure Ltd since November 2005. He was previously a Director of WMC Limited, in the role of Director of Finance until April 2001, and he retired from his executive duties with WMC in October 2002. Mr Morley is a member of the Audit Committee, Compensation Committee and the Nomination Committee. He has wide-ranging financial skills and considerable resource industry experience.

MR PETER A F HAY
Age 55 LLB
Independent Non-Executive Director

He has been a director of Alumina Limited since 11 December 2002. Mr Hay is a Director of Pacifica Group Limited, Chairman, Investment Banking at Carnegie Wylie & Company and from July 2000 to July 2005, he was the Chief Executive Officer of the law firm Freehills. He is a member of the Audit Committee, Compensation Committee and Chair of the Nomination Committee. Mr Hay brings to the Board considerable legal experience and skills particularly in relation to public company takeovers, corporate governance matters and risk management.

MR RON J McNEILLY
Age 62 BCom, MBA, FCPA, FAICD
Independent Non-Executive Director

Mr McNeilly was elected a director of Alumina Limited on 11 December 2002. He is the Deputy Chairman of BlueScope Steel Limited; Chairman of Worley Parsons Limited; Chairman of Melbourne Business School Limited; past director of BHP Billiton Limited, QCT Resources Limited, Tubemakers of Australia Limited and Ausmelt; past executive director Global Markets BHP Billiton Limited from 2001 to 2002; past executive director and President of BHP Minerals from 1999 to 2001. Mr McNeilly is a member of the Audit and Nomination Committee and Chair of the Compensation Committee. Mr McNeilly brings substantial practical experience and skills gained from over 30 years working in the resource sector.

MR MARK R RAYNER
Age 68 BSc (Hons) ChemEng FTSE FAusIMM FIEA FAICD
Independent Non-Executive Director

Mr Rayner was elected director of Alumina Limited on 11 December 2002. He was a director of Pasminco Limited from 1989 to 2003 and Chairman from 1992 to 2003; director of Mayne Nickless Limited from 1995 to 2002, Chief Executive of Comalco Limited 1978 to 1989, Deputy Chairman 1989 to 1997; Executive Director CRA Ltd 1989 to 1995, Director of National Australia Bank Limited from 1985 to 2001 and Chairman from 1997 to 2001. He is a Director of Boral Ltd, a role he has held since February 1996. Mr Rayner is a member of the Nomination Committee, Compensation Committee and Chair of the Audit Committee. He brings extensive industry specific experience in the bauxite, alumina and aluminium industry of over 35 years.

MR JOHN MARLAY
Age 57 BSc FAICD
Chief Executive Officer

Mr Marlay was elected as executive director and Chief Executive Officer on 11 December 2002. He joined WMC in August 2002, following a role as Head of Strategy for RMC Group Plc in London. Mr Marlay was previously Executive General Manager Business Integration, Hanson Plc from 2000 to 2001. He has held senior management roles with Pioneer International Ltd, James Hardie Industries Limited and Esso Australia Ltd. Mr Marlay has extensive resource sector experience operating in international management roles, including major capital-intensive joint ventures.

+ DON MORLEY

+ PETER HAY

+ RON McNEILLY

+ MARK RAYNER

+ JOHN MARLAY

GLOSSARY

A-IFRS Australian equivalents to International Financial Reporting Standards. Statutory accounts must be prepared in accordance with A-IFRS for reporting periods commencing 1 January 2005. For a more detailed explanation refer to page 20.

ALUMINA LIMITED Alumina Limited (ABN 85 004 820 419).

AofA Alcoa of Australia Limited (ABN 93 004 879 298).

ALCOA Alcoa Inc of 201 Isabella Street, 7th Street Bridge, Pittsburgh, Pennsylvania, USA, a company incorporated in the Commonwealth of Pennsylvania.

ALLOY a substance with metallic properties, composed of two or more chemical elements of which at least one is a metal. More specifically, aluminium plus one or more other elements, produced to have certain specific, desirable characteristics.

ALUMINA aluminium oxide produced from bauxite by an intricate chemical process. It is a white powdery material that looks like granulated sugar. Alumina is an intermediate step in the production of aluminum from bauxite and is also a valuable chemical on its own.

AWAC the unincorporated joint venture between Alumina Limited and Alcoa known as Alcoa World Alumina and Chemicals.

BAUXITE the ore from which alumina is extracted and from which aluminium is eventually smelted. About four kilograms of bauxite are required to produce one kilogram of aluminium.

BROWNFIELD EXPANSION is developing existing operations.

CLARENDON Clarendon Alumina Production Limited.

COMPAGNIE GUINEE Compagnie des Bauxites de Guinée.

DEMERGER means the separation in 2002 of WMC's AWAC interest from its non-AWAC businesses resulting in two independent entities separately listed on the stock market conducted by the ASX.

EMBEDDED DERIVATIVE An embedded derivative (within a contract) may exist when some or all of the cash flows that would otherwise arise from the contract are dependant on movements in specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit rating or credit index, or other variable. AWAC has a number of long-term contracts for the purchase of energy that have with their pricing formulae mechanisms to vary the price depending on the LME aluminium price at the time.

GREENFIELD REFINERY is a new refinery.

HALCO means Halco (Mining) Inc.

JAMALCO the joint venture between Alcoa Minerals of Jamaica LLC and Clarendon.

LME (LONDON METALS EXCHANGE) the international trading body that facilitates the worldwide open-market buying and selling of metals.

MRN Mineração Rio do Norte SA.

ORE is a mineralisation that can be profitably mined and treated.

REFINE A process whereby alumina is extracted from the bauxite ore using a refining process that relies on heat, pressure and chemical reactions.

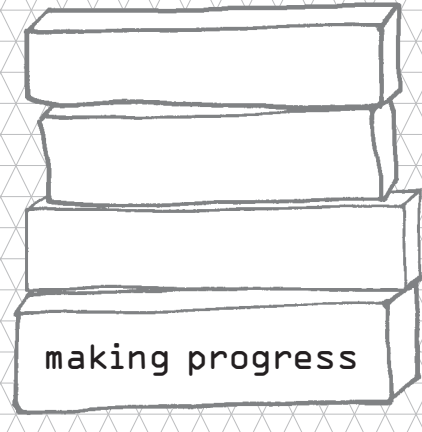
SEC means the US Securities and Exchange Commission.

SMELT is to fuse or melt ore in order to extract or refine the metal it contains.

SURALCO means Suriname Aluminum Company LLC.

WMC means WMC Limited (ABN 85 004 820 419) as constituted prior to implementation of the demerger and as the context may require, any or all of its controlled entities.

Design + production // ERD Design Communications **Photography** // Joe Vittorio, Peter Garside **Printing** // Bambra Press **Paper** // Splendorgel, Spicers Paper, ISO 14001 Environmental Accreditation.



ALUMINA
LIMITED

CONCISE FINANCIAL REPORT 2005 PART 2 OF 2

GUIDE TO CONCISE ANNUAL REPORT 2005

The Alumina Limited Concise Annual Report 2005 has been prepared in two parts.

Part 1 consists of three sections:

SECTION 1 MAKING THINGS HAPPEN
Chairman and CEO's Report 10

SECTION 2 MAKING PROFITS
Results and Market Outlook 18

SECTION 3 MAKING VISION A REALITY
Alumina Limited and AWAC Strategy 24

Part 2 consists of statutory information including:

CORPORATE GOVERNANCE REPORT 36
DIRECTORS' REPORT 46
REMUNERATION REPORT 50
CONCISE FINANCIAL REPORT 71
DIRECTORS' DECLARATION 78
INDEPENDENT AUDITOR'S REPORT 79

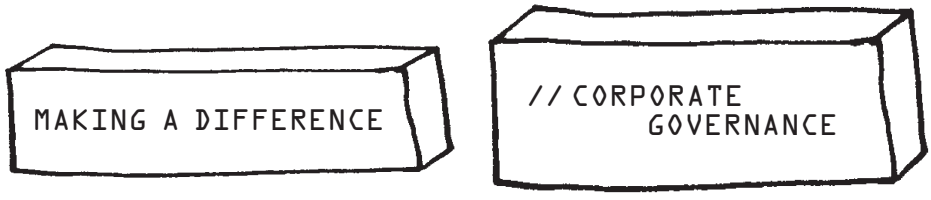
The Alumina Limited Concise Annual Report 2005 is a concise report for the purposes of section 314(2) of the *Corporations Act 2001* and comprises two parts: Part 1 and Part 2. The two parts are distributed together as one document and should be read together. These documents may only be distributed by a person on the basis that Part 1 and Part 2 are distributed together.

Relationship of the concise financial report to the financial report

The Concise Financial Report is an extract from the full Financial Report 2005 for the year ended 31 December 2005. The financial statements and specific disclosures included in the Concise Financial Report have been derived from the full Financial Report 2005.

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Alumina Limited and its subsidiaries as the full Financial Report 2005. Further information can be obtained from the full Financial Report.

The full Financial Report 2005 and Auditor's Report will be sent to members on request, free of charge. Please call Computershare Investor Services Pty Ltd (Australia 1300 556 050 or Overseas +613 9415 4027) and a copy will be forwarded to you. Alternatively, you can access both the full Financial Report 2005 and the Concise Annual Report 2005 via the internet on our website www.aluminalimited.com



Alumina Limited's approach to corporate governance is built on the values and principles at the heart of the way we do business. These values - respect, integrity, honesty, personal commitment and high performance - have been adopted by the directors, management and staff of Alumina Limited.

By applying these values to all that Alumina Limited does, we have implemented corporate governance policies and practices to better protect and improve the value of our shareholders' investment.

Alumina Limited meets each of the requirements of the Australian Stock Exchange Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

ROLE OF ALUMINA LIMITED'S BOARD OF DIRECTORS

Alumina Limited's Board of Directors (the Board) is ultimately responsible for the success of the Company through setting its strategic goals, establishing resources and overseeing its management processes. Its aim is to create value for shareholders through the performance of Alumina Limited's interest in the Alcoa World Alumina and Chemicals (AWAC) business.

The primary roles of the Board are to:

- appoint the Chief Executive Officer, and monitor the performance of the Chief Executive Officer and senior executives
- monitor and optimise business performance
- formulate and establish the Company's strategic direction and monitor its execution
- protect the interests of shareholders
- approve external financial reporting by Alumina Limited

Management of the Company is delegated to the CEO and the executive team. The executive team is responsible for ensuring that the Board is provided with quality, timely information to enable the Board to fulfil its responsibilities.

The Board Charter defines its role, duties and specific responsibilities. The Charter includes the responsibilities of the Chairman, relationship with management and the delegation of authorities to Board committees.

A copy of the Board Charter is available on our website (www.aluminalimited.com).

BOARD COMPOSITION

The Board consists of four Non-executive directors: Mr Peter Hay, Mr Ron McNeilly, Mr Mark Rayner, the Chairman Mr Don Morley, and one executive director, the Chief Executive Officer Mr John Marlay.

Directors (except for the Chief Executive Officer) are subject to re-election by rotation at Annual General Meetings, and conditions as stipulated in the Corporations Act. The Board has agreed that Non-executive directors will retire after nine years of continuous service, unless otherwise requested to continue by the Board.

A brief biography of the Alumina Limited directors is available on page 32, Concise Annual Report 2005, Part 1.

DIRECTOR INDEPENDENCE

The Board considers that independence from management and non-alignment with any other interest is vital for an effective governance process. They recognise the importance of freedom to participate unhindered by any relationship with the Company. However, they also recognise that effective corporate leadership requires a combination of appropriate skills, expertise and experience. Those qualities are also taken into consideration in determining the suitability of Board members. The Board assesses director independence on an annual basis, or more regularly if it feels it is warranted, depending on disclosures made by individual directors.

Directors are deemed to be independent if they are independent of management and have no material business or other relationship with the Alumina Limited Group that could materially impede their objectivity or the exercise or independent judgement of the director or materially influence their ability to act in the best interests of the Group.

In reaching their judgements on director independence, the directors consider:

- any existing relationships with the Company, including professional affiliations and contractual arrangements whether directly or indirectly with the director
- any past relationships with the Company, either direct or indirect
- materiality thresholds
- the definitions of independence embodied in Australian and US Corporate governance standards.

Alumina Limited's guidance for materiality includes:

- the value of a contractual relationship that is the greater of $250,000 or 2% of the other company's consolidated gross revenues
- in relation to a principal of or employee of a present or former material professional adviser or consultant (other than the Company's internal or external auditor) of the Company within the previous three years, the greater of $250,000 or 2% of the professional adviser's or consultant's gross revenues, or
- for an employee or any family member currently employed as an executive officer by another company (other than the Company's internal or external auditor) that makes payments to or receives payments from the Alumina Limited Group for property or services in an amount that exceeds, in any single fiscal year, the greater of $250,000 or 2% of the other company's consolidated gross revenues.

The Board has concluded that all Non-executive directors are independent. In reaching that conclusion the Board has considered the following:

- Mr Morley held an executive position with WMC Limited up to October 2002. However, the Board concluded that his previous position does not result in him taking into account any interests other than those of the Company in acting as Director and Chairman. The Board's determination that Mr Morley is independent did not, until November 2005, meet the strict definition of independence under the New York Stock Exchange (NYSE) rules that requires a minimum of three years from end of employment to qualify as independent. However, with the three year period now having expired, Mr Morley meets the NYSE definition of independence;
- Mr Hay is a former partner of the legal firm Freehills, a provider of services to the Company prior to April 2004. The Board reviewed the Company's past association with Freehills and concluded that the past association, which is below our materiality threshold of $250,000 or 2% of Freehills' consolidated revenue, does not materially prejudice Mr Hay's independence;
- Mr Rayner and Mr McNeilly do not have any previous association with the Company or any other relationships that are relevant to independence issues.

For further information on materiality thresholds and director independence, please refer to our website for a copy of the Director Independence Policy.

DIRECTORS' AND EXECUTIVES' REMUNERATION

Details of the remuneration policies of Alumina Limited are set out in the remuneration report found on pages 50–70 of this report.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer, Alumina Limited's most senior employee, is selected by the Board and is subject to bi-annual performance reviews by the Non-executive Directors. The Chief Executive Officer recommends policy, strategic direction and business plans for Board approval and is responsible for managing Alumina Limited's day-to-day activities.

BOARD MEETINGS

Alumina Limited's full Board met on a monthly basis during 2005. Ad hoc Board and committee meetings may be convened occasionally to consider appropriate matters.

Non-executive directors conduct meetings from time to time without the presence of executives. The Chairman, Mr Morley chairs these meetings. To enable interested parties to make any concern known to Non-executive Directors, the General Counsel/Company Secretary, Mr Stephen Foster acts as an agent for the Non-executive Directors. Procedures for the handling of all direct communications for Non-executive Directors are detailed on the Company website.

Each year the Board devotes a meeting to consider Alumina Limited's strategic plan and approve the strategic direction of the Company.

Directors' attendance at Board and committee meetings is detailed on page 42 of this report.

BOARD SUCCESSION PLANNING

The Board has established a Nomination Committee to regularly review the size and composition of the Board, balance of skills and expertise of its members. The Nomination Committee leads the Board's succession planning and, when necessary, the recruitment of new board members.

DIRECTOR EDUCATION

To keep abreast of relevant issues in a dynamic corporate and legislative environment, the directors are provided with regular updates relating to corporate governance, accounting, economic and industry issues.

To remain informed about business and industry specific matters, the Board is briefed by an independent technical expert in the aluminium and alumina industry. Additional information is gained from visits to operational sites to gain personal knowledge and presentations to the Board from AWAC executives. In 2005 the Board visited bauxite mining, alumina refining and smelting operations in Australia. Site visits are made on an annual basis.

BOARD COMMITTEES AND MEMBERSHIP

Alumina has established three Board committees to focus on specific aspects of corporate governance. Each committee operates under its own charter and consists solely of the Board's four Non-executive Directors. Committee membership and record of attendance are detailed on pages 38, 39 and 42.

Audit Committee

The Audit Committee's role is to assist the Board to fulfil its responsibilities for Alumina Limited's accounts and external reporting. This is achieved by ensuring that appropriate processes are in place to support the Board in fulfilling its responsibilities relating to:

- reporting of financial information to users of financial reports
- application of accounting policies
- financial management
- internal financial control systems, including internal audit
- independent auditor qualifications, independence and performance

The Audit Committee is also responsible for the appointment and compensation of the external auditor, as well as agreeing the scope and monitoring the progress of the internal and external audit plans. It also reviews the assessment of business risk across the Company to ensure there is appropriate coverage in the internal audit plans and management plans and processes. It also reviews other issues as requested by the Board or the Chief Executive Officer.

The Audit Committee met 9 times during 2005.

Mr Rayner is the Chairman of the Audit Committee and the other members are Messrs Morley, Hay and McNeilly. The qualifications of Audit Committee members are set on page 32, Concise Annual Report 2005, Part 1.

For further information on the scope and responsibilities of the Audit Committee, including the procedure for the selection and appointment of the external auditor and the rotation of external audit engagement partners, refer to the Company website (www.aluminalimited.com).

Compensation Committee

The Compensation Committee oversees Alumina Limited's remuneration and compensation plans, policies and practices on behalf of the Board and shareholders to ensure that:

- shareholder and employee interests are aligned
- Alumina Limited is able to attract, develop and retain superior talent
- the integrity of Alumina Limited's reward program is maintained

To ensure that the review of remuneration practices and strategies on which decision making is based is objective and well founded, the committee engages external remuneration consultants. The members of the Compensation Committee are Messrs Morley, Rayner, Hay and McNeilly.

The Compensation Committee met seven times during 2005.

Nomination Committee

The Nomination Committee assists the Board in fulfilling its responsibilities to shareholders with regard to:

- identifying the necessary and desirable competencies of Board members
- regularly assessing the extent to which the competencies are represented on the Board
- the selection and appointment process for directors
- regularly reviewing the size and composition of the Board, including succession plans
- determining which non-executive directors are to retire in accordance with the provisions of the Company's constitution
- conducting performance evaluations of individual directors

To ensure that the Board has an appropriate mix of skills and experience, the Nomination Committee will consider individuals who have demonstrated high levels of integrity and performance in improving shareholder returns, and who can apply such skills and experience to the benefit of the Company. The members of the Nomination Committee are Messrs Morley, Rayner, Hay and McNeilly.

The Board composition and structure remained unchanged from 2004, following the recommendation of an independent consultant in that year that the current Board structure was appropriate. An independent review of the Board composition and structure was not conducted during 2005. The Nomination Committee met three times during the year.

For more detail about committee policy and procedure, Charters for each of the Board committees are available for review on our website (www.aluminalimited.com), or can be obtained from us on request.

DIRECTOR APPOINTMENT

The Nomination Committee is responsible for nominating to the Board candidates to fill any vacancy on the Board. The procedure for selection and appointment is detailed in an annexure to the Nomination Committee Charter that is available on the Company website.

Alumina's Constitution requires that one-third of the directors (excluding the Chief Executive Officer) must retire and are eligible for re-election at each Annual General Meeting (AGM) of the Company. Mr Morley is the director standing for re-election at the 2006 AGM.

Prior to the AGM the Nomination Committee assesses the performance of each director eligible for re-election and determines if it will recommend to the Board to support the standing director. The Nomination Committee, in Mr Morley's absence, resolved to recommend his re-election at the 2006 AGM.

BOARD AND BOARD COMMITTEE PERFORMANCE EVALUATION

The directors are conscious of their responsibility to be effective in maximising shareholder value, and perform annual evaluations of both the collective performance of the Board and that of individual members. Performance evaluation is also conducted for the Board committees. The Board conducts an annual internal review of directors, individual performance and the collective performance of the Board as a whole. In 2005, the directors conducted a self-assessment process involving the completion and evaluation of detailed questionnaires covering knowledge, reporting and performance in relation to relevant business, management and governance matters. The results were collated and analysed by the Board on a topic-by-topic basis. Initiatives to improve any issue identified in the performance evaluation were discussed and approved. The Chairman of the Board also undertook a review of each director's individual performance. The Chairman of the Nomination Committee reviewed with other directors the Chairman of the Board's performance. Additional information about the process of performance evaluation of the Board, its committees and individual directors, and key executives, can be obtained from our website (www.aluminalimited.com).

DIRECTORS' ACCESS TO INDEPENDENT ADVICE

In fulfilling their responsibilities, the directors may need to evaluate and make decisions about matters that require technical or specialised knowledge, or an independent perspective. In these circumstances the Board collectively, as well as each director individually, has the right to seek independent professional advice. Any expenses incurred by directors who exercise this right will be met by Alumina Limited, providing prior approval by the Chairman or the Board to obtain such advice has been given.

PROMOTING ETHICAL CONDUCT AND BEHAVIOUR

Alumina Limited has adopted a single Code of Conduct that is applicable to directors, management and staff. The Code of Conduct was developed by integrating the Company's agreed core values with best practice corporate governance models. The Code of Conduct sets parameters for ethical behaviour and business practices for directors, employees and contractors. The Code of Conduct is reviewed regularly to ensure it is relevant and accurately reflects best practice principles. The Board is also available to any employee for guidance on ethical issues. Alumina Limited's Code of Conduct and more information about the Company's values are available on our website (www.aluminalimited.com).

COMPANY SECRETARY

The position of Company Secretary/General Counsel is ratified by the Board.

Mr Stephen Foster is the Company Secretary/General Counsel. A profile of Mr Foster's qualifications and experience is set out on page 42. The role of Company Secretary/General Counsel in Alumina Limited includes:

- providing legal advice to the Board and management as required
- advising the Board on corporate governance principles
- management of the legal and secretariat functions
- generally attending all Board meetings and preparing the minutes
- managing compliance with regulatory requirements
- company disclosures

CORPORATE REPORTING

The Chief Executive Officer and the Chief Financial Officer have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects

SHARE TRADING POLICY

Alumina Limited has established a policy on the trading of its shares by its directors and employees. The Board believes it is in the interests of all shareholders for directors and employees to own shares of the Company, and so encourages shareholding subject to prudent controls and guidelines. The policy prohibits directors and employees from engaging in short-term trading of any Alumina Limited securities, and buying or selling Alumina Limited securities if they possess unpublished, price-sensitive information. In addition, directors and senior management must not buy or sell Alumina Limited securities in the period between the end of the half or full financial year and the release of the results for the relevant period. Directors and senior management must also receive approval from the Chairman, Chief Executive Officer or Company Secretary before buying or selling Company shares.

A copy of Alumina Limited's Share Trading Policy can be found in the corporate governance section of our website (www.aluminalimited.com).

DISCLOSURE POLICY

Alumina Limited is committed to providing best practice continuous disclosure and has comprehensive policies and procedures designed to ensure compliance with continuous and periodic disclosure obligations under the Corporations Act and the ASX Listing Rules. Responsibility for meeting stock exchange disclosure requirements rests primarily with the Company Secretary. Training is conducted with all staff to ensure they understand the Company's obligations – and their role in fulfilling them – under the Continuous Disclosure provisons. Alumina's Continuous Disclosure Policy is available on our website.

CONFLICTS OF INTEREST

The Board recognises that its ability to make impartial decisions would be jeopardized by any conflicting interests. Each director has an ongoing responsibility to disclose to the Board details of transactions or interests, actual or potential, that may create a conflict of interest. Alumina's Constitution expressly forbids a director voting on a matter in which he has a direct or indirect material personal interest as defined in Section 195 of the *Corporations Act 2001*. No conflict of interest arose during 2005.

AUDIT GOVERNANCE

External audit

PricewaterhouseCoopers is Alumina Limited's external audit services provider. The external auditor reports to Alumina Limited's Audit Committee which is responsible for agreeing the scope of the work performed by the auditor and monitoring its progress against plan. All reports issued by the auditor to the Committee are prepared in accordance with Australian Accounting Standards. In accordance with the applicable provisions of the *Corporations Act 2001*, the external auditor provides an annual declaration of its independence to the Audit Committee. The partner responsible for Alumina Limited's audit was appointed in 2002, and, under the terms of engagement, will be required to rotate off the audit after 2006.

Further information on the relationship with the external auditor is covered in the Audit Committee Charter which is available on our website (www.aluminalimited.com).

Non-audit services

Alumina Limited and PricewaterhouseCoopers have adopted the following policy in relation to any work undertaken by the external auditor, PricewaterhouseCoopers, that does not directly relate to auditing:

- PricewaterhouseCoopers' services which have fees of up to $100,000 shall require the prior approval of the Audit Committee Chairman. Such approval shall include the scope of the services and the approximate amount of fees, and shall be reported to the next Audit Committee meeting;
- For PricewaterhouseCoopers' services of more than $100,000 and less than $250,000, the provision of such services requires the prior approval of the Audit Committee;
- For PricewaterhouseCoopers' services of more than $250,000, the proposed services are to be put to competitive tender with the requirement for Chief Financial Officer, Chief Executive Officer and Audit Committee Chairman's approval of the inclusion of PricewaterhouseCoopers in the tender list. The provision of such services also requires the prior approval of the Audit Committee.

Details of non-audit services are described in the Directors' Report on page 48.

Attendance at the Annual General Meeting

The external auditor attends Alumina Limited's Annual General Meeting (AGM) and is available at the meeting to respond to shareholder questions relating to content and conduct of the audit and accounting policies adopted by the Company in relation to preparation of the financial statements. Written questions for the auditor will be accepted by Alumina Limited up to five business days before the AGM.

Internal audit

Alumina Limited contracts the services of independent accounting firm KPMG for the provision of the internal audit function. It is the internal auditor's role to provide assurance that an effective risk management and control framework exists, and to report its findings to the Audit Committee. The Audit Committee reviews these reports at least annually.

MANAGING BUSINESS RISK

Alumina Limited's Risk Management Policy sets out its policies and procedures for covering risks such as those relating to markets, credit, price, operating, safety, health, environment, financial reporting and internal control. The Risk Management Policy has been adopted by the Board.

Alumina Limited is exposed to risks, both indirectly through its investment in AWAC, and directly as a separately listed public company.

In its role as manager of AWAC, Alcoa has direct responsibility for managing the risks associated with the AWAC business. Alumina Limited is subject to those risks and Alcoa utilises its policies and management systems to identify, manage and mitigate those risks. Alumina Limited reviews the management and mitigation of AWAC risks through its participation on the AWAC Strategic Council and the Boards of the key operating entities within AWAC.

Alumina Limited uses internal controls as well as risk management policies that are appropriate to its risks as an independent corporate entity.

Alumina Limited's most significant risk exposures are to the $A/$US exchange rate and the aluminium price. Alumina Limited's exposures are significant through AWAC's exposure to aluminium prices and to operating costs and capital expenditures in foreign currencies.

Alumina Limited's Risk Management Policy and controls are covered in more detail in the Governance section of the Company's website (www.aluminalimited.com)

EXCHANGE RATE AND ALUMINIUM PRICE RISK

Alumina Limited's current financial position is strong and debt levels are modest. AWAC's operations are low-cost and long-life, generating substantial positive net cash inflow. AWAC's revenues are underpinned by medium and long-term sales contracts with high quality industry participants with which AWAC has long-standing relationships.

Given this strong underlying business position, shareholders' interests are best served by Alumina Limited and AWAC remaining exposed to aluminium price and exchange rate risk, and not seeking to manage that risk through the use of derivative instruments.

When managing interest rate risk, we seek to reduce the overall cost of funds. A preference for floating rate exposure is maintained in light of the cash-generating capacity of AWAC and the continued strength of Alumina Limited's financial position.

WHISTLEBLOWING

Alumina has a Whistleblower Policy that encourages and offers protection for staff to report, in good faith, any behaviour, practice or activity that they have reasonable grounds to believe involves:

- unethical or improper conduct
- financial malpractice, impropriety or fraud
- contravention or suspected contravention of legal or regulatory provisions
- auditing non-disclosure or manipulation of the internal or external audit process

A copy of the Whistleblower Policy can be found on our website.

POLITICAL DONATIONS

Alumina Limited does not make donations to political parties.

SENIOR MANAGEMENT

Alumina Limited is managed by a small team of experienced professionals with a practical focus on maximising returns and growing the Company, to ensure shareholders fully benefit from Alumina Limited's interest in the AWAC joint venture and provide our shareholders with consistent returns. The Alumina Limited executive management team comprises:

JOHN MARLAY **BSc, FAICD**

Chief Executive Officer

As Chief Executive Officer, John Marlay has responsibility for the overall management of Alumina Limited in accordance with the strategy, policies and business processes adopted by the Board. Mr Marlay has extensive resource sector experience operating in international management roles, including major capital-intensive joint ventures.

KEN DEAN **BCom(Hons) FCPA MAICD**

Chief Financial Officer

Mr Dean joined Alumina in October 2005 as Chief Financial Officer following the resignation of Mr Robert Davies. He is responsible for finance, accounting, treasury, investor relations and tax. Mr Dean has extensive financial and resource sector experience gained from a 30-year career with Shell, both in Australia and overseas. He is also an independent non-executive director of Santos Ltd.

STEPHEN FOSTER **BCom LLB(Hons) GDipAppFin (Sec Inst), GradDip, CSP, ACIS**

General Counsel & Company Secretary

Stephen Foster is responsible for legal, company secretarial, shareholder services, insurance and human resources. Mr Foster has a wide range of legal and commercial experience gained over 20 years, more recently at Village Roadshow and WMC Limited, after working with the legal firm of Arthur Robinson & Hedderwicks (now Allens Arthur Robinson).

ALUMINA LIMITED DIRECTORS' ATTENDANCE AT MEETINGS JANUARY TO DECEMBER 2005

	Board Meetings		Board Committee meetings		Audit Committee meetings		Compensation Committee meetings		Nomination Committee meetings	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P A F Hay	13	12	-	-	9	7	7	7	3	3
J Marlay	13	13	2	2	-	-	-	-	-	-
R J McNeilly	13	13	-	-	9	9	7	7	3	3
D M Morley	13	13	1	1	9	9	7	7	3	3
M R Rayner	13	13	-	-	9	9	7	7	3	3
R D Davies*	-	-	1	1	-	-	-	-	-	-
K A Dean**	-	-	2	2	-	-	-	-	-	-

* Mr Davies was an alternate director for Mr Rayner until 31 October 2005

**Mr Dean was alternate director for Mr Rayner from 1 November 2005 to 31 December 2005

SHAREHOLDERS

Alumina Limited has approximately 88,000 shareholders, with the 20 largest holding 75 per cent of the approximately 1.16 billion shares on issue. Approximately 95 per cent of all registered shareholders have registered addresses in Australia. A more detailed analysis of our shareholders is available in the full financial report, available on request, or on our website. Alumina Limited's shares are listed on the Australian Stock Exchange (ASX) and New York Stock Exchange (NYSE).

SHAREHOLDER COMMUNICATION

At Alumina Limited, considerable importance is placed on timely and effective communication with our shareholders and the market. We also recognise that communication is two-way.

The Company uses internet-based information systems to provide efficient and effective communication with our shareholders and the investment community. Examples include posting Company announcements on the Company website (usually within one hour of lodgement with the ASX), and webcasting financial presentations and briefings. Shareholders may elect to receive all Company reports/correspondence by mail or email.

In 2004, Alumina Limited became a member of eTree, an incentive scheme to encourage shareholders of Australian companies to receive their shareholder communications electronically. For every shareholder who registers their email address via eTree, the Company donates $2 to Landcare Australia to support reafforestation projects.

We are interested in shareholder questions and feedback, these can be directed to the Company either through the mail or via the feedback facility available on our website.

For further information on shareholder communication initiatives, including our Continuous Disclosure Policy, please refer to the Governance section of our website (www.aluminalimited.com).

COMPARISON OF CORPORATE GOVERNANCE PRACTICES WITH THE NYSE LISTING RULES

Alumina Limited shares trade in the form of American Depositary Receipts on the NYSE and, qualifying as a non-US issuer, Alumina Limited is allowed to follow home-country practice in lieu of the NYSE Listing Rules. However, the Company is required to meet NYSE rules on Audit Committee requirements and to disclose any significant way in which Alumina Limited's corporate governance practices differ from those followed by US companies under the NYSE listing rules. More detail about the ways in which Alumina Limited's corporate governance practices differ from those stipulated by the NYSE listing rules can be found on our website.

SHARE ENQUIRIES

Investors seeking information about their Alumina Limited shareholding or dividends should contact:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne, Victoria 3001, Australia

Telephone
1300 556 050 (for callers within Australia)
+613 9415 4027 (for international callers)

Facsimile
(03) 9473 2500 (for callers within Australia)
+613 9473 2500 (for international callers)

Email
web.queries@computershare.com.au

Please note, when seeking information, shareholders will be required to provide their Shareholder Reference Number or Holder Identification Number, which is recorded on their shareholding statements.

AMERICAN DEPOSITARY RECEIPTS

Alumina Limited shares are traded on the NYSE as American Depositary Receipts (ADRs). This facility enables American investors to conveniently hold and trade Alumina Limited securities. Each ADR represents four Alumina Limited shares. Investors seeking information about Alumina Limited's ADRs should contact our depositary, the Bank of New York:

The Bank of New York
Investor Services
P.O. Box 11258
Church Street Station
New York, NY 10286-1258

Toll free number
(for callers within the USA) 1-888-BNY-ADRs

Telephone
(for non-US callers) +1 (212) 815 3700
Website www.stockbny.com
Email shareowners@bankofny.com

COMPARISON TO ASX CORPORATE GOVERNANCE BEST PRACTICE RECOMMENDATIONS

PRINCIPLE	RECOMMENDATION	COMPLIANCE	PAGE
1	**Lay solid foundations for management and oversight**	Comply	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Comply	36
2	**Structure the board to add value**	Comply	
2.1	A majority of the board should be independent directors.	Comply	37
2.2	The Chairperson should be an independent director.	Comply	37
2.3	The roles of Chairperson and Chief Executive Officers should not be exercised by the same individual.	Comply	37
2.4	The board should establish a nomination committee.	Comply	39
2.5	Provide related disclosures.	Comply	n/a
3	**Promote ethical and responsible decision-making**	Comply	
3.1	Establish a code of conduct to guide directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	Comply	39
	3.1.1 the practices necessary to maintain confidence in the company's integrity	Comply	39
	3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Comply	42
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	Comply	40
3.3	Provide related disclosures.	Comply	n/a
4	**Safeguard integrity in financial reporting**	Comply	
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Comply	40
4.2	The board should establish an audit committee	Comply	38
4.3	Structure the audit committee so that it consists of: • only Non-executive directors • a majority of independent directors • an independent chairperson, who is not chairperson of the board • at least three members	Comply	38
4.4	The audit committee should have a formal charter.	Comply	38
4.5	Provide relevant disclosures.	Comply	n/a
5	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Comply	40
5.2	Provide relevant disclosures.	Comply	n/a

COMPARISON TO ASX CORPORATE GOVERNANCE BEST PRACTICE RECOMMENDATIONS

PRINCIPLE	RECOMMENDATION	COMPLIANCE	PAGE
6	**Respect the rights of shareholders**	Comply	
6.1	Design and disclose a communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings.	Comply	40
6.2	Request the external auditor to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Comply	41
7	**Recognise and manage risk**	Comply	
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	Comply	41
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:	Comply	40
	7.2.1 the statement given in accordance with best practice recommendations 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.	Comply	40
	7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Comply	40
7.3	Provide relevant disclosures.	Comply	n/a
8	**Encourage enhanced performance**	Comply	
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Comply	39
9	**Remunerate fairly and responsibly**	Comply	
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Comply	50, 51
9.2	The board should establish a remuneration committee.	Comply	38
9.3	Clearly distinguish the structure of Non-executive directors' remuneration from that of executives.	Comply	60
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Comply	53
9.5	Provide relevant disclosures.	Comply	n/a
10	**Recognise the legitimate interests of stakeholders**	Comply	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Comply	39

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Alumina Limited and its subsidiaries as the full financial report.

The Directors present their report for the financial year ended 31 December 2005 on the consolidated entity consisting of Alumina Limited ('the Company') and the entities it controlled during or at the end of the financial year (the 'Group').

DIRECTORS

a. The names of each person holding the position of director of the parent entity during the financial year are:

D M Morley (Chairman)

J Marlay (Chief Executive Officer)

P A F Hay

R J McNeilly

M R Rayner (Alternate R D J Davies until 31 October 2005, Alternate K A Dean from 1 November 2005)

BOARD OF DIRECTORS

b. Alumina Limited directors in office as at 31 December 2005 were:

Mr Donald M Morley Age 66
BSc, MBA, FAusIMM
Chair, Independent Non-Executive Director
Mr Morley was elected a director and appointed Chairman of Alumina Limited on 11 December 2002. Mr Morley is a director of Iluka Resources Ltd; a role he has held since December 2002 and has also been a director of SPARK Infrastructure Ltd since November 2005. He was previously a Director of WMC Limited, in the role of Director of Finance until April 2001, and he retired from his executive duties with WMC in October 2002. Mr Morley is a member of the Audit Committee, Compensation Committee and the Nomination Committee. He has wide ranging financial skills and considerable resource industry experience.

Mr Peter A F Hay Age 55
LLB
Independent Non-Executive Director
Mr Hay has been a director of Alumina Limited since 11 December 2002. Mr Hay is a Director of Pacifica Group Limited, Chairman, Investment Banking at Carnegie Wylie & Company and from July 2000 to July 2005 was the Chief Executive Officer of the law firm Freehills. He is a member of the Audit Committee, Compensation Committee and Chair of the Nomination Committee. Mr Hay brings to the Board considerable legal experience and skills particularly in relation to public company takeovers, corporate governance matters and risk management.

Mr Ronald J McNeilly Age 62
BCom, MBA, FCPA, FAICD
Independent Non-Executive Director
Mr McNeilly was elected a director of Alumina Limited on 11 December 2002. He is the Deputy Chairman of BlueScope Steel Limited; Chairman of Worley Parsons Limited; Chairman of Melbourne Business School Limited; Past Director of BHP Billiton Limited, QCT Resources Limited, Tubemakers of Australia Limited and Ausmelt; Past Executive Director Global Markets BHP Billiton Limited from 2001 to 2002; Past Executive Director and President of BHP Minerals from 1999 to 2001. Mr McNeilly is a member of the Audit and Nomination Committee and Chair of the Compensation Committee. Mr McNeilly brings substantial practical experience and skills gained from over 30 years working in the resource sector.

Mr Mark R Rayner Age 68
BSc (Hons) ChemEng FTSE FAusIMM FIEA FAICD
Independent Non-Executive Director
Mr Rayner was elected to take office as director of Alumina Limited on 11 December 2002. He was a director of Pasminco Limited from 1989 to 2003 and Chairman from 1992 to 2003; Director of Mayne Nickless Limited from 1995 to 2002, Chief Executive of Comalco Limited 1978 to 1989, Deputy Chairman 1989 to 1997; Executive Director CRA Ltd 1989 to 1995, Director of National Australia Bank Limited from 1985 to 2001 and Chairman from 1997 to 2001. He is a Director of Boral Ltd, a role he has held since February 1996. Mr Rayner is a member of the Nomination Committee, Compensation Committee and Chair of the Audit Committee. He brings extensive industry specific experience in the bauxite, alumina and aluminium industry of over 35 years.

Mr John Marlay Age 57
BSc, FAICD
Chief Executive Officer
Mr Marlay was elected as executive director and Chief Executive Officer on 11 December 2002. Joined WMC in August 2002, following a role as Head of Strategy for RMC Group Plc in London. Mr Marlay was previously Executive General Manager Business Integration, Hanson Plc from 2000 to 2001. He has held senior management roles with Pioneer International Ltd, James Hardie Industries Limited and Esso Australia Ltd. Mr Marlay has extensive resource sector experience operating in international management roles, including major capital-intensive joint ventures.

c. **Company Secretary**
Stephen Foster General Counsel/Company Secretary
BCom LLB(Hons) GDipAppFin (Sec Inst)
GradDip. CSP, ACIS
Stephen Foster is responsible for legal, company secretarial, shareholder services, insurance and human resources. Mr Foster has a wide range of legal and commercial experience gained over 20 years, more recently at Village Roadshow and WMC Limited, after working with the legal firm of Arthur Robinson & Hedderwicks (now Allens Arthur Robinson).

Details of the Company Secretary role are contained on page 40.

d. Particulars of the numbers of meetings of the Company's directors (including meetings of committees of directors) and the number of meetings attended by each director are detailed on page 42.

e. Particulars of relevant interests of shares held by the directors of the Company in the Company or in any related body corporate as at the date of this report are set out on page 67.

INSURANCE OF OFFICERS

f. During or since the end of the financial year, the Group has paid the premiums in respect of a contract to insure directors and officers of the Group against liabilities incurred in the performance of their duties on behalf of the Group.

The officers of the Group covered by the insurance policy include any natural person acting in the course of duties for the Group who is or was a director, secretary or executive officer as well as senior and executive staff. The Company is prohibited, under the terms of the insurance contract, from disclosing details of the nature of liability insured against and the amount of the premium.

DIVIDENDS

g. Details of the dividends paid during the financial year are referred to in Note 3 of the Concise Financial Statements.

PRINCIPAL ACTIVITIES

h. The principal activities of the Group relate to its 40 per cent interest in the series of operating entities forming Alcoa World Alumina and Chemicals (AWAC). AWAC has interests in bauxite mining, alumina refining, and aluminium smelting.

REVIEW OF OPERATIONS AND RESULTS

i. The financial results for Alumina Limited include the 12 months results of AWAC and associated corporate activities.

j. The Group's net profit attributable to members of Alumina Limited was $315.6 million (2004: $316.4 million).

For further information on the operations of the Group during the financial year and the results of these operations, refer to section 2 on page 19 of Part 1 Concise Annual Report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

k. At the date of this report no further matters or circumstances have arisen since 31 December 2005 which significantly affected or may significantly affect:

(i) operations of the Group; or
(ii) results of those operations; or
(iii) state of affairs of the Group in future years.

LIKELY DEVELOPMENTS

l. In the opinion of the directors, it would prejudice the interests of the Group to provide additional information, except as reported in this Directors' Report, relating to likely developments in the operations of the Group and expected results of those operations in the financial years subsequent to the financial year ended 31 December 2005.

ENVIRONMENTAL REGULATION

m. AWAC's Australian operations are subject to various Commonwealth and state laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation, and access to and use of ground water. In particular, most operations are required to be licensed to conduct certain activities under the environmental protection legislation of the state in which they operate, and such licences include requirements specific to the subject site.

OUTSTANDING OPTIONS ISSUED UNDER THE WMC EMPLOYEE OPTION PLAN

n. Options over Alumina Limited ordinary shares issued prior to the demerger under the WMC Employee Option Plan at the date of this report are:

Allotment date	30 November 2001
Number	1,971,100
Exercise price	$5.02
Expiry date	30 November 2006

The above options are exercisable by the holder after one year from the date of allotment, at the issue price. If a request to exercise options has not been made to the Company within five years of the allotment date, the Company is required to exercise the option on behalf of the employee.

These options were granted prior to the demerger of WMC Limited to certain employees as part of their remuneration.

Details of Alumina Limited ordinary shares issued following the exercise of options under the terms of the WMC Employee Option Plan are as follows:

	Number of options exercised	Exercise price
During the financial year	2,534,600	Various
Since the balance date	344,500	$5.02

The shares issued on exercise of the options mentioned above are fully paid. Alumina Limited has not issued options since 2001.

ROUNDING OF AMOUNTS

o. The Company is of a kind referred to in the Australian Securities and Investments Commission Class Order 98/0100. Amounts shown in the concise financial report and this Directors' Report have been rounded off to the nearest hundred thousand dollars, except where otherwise required, in accordance with that Class Order.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

p. There have been no significant changes in the change of affairs of the consolidated entity during the financial year.

AUDITOR

q. PricewaterhouseCoopers continues in office, in accordance with the *Corporations Act 2001*.

r. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, and its related practices:

	Consolidated Entity $Thousand 2005	2004
(a) Remuneration for audit or review of the parent entity or any entity in the consolidated entity:		
Audit of parent entity – PricewaterhouseCoopers – fees for annual audit	283	252
Additional 2003 costs incurred in 2004	-	2
Audit of Annual Report on US Form 20-F – fees for annual audit	105	112
Advice on accounting standards (including transition to A-IFRS)	321	30
	709	396
(b) Remuneration for other assurance services:		
Other	-	5
(c) Remuneration for taxation services:		
Overseas tax services	101	174
Total	**810**	**575**

It is the consolidated entity's policy only to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision for the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 70 of the Concise Annual Report.

s. REMUNERATION REPORT

This Remuneration Report sets out the Company's remuneration strategy and practices and incorporates remuneration information for Directors and Senior Executives in accordance with the Corporations Act. Senior Executive Remuneration Policy and Non-Executive Director Remuneration Policy are discussed separately in this report. This report forms part of the Directors' statutory report for the year ended 31 December 2005.

COMPENSATION COMMITTEE

Role of Compensation Committee

The duties and responsibilities delegated to the Compensation Committee (the Committee) by the Board are set out in the Committee's Charter, which is available on the Company's website.

In brief, the authority and responsibilities of the Committee are to review and make decisions in relation to:

- remuneration strategy and policy of the Company;
- remuneration of Senior Executives and terms of the CEO's contract;
- review of incentive plan design;
- review of succession plans for Senior Executives;
- approval of performance measures and incentive payments; and
- advising the Board on remuneration structure for Non-executive Directors.

The Committee is thus responsible for overseeing and implementing the Company's compensation plans, policies and practices. The Committee reviews the remuneration strategy and plans of the Company, compares the strategy and plans with community and industry standards and verifies the appropriateness of the strategy and plans by reference to external information and advice. The Committee has the responsibility to ensure that shareholder and employee interests are aligned, that the Company is able to attract, develop and retain employees of superior talent, and that Senior Executives are fairly and reasonably compensated.

The Compensation Committee reviews Non-executive Director remuneration annually taking into account the advice of remuneration consultants with regard to market practices, relativities and the duties and accountabilities of Directors and provides a recommendation to the Board on Non-executive Director remuneration. During the year the Committee took advice from the Hay Group, Egan & Associates and Mercer Human Resources. (The Hay Group has no connection to Mr Peter Hay, a Director of the Company).

The Committee meets at least twice a year, and met seven times in 2005. Senior executives do attend certain meetings by invitation.

SENIOR EXECUTIVE REMUNERATION POLICY

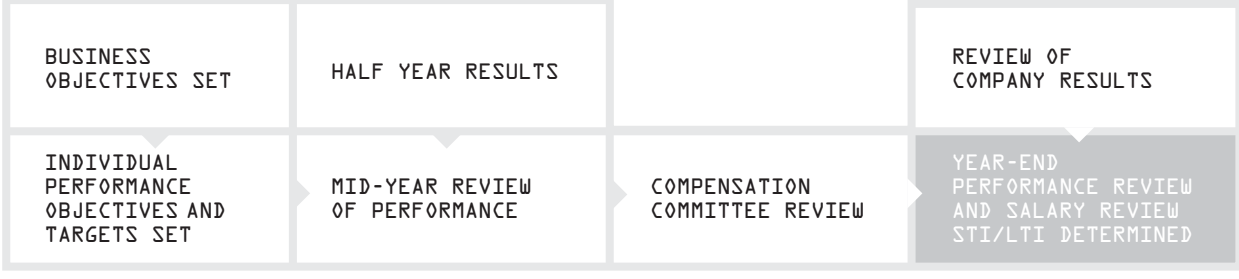
Alumina Limited's remuneration policy is to establish a clear link between performance and remuneration. In doing so we are committed to ensuring that our remuneration process:

1. is aligned with shareholder interests; and
2. is also designed to reward and recognise superior Senior Executive performance.

The process ensures that specific and measurable individual objectives and targets that are consistent with business objectives are set for executives and employees.

The performance of individual Senior Executives, against their objectives is assessed half yearly and yearly. The Compensation Committee also obtains independent remuneration information for comparative purposes. Salary reviews and short-term incentives (STIs) are determined by assessing performance against both individual performance objectives and peer Group total shareholder return (TSR) performance. Long-term incentives (LTIs) are assessed against the Company's TSR compared with that of Australian and international peer group companies.

REMUNERATION PROCESS



Senior Executive remuneration is reviewed annually by the Committee. Senior Executive rewards are determined by three factors: individual performance, Company performance, and market position.

The CEO, Chief Financial Officer and General Counsel/ Company Secretary are the executives who exercise the greatest control over the management and strategic direction of the Group and are the most highly remunerated executives of the Company and the Alumina Group. These Senior Executives are the only employees of the Company who make or participate in making decisions that affect the whole or a substantial part of the business of the Company, or have the capacity to affect significantly the Company's financial standing and therefore less than five Senior Executives are listed in this Report.

INDIVIDUAL PERFORMANCE

Remuneration reflects individual performance based on the Senior Executive's performance against specific goals and individual objectives set for each Senior Executive for the year under review.

COMPANY PERFORMANCE

A percentage component of both total cash and share-based remuneration for Senior Executives is based on the performance of the Company measured against peer group companies' TSR.

MARKET POSITION

Alumina Limited is among the fifty largest companies listed on the Australian Stock Exchange. The skills and expertise required by the Company's employees equate to those of similar sized companies, notwithstanding that Alumina Limited has a small number of employees.

Accordingly, Alumina Limited's remuneration levels need to be competitive with comparable Australian organisations to ensure that the Company can attract and retain high-performing employees. The Committee appoints external compensation advisers to provide appropriate salary and benefits reviews on an annual basis.

REMUNERATION STRUCTURE/PERFORMANCE REWARD LINK

Executive Remuneration

Senior Executive remuneration comprises:

- **fixed remuneration** – 'fixed annual reward' (FAR) is the component of total remuneration specified in an executive's contract of employment and in periodic salary reviews. It includes salary and superannuation contributions (both Company and salary sacrifice contributions).
- **variable (incentive) payments** – contracts for Senior Executives and professional employees include a component of remuneration linked to both STIs and LTIs. Policies defining STIs and LTIs are established by the Committee and reviewed annually.

Fixed Remuneration

The Committee reviews and determines the FAR for the CEO. The CEO annually reviews and recommends to the Committee the FAR for the other Senior Executives.

The Committee undertook a review in 2005 of CEO and Senior Executive remuneration. As part of the review in 2005, the responsibilities and requirements of these positions were updated and advice was sought from a remuneration consultant to ensure CEO and Senior Executive remuneration continues to be appropriate, taking into account the Company's size, market movements and the complexity of executive responsibilities. Given the small number of employees at Alumina Limited, it is critical that Senior Executives perform at a high level. For Senior Executives, the Company seeks to set FAR at the third quartile of comparable companies.

The Committee determined that the CEO's FAR be increased from $750,000 per annum to $850,000 per annum, effective 1 January 2006 (further details of the CEO's remuneration are provided on page 61). Mr Davies' FAR increased from $378,000 per annum to $575,000 per annum, and Mr Foster's FAR increased from $273,000 per annum to $350,000 per annum, effective 1 August 2005. Mr Foster's FAR is fixed until 31 December 2006.

The FAR of Mr Ken Dean, appointed as Chief Financial Officer to succeed Mr Davies effective 1 November 2005, is $540,000 per annum, fixed until 31 December 2006.

Variable Payments

During the year, the Company arranged for an independent consultant to review the structure of its STI and LTI plans. After considering the review, the structure of the STI and LTI were modified, effective 1 January 2006. Details of the arrangements applying during 2005 and the changes to apply from 1 January 2006 are set out below.

i) 2005 Short-Term Incentives

The amount of STI awarded varies according to a combination of individual and Company performance criteria. For the STI, Company performance has been measured using the TSR for a one year period.

Short-term incentive payments are calculated as a percentage of the Senior Executive's fixed remuneration and are paid in the form of cash. The Committee reviews performance assessments and approves all STI payments to all employees. In 2005, the maximum payable to senior executives was 45 per cent of FAR, of which 25 per cent related to performance against individual objectives, and 20 per cent related to the Company's relative TSR performance during the 2005 year. The STI was designed to encourage superior performance and link Senior Executive remuneration to the returns achieved by shareholders.

Performance against individual objectives link achievement to reward for Senior Executives for meeting or exceeding measurable objectives in their work. Specific tasks and objectives relate to AWAC joint venture matters and strategy, capital management and dividends, which ultimately support Alumina Limited's objectives and shareholder interests.

These objectives in 2005 included completion of the acquisition of the Juruti bauxite deposit, implementing a funding plan to ensure Alumina's participation in AWAC's growth projects, undertaking action to release franking credits from Alcoa of Australia, the basis of any participation in the Pingguo bauxite and alumina assets and implementation of AIFRS.

Performance of Senior Executives is measured against agreed objectives and targets. Individual performance against the measures was assessed for each Senior Executive for 2005 and an average of 20 per cent of FAR was awarded for this component of STI. The objective of releasing franking credits from Alcoa of Australia was achieved during the year and the 2005 interim dividend was fully franked. The change from Australian generally accepted accounting standards to AIFRS was implemented successfully during the year. Progress was also made during 2005 on the funding plan for AWAC growth projects.

The TSR component of the 2005 STI plan is measured against the same two comparator peer groups used for the 2005 LTI plan grant (see below).

The STI reward attributed to the TSR performance fluctuates according to the relative performance of the Company. An entitlement is triggered according to the scale set out in table 1.0.

TABLE 1.0

Executive STI Rewards	Scorecard	Performance measures	Potential STI per cent of FAR 2005
		TSR in top quartile	20
Company performance	Company 12-month TSR	TSR in third quartile	12
	comparison to peer group	TSR in second quartile	8
		TSR in bottom quartile	-

For 2005, an STI component of 8 per cent of FAR was attributed to short-term relative TSR performance, with Company relative performance registering in the second quartile against peer group performance.

The Comparator companies whose performances the Company's TSR is measured against are shown in tables 3.1 and 3.2:

Company TSR and individual performance objectives provide an incentive to achieve high levels of personal performance and contribute to high levels of Company performance. TSR has been used as a performance hurdle in the STI plan because it was considered an appropriate means of measuring Company performance. The STI is paid in December in respect of the performance within that year.

ii) Long-term incentives

Senior Executives are invited to participate in the Alumina Employee Share Plan (ESP). The ESP is designed to link Alumina Limited employee rewards with the long-term goals and performance of the Company, and the generation of shareholder returns.

Each year Senior Executives may be offered (at the Board's discretion) a conditional entitlement under the ESP, to fully paid ordinary shares in the Company (Performance Rights), which are purchased on market. The Performance Rights vest to Senior Executives at the end of the performance period if the performance tests are achieved over that performance period.

An initial grant of three tranches of Performance Rights, approved by the Board in March 2003, covered a three year period 2003 to 2005. The first tranche was tested in December 2003, the second tranche in December 2004 and the third tranche in December 2005. Subsequent grants of Performance Rights made after March 2003 have a three-year performance test period. The LTI grant value for Senior Executives was set at 30 per cent of FAR for the initial grant of three tranches of Performance Rights in March 2003. The LTI grant value was set at 55 per cent for the subsequent grants in January 2004 and January 2005. The LTI grant value is divided by the prevailing Company share price at the time of the offer to determine the number of Performance Rights offered to Senior Executives under the ESP.

The performance criteria and testing period for each annual offer under the ESP are determined by the Committee at the time of issue of each tranche of Performance Rights.

Re-testing

If less than 100 per cent of the Performance Rights in a tranche vest when tested initially, a second test is conducted six months after the initial test. No further testing is undertaken after this second test. The second test is considered appropriate in view of the volatility of commodity prices and exchange rates and their impact on Company performance. This second test applies only to 50 per cent of the Performance Rights that did not initially vest (for example, if 60 per cent of the Performance Rights initially vest, the second test will apply only to half of the 40 per cent of Performance Rights that did not initially vest). The remaining 50 per cent of Performance Rights that did not vest will lapse and not be subject to future re-testing.

The number of Performance Rights of the re-tested portion that vest will be determined according to Alumina Limited's relative TSR performance over the period from the commencement of the performance period to the re-test date, according to the same scale used at the initial test (see table 2.0).

Entitlements will generally lapse on cessation of employment. Mr Davies' Performance Rights that had not vested, lapsed on his resignation in October 2005.

In the event of a change in control, the Board shall determine that any outstanding Performance Rights for which performance hurdles are met at that time shall vest to Senior Executives. A change of control is generally an entity acquiring more than 50 per cent of the issued shares of the Company.

CHANGES TO VARIABLE REMUNERATION FROM 2006

The Structure of the STI and LTI plans were reviewed in 2005 to ensure they were meeting the intended purpose and to take account of changes in market practice and executive responsibilities. As a result of the review of the structure of the STI and LTI plans, the variable incentive payments for Executives have been weighted more to the LTI, with the LTI percentage increasing to 60 per cent of FAR (from 55 per cent) and the STI percentage reducing to 40 per cent of FAR (from 45 per cent), effective 1 January 2006. The CEO's remuneration structure has also been weighted more to the LTI, with the LTI percentage increasing to 75 per cent of FAR (from 55 per cent) and the STI increasing to 50 per cent of FAR (from 45 per cent), effective 1 January 2006.

The STI structure has also been modified to reduce duplication of performance criteria under both the STI and LTI. The element of the STI award relating to the Company's TSR performance (up to 20 per cent) has been replaced for senior executives with measurement against achievement of two financial objectives (up to 15 per cent). The remaining 25 per cent of the STI relates to performance against individual objectives. The STI Structure for the CEO from 1 January 2006 is for an STI of 50 per cent of FAR, with 30 per cent relating to performance against personal objectives and 20 per cent measured against achievement of the same two financial objectives specified for Senior Executives. These are the achievement of the AWAC Operating Plan return on capital for the 12-month performance period (normalised for changes in the LME aluminium price) and an earnings per share target for Alumina Limited, based on the AWAC operating plan and Alumina Limited's corporate budget for the period (normalised for changes in the aluminium price and $A/$US effects).

Overview of LTI performance measurement

Two comparator group tests are applied to determine the number of Performance Rights that vest under the ESP, with each accounting for 50 per cent of the maximum possible grant of Performance Rights under the ESP. The performance tests compare Alumina Limited's TSR performance with the TSR performance of each of the entities in two comparator groups over the performance period. Results of the performance tests are calculated by a consultant engaged for this purpose.

TSR was chosen as the performance measure for the ESP because it is the most appropriate means of measuring Company performance, as it incorporates both capital growth and dividends.

The comparator groups selected by the Committee include companies that are in similar industries to the Company or compete for capital with the Company, taking into account the size of the Company. The methodology behind tests 1 and 2 is identical, apart from the difference in the comparator groups. The performance tests are defined as follows:

Test 1 relates to performance of Alumina Limited against a comparator group of 50 Australian-listed entities (i.e. 50 entities/securities excluding Alumina Limited and Property Trusts) (Test 1 – ASX Comparator Group). The composition of the ASX Comparator Group for 2005 is shown in table 3.1.

Test 2 relates to performance against a comparator group of 30 international metals and mining entities listed on stock exchanges inside and outside Australia (i.e. 30 entities excluding Alumina Limited) (Test 2 – International Comparator Group). The composition of the International Comparator Group for 2005 is shown in table 3.2.

Under the performance tests, the TSR for each entity in the comparator groups and for Alumina Limited are calculated according to a standard methodology determined by remuneration consultants Mercer Human Resource Consulting, engaged for this purpose. The entities (or securities, as appropriate) in the comparator group are then ranked by TSR performance. The number of Performance Rights for which Senior Executives receive an Alumina Limited share (i.e. that "vest") is then determined according to the scale in table 2.0:

TABLE 2.0 LTI VESTING TREATMENT

Alumina Limited TSR compared to median of comparator group	Vesting
If Alumina Limited's TSR is less than the TSR of the company at the 50th percentile of the comparator group, ranked by TSR performance	0 per cent
If Alumina Limited's TSR is equal to the TSR of the company at the 50th percentile of the comparator group, ranked by TSR performance	50 per cent
If Alumina Limited's TSR is equal to or greater than the TSR of the company at the 75th percentile of the comparator group, ranked by TSR performance*	100 per cent

* If Alumina Limited's TSR performance is between that of the entities (or securities, as appropriate) at the median (i.e. the 50th percentile) and the 75th percentile of the comparator group ranked by TSR performance, the number of Performance Rights in a tranche that vest will increase by 2 per cent for each 1 per cent by which Alumina Limited's percentile ranking is higher than the 50th percentile.

For previous grants of Performance Rights, which remain current, the relevant comparator group is set out in tables 3.1 and 3.2.

TABLE 3.1 ASX COMPARATOR GROUP

	Relevant testing years				
Company[1]	June 2005[2]	December 2005	2006	2007	2005 STI
Amcor	X	X	X	X	X
AMP	X	X	X	X	X
Aristocrat Leisure	X	X		X	X
ANZ Banking Group	X	X	X	X	X
Aust. Gas Light	X	X	X	X	X
Axa Asia Pacific Holdings	X	X	X	X	X
BHP Billiton	X	X	X	X	X
BlueScope Steel	X	X	X	X	X
Boral	X	X	X	X	X
Brambles Industries	X	X	X	X	X
Centro Props Group			X	X	X
CFS Gandel Retail Trust	X	X			
Coca-cola Amatil	X	X	X	X	X
Cochlear		X			
Coles Myer	X	X	X	X	X
Commonwealth Bank	X	X	X	X	X
CSL	X	X	X	X	X
CSR	X	X			

TABLE 3.1 ASX COMPARATOR GROUP (CONTINUED)

Fosters Group	X	X	X	X	X
Harvey Norman Holdings	X	X	X	X	X
Insurance Aust. Group	X	X	X	X	X
Investa Property			X		
James Hardie Inds.	X	X	X		
John Fairfax		X	X	X	X
Leighton Holdings	X	X	X		
Lend Lease	X	X	X	X	X
Lion Nathan	X	X	X	X	X
Macquarie Airports				X	X
Macquarie Bank	X	X	X	X	X
Macquarie Infra Group			X	X	X
Mayne Group	X				
Mirvac Group	X	X	X	X	X
National Aust. Bank	X	X	X	X	X
Newcrest Mining		X	X	X	X
News Corp CDI B	X				
News Corp CDI Ord	X				
Orica	X	X	X	X	X
Origin Energy	X	X	X	X	X
Patrick Corp	X	X	X	X	X
Promina Group			X	X	X
Publishing and Bcast.	X	X	X	X	X
Qantas Airways	X	X	X	X	X
QBE Insurance Group	X	X	X	X	X
Resmed CDI		X			
Rinker			X	X	X
Rio Tinto	X	X	X	X	X
St George Bank	X	X	X	X	X
Santos	X	X	X	X	X
Southcorp Holdings	X				
Stockland	X	X	X	X	X
Suncorp-Metway	X	X	X	X	X
Tabcorp Holdings	X	X	X	X	X
Telecom Corp NZ	X	X	X	X	X
Telstra	X	X	X	X	X
Toll Holdings			X	X	X
Transurban Group		X		X	X
Wesfarmers	X	X		X	X
Westfield Group	X	X	X	X	X
Westfield Holdings			X		
Westpac Banking	X	X	X	X	X
WMC Resources Ltd	X				
Woodside Petroleum	X	X	X	X	X
Woolworths	X	X	X	X	X

[1] The companies included in the Comparator Group change from year to year as companies enter or exit the ASX 50 or are delisted.

[2] This relates to Performance Rights initially tested in December 2004 and for which 50 per cent was subject to a re-test in June 2005.

TABLE 3.2 INTERNATIONAL METALS AND MINING COMPARATOR GROUP

Company[1]	June 2005[2]	December 2005	2006	2007	2005 STI
Acerinox	X	X	X		
Alcan	X	X	X	X	X
Alcoa	X	X	X	X	X
Anglo American	X	X	X	X	X
Arcelor (Par)	X	X	X	X	X
Barrick Gold	X	X	X	X	X
BHP Billiton Ltd	X	X	X	X	X
BHP Billiton Plc	X	X	X	X	X
BlueScope Steel			X	X	X
Cameco			X	X	X
China Steel	X	X	X	X	X
Corus Group	X	X		X	X
Dofasco	X	X			
Freeport McMoran	X	X	X	X	X
Inco	X	X	X	X	X
JFE Holdings	X	X	X	X	X
Johnson Matthey			X	X	X
Kinross Gold Corp			X		
Kobe Steel				X	X
Lonmin	X	X	X		
Mitsui Mining & Smelting	X	X			
Newmont Mining	X	X	X	X	X
Nippon Steel	X	X	X	X	X
Noranda	X				
Nucor	X	X	X	X	X
Phelps Dodge	X	X	X	X	X
Placer Dome	X	X	X	X	X
Posco	X	X	X	X	X
Rio Tinto (Ltd)	X	X	X	X	X
Rio Tinto (Plc)	X	X	X	X	X
Sumitomo Metal Mining	X	X	X		
Sumitomo Metals Inds				X	X
Teck Cominco		X	X	X	X
Thyssenkrupp			X	X	X
Toyo Seikan	X	X			
US Steel	X	X	X	X	X
CVRD PNA	X	X	X	X	X
Worthington Inds	X	X			
Xstrata				X	X

[1] The companies included in the Comparator Group change from year to year as companies enter or exit the 30 largest companies in the Metals and Mining group or are delisted.

[2] This relates to Performance Rights initially tested in December 2004 and for which 50 per cent was subject to a retest in June 2005.

LTI Results for the 2003 ESP grant

The relative performance criteria for the third tranche of the March 2003 ESP grant of Performance Rights (i.e. for the 3 years to 4 December 2005) did not equal or exceed the 50th percentile for either comparator group at the first test date of 4 December 2005, and accordingly none of the Performance Rights in the third tranche were vested at that time. For the second tranche of the March 2003 ESP grant on re-testing in June 2005, Alumina's TSR compared to the International Comparator Group was at the 50th percentile and accordingly 12.5 per cent of the second tranche of Performance Rights vested on the re-test. For details of Performance Rights Performance Rights vested to Senior Executives, refer to table 9.0.

RELATING REWARDS TO PERFORMANCE

The Alumina Limited variable remuneration plans provide incentives for Senior Executives and also ensure that total annual remuneration is related to the extent to which the performance hurdles under the STI and LTI plans are satisfied. The performance measures used provide a strong link between executive remuneration and Alumina Limited performance and shareholder wealth.

Alumina Limited's share price from 2003 to 2005 moved through the following ranges:

Alumina Limited Share Price // A$

Alumina Limited's share price increased 24.9% in 2005 from $5.94 on 3 January 2005 to $7.42 on 30 December 2005.

Table 4.0 indicates various measures of Alumina Limited's performance, and their relationship to executive remuneration, since 2003.

TABLE 4.0 HISTORICAL PERFORMANCE OF ALUMINA LIMITED

	2005	2004	2003
Dividends declared per share (cents)	20	20	23
Percentage change in share price	25	(10)	30
Net profit after tax	$316m	$316m	$237m
Annual Percentile ranking of TSR against ASX 50	48	8	90
Per cent increase in fixed remuneration	27	-	n/a
Per cent of FAR short-term incentive	26[1]	16	52
Per cent of FAR long-term incentive	2	-	30

NB: Years prior to the Company's demerger in December 2002 are not included.
[1] Percentage is calculated by reference to FAR as at 31 December 2005.

Alumina Limited's profit has increased by 33 per cent, total dividends declared have been 63 cents per share and the share price has increased by 45 per cent for the period 2003 to 2005. Alumina's TSR from 2003 to 2005 was 56 per cent.

The LTI components and part of the STI component of Senior Executive remuneration are tied to Company performance. Over the period from 2003 to 2005, Alumina Limited has created significant value for shareholders by adding strategically to its interest in AWAC, ensuring Alumina Limited participates in AWAC expansion projects and capital management has been effective for Alumina shareholders. The performance of the Company is measured by TSR and growth in the Company's profit. Over the period from 2003 to 2005, STI and LTI outcomes for Senior Executives have been aligned to TSR performance and STI outcomes have also been linked to personal objectives which contribute to increased shareholder value. In the future, LTI outcomes will continue to be aligned to TSR performance which directly reflects changes in shareholder wealth.

For the STI, Company performance has been measured using the TSR in the same manner as for the ESP, although for a one-year period. In 2005, Alumina's performance was in the second quartile of the comparator performance (i.e. between the 25th and the 50th percentiles), which means for Senior Executives that the STI award for the TSR component was 8 per cent of FAR.

SUPERANNUATION

All Alumina Limited employees are members of the Alumina Superannuation Fund, an accumulation fund or a fund of their choice. Contributions are funded at the Superannuation Guarantee Contributions rate, currently 9 per cent of an employee's fixed annual remuneration.

OPTION PLANS

Alumina Limited does not have any ongoing option plans available to Non-executive Directors, executives and senior managers (including Executive Directors) or employees. One former WMC Limited employee who is continuing employment with Alumina Limited who is not a Senior Executive, holds options in Alumina Limited, which were granted prior to the demerger of the Company in December 2002.

NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

Alumina Limited's Non-executive Directors receive a fee for fulfilling their Director's duties. No additional fees are paid to Directors for participating on Board committees. Non-executive Directors' fees are reviewed annually and are determined by the Committee based on comparative analysis and advice from remuneration consultants, and take into account the Directors' responsibilities and time spent on Company business. The level of fees reflects the need to attract Directors with the necessary skills and experience. In accordance with recommendation 9.3 of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, Non-executive Directors do not receive any performance related remuneration and do not participate in the ESP. Directors are also required to direct at least 10 per cent of their fees to purchase Company shares.

Total remuneration for Non-executive Directors is determined by resolution of shareholders. The maximum aggregate remuneration approved for Directors is $950,000 per annum. A total of $591,325 was paid in Non-executive Director fees in 2005.

There were no fee increases to Non-executive Directors from their appointment in March 2002 until 1 January 2005. Non-executive Directors fees (other than the Chairman) were increased from $85,000 per annum to $110,000 per annum as from 1 January 2005. The Chairman's fee remained unchanged for 2005. In 2005, the Compensation Committee approved an increase in Non-executive Directors' fees of 5 per cent, effective from 1 January 2006.

The Chairman's fee was set in 2002 at $212,500, at a multiple of approximately 2.5 times of Non-executive Directors' fees. The Chairman's fee had not been changed since early 2002. In the course of the review undertaken in 2005, it was decided, based on the remuneration consultant's advice, that the Chairman's fee level should be $287,500 from 1 January 2006, which bears the same proportion to current Non-executive Directors' fees as the Chairman's fee bore to Non-executive Directors' fees originally set in 2002.

The Directors agreed to continue the practice of not paying additional fees for committee membership or chairmanship of committees. Non-executive Directors' remuneration details are set out in table 7.0.

NON-EXECUTIVE DIRECTOR RETIREMENT BENEFITS

Non-executive Directors receive, in addition to their fees, a superannuation guarantee contribution which for 2005 was 9 per cent of their fees, being $19,125 for the Chairman and $9,900 for other Non-executive Directors, but do not receive any other retirement benefits. From 1 January 2006, the Superannuation Guarantee contribution for the Chairman is capped at $12,139.

NON-EXECUTIVE DIRECTOR SHARE ACQUISITIONS

Alumina Limited's Non-executive Directors participate in a share plan that requires the Directors to allocate a minimum of 10 per cent of their annual fees to acquiring shares in the Company. Those shares are purchased on-market on behalf of the Directors. Shares are not allocated on performance but in lieu of receiving cash remuneration. The Non-executive Directors have the option to increase, above the minimum, the proportion of their remuneration they receive as shares. There are no discounts provided to Directors for the acquisition of shares under the plan. All costs associated with acquiring shares are borne by the Director. It is Company policy that Directors hold shares in the Company having a value at least approximately equal to their annual fees by the expiry of their first term as a Director. Participation in the plan further aligns the Directors' interests with those of shareholders.

CHIEF EXECUTIVE OFFICER REMUNERATION

Terms

Mr Marlay was employed under an employment contract for an initial three-year term, which expired in August 2005. His contract was for an initial fixed annual reward of $700,000, with an annual performance-based STI and a performance-based award of Performance Rights under the ESP. Both of these performance-based benefits, which had a combined maximum value of 100 per cent of fixed annual reward, were assessed against individual and Company performance and were subject to Committee review and approval.

From August 2005, Mr Marlay's employment contract became a continuing contract subject to 12 months' notice obligation of termination being given by either the Company or Mr Marlay. Mr Marlay's fixed annual reward increased to $732,000 on 1 January 2005, with a further increase to $750,000 in August 2005. Details of Mr Marlay's remuneration are provided in table 5.0.

In December 2005, Mr Marlay entered into a new employment contract with a FAR of $850,000 per annum, an STI of up to 50 per cent of FAR (with 'at target' performance likely to achieve 30–42 per cent), and a potential grant of Performance Rights (at the Board's discretion) with a value up to 75 per cent of FAR per annum (which will vest according to the extent to which the ESP performance tests are satisfied). This contract reflected changes in CEO remuneration practices in the market, where there is both a higher proportion of at risk remuneration and greater weighting to long term incentives.

In 2005, Mr Marlay was awarded an STI of $217,500, equivalent to 29 per cent of his FAR. The payment comprised 21 per cent relating to performance against individual objectives and 8 per cent for Company performance for 2005.

Under the ESP, the Company's TSR did not exceed the 50th percentile for the 48,900 Performance Rights that were tested in December 2005, therefore none of those Performance Rights vested to Mr Marlay. Fifty per cent of those Performance Rights will be subject to a retest in June 2006. In June 2005, 12.5 per cent of Mr Marlay's Performance Rights, of the second tranche of the March 2003 grant (representing 5,838 shares) vested upon a retest of those Performance Rights.

Retirement and termination benefits

Under Mr Marlay's December 2005 employment contract, which does not have a fixed term, either party may terminate the contract upon giving 12 months notice. The Company may make a payment in lieu of some or all of the 12-month notice period by payment of the fixed annual reward plus an amount equivalent to an STI payment at target performance, defined as "base remuneration". The base remuneration amount will be reduced pro rata to the extent the notice period is required to be served.

If Mr Marlay's employment is terminated on the basis of redundancy of the position or by Mr Marlay giving written notice to Alumina in the event of a Significant Change (which is defined to be if Alumina ceases to be listed on the Australian Stock Exchange, or if there is a significant change to his status and/or responsibilities which is detrimental to Mr Marlay, or if Alumina decides the position is no longer required and suitable alternative employment is not offered or Mr Marlay does not accept other employment within Alumina or another employer) then Mr Marlay is entitled to:

- statutory annual leave and long service leave entitlements (with long service leave paid pro rata if there is 3 years or more continuous service);
- the greater of six months base remuneration (being FAR and the at target STI) or the aggregate of; a notice payment of 12 weeks, a severance payment of 2.5 weeks per completed years of service plus an additional severance payment of 13 weeks.

Mr Marlay is not entitled to the payment outlined above where the reason for a Significant Change is poor performance or inability to fulfil agreed responsibilities. Mr Marlay is not entitled to retirement benefits other than superannuation entitlements.

In addition to any entitlements conferred on Mr Marlay under his service contract, Mr Marlay is entitled to receive on termination of employment, his statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. Mr Marlay is not entitled to receive any other additional termination benefits, other than those previously mentioned and any vesting of shares under the ESP.

Service Agreements

In addition to Mr Marlay, Alumina Limited has entered into a service contract with each other Senior Executive. The contracts are not fixed term and each provide for the following:

1. Remuneration and employment conditions;
2. Powers and duties;
3. External activities; the fees in relation to Mr Dean's position as an Non-executive director of Santos Ltd. are paid to the Company.
4. If Mr Dean or Mr Foster's employment is terminated on the basis of redundancy of their position or if they give written notice to Alumina Limited in the event of a Significant Change – (which is defined to be if Alumina ceases to be listed on the Australian Stock Exchange, or if there is a significant change to their status and/or responsibilities which is detrimental to them, or if Alumina decides their position is no longer required and suitable alternative employment is not offered or if they do not accept other employment), then Mr Dean and Mr Foster are entitled to:

- statutory annual leave and long service leave entitlements (with long service leave paid pro rata if there is 3 years or more continuous service);
- the greater of six months Base Remuneration (being FAR and the at target STI) or the aggregate of; a notice payment of 12 weeks, a severance payment of 2.5 weeks per completed year of service plus an additional severance payment of 13 weeks.

  Mr Dean and Mr Foster are not entitled to the payment outlined above where the reason for a significant change is poor performance or inability to fulfil agreed responsibilities. Mr Dean and Mr Foster are not entitled to retirement benefits other than superannuation entitlements.

5. A requirement that the Company provides six months notice to terminate the contract and the Senior Executive provide three months written notice of termination.

   In addition to any entitlements conferred on them by their service contract, each Senior Executive is also entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. Each Senior Executive is not entitled to receive any other additional termination payments, other than those previously mentioned and any vesting of shares under the ESP.

   Mr Davies, who resigned as Chief Financial Officer on 31 October, 2005 was subject to a service contract on the same terms and conditions as other Senior Executives.

TABLE 5.0

CEO'S REMUNERATION

	John Marlay* Chief Executive Officer	
	$ 2005	$ 2004
Short-term benefits		
Fixed remuneration – cash[1]	727,638	688,707
Short-term incentive[2]	217,500	126,000
Non-monetary benefits	n/a	n/a
Post Employment		
Superannuation – Company contributions[3]	11,862	11,293
Retirement benefits	n/a	n/a
Equity		
Share options	n/a	n/a
Performance share rights[4]	200,821	115,297
Total Remuneration	**1,157,821**	**941,297**

* Mr Marlay is an Executive Director of Alumina Limited.
[1] Fixed remuneration is the total cost of salary exclusive of superannuation
[2] Short-term incentive reflects the cash value paid for the years ended 31 December 2005 and 31 December 2004.
[3] Superannuation contributions reflect the Superannuation Guarantee payment.
[4] The value of Performance Rights is calculated in accordance with AASB 2, which is a different basis to that of Table 6.1.

TABLE 5.1

MOST HIGHLY REMUNERATED EXECUTIVES

	Robert Davies* Chief Financial Officer 1 January 2005 to 31 October 2005		Stephen Foster General Counsel/ Company Secretary		Ken Dean* Chief Financial Officer from 1 November 2005 to 31 December 2005	
	$ 2005	$ 2004	$ 2005	$ 2004	$ 2005	$ 2004
Short-term benefits						
Fixed remuneration – cash[1]	354,411	348,707	293,221	248,707	102,515	n/a
Short-term incentive[2]	120,000	54,000	91,000	36,400	n/a	n/a
Non-monetary benefits	n/a	n/a	n/a	n/a	n/a	n/a
Post employment						
Superannuation – Company contributions[3]	9,839	11,293	11,862	11,293	2,023	n/a
Retirement benefits	n/a	n/a	n/a	n/a	n/a	n/a
Equity						
Share options	n/a	n/a	n/a	n/a	n/a	n/a
Performance Rights[4]	(77,486)	59,206	74,788	42,928	n/a	n/a
Total remuneration	**406,764**	**473,206**	**470,871**	**339,328**	**104,538**	**n/a**

Total for most highly remunerated executives	$ 2005	$ 2004
Total short-term benefits	961,147	687,814
Total post employment	23,724	22,586
Total share-based payment	(2,698)	102,134
Total remuneration	**982,173**	**812,534**

* Mr Davies was an alternate director for Mr Rayner until 31 October 2005. Mr Dean was an alternate director for Mr Rayner from 1 November 2005 to 31 December 2005. Mr Dean commenced employment with Alumina Limited as Chief Financial Officer elect on 24 October 2005.

[1] Fixed remuneration is the total cost of salary exclusive of superannuation.

[2] Short-term incentive (STI) reflects the cash value paid for the years ended 31 December 2005 and 31 December 2004.

[3] Superannuation benefits reflect the Superannuation Guarantee payment.

[4] The value of Performance Rights is calculated in accordance with AASB 2, which is a different basis to that of table 6.1.

TABLE 5.2

INCENTIVES - MOST HIGHLY REMUNERATED EXECUTIVES

	John Marlay Chief Executive Officer %	**Robert Davies** Chief Financial Officer 1 January 2005 to 31 October 2005 %	**Stephen Foster** General Counsel/ Company Secretary %	**Ken Dean** Chief Financial Officer 1 November 2005 to 31 December 2005 %
Short-term incentive				
Percentage paid	64.44	46.66	57.77	n/a
Percentage forfeited	35.56	53.34	42.23	n/a
Long-term incentive[1]				
Percentage vested				
June 2005	12.5	12.5	12.5	n/a
December 2005	-	-	-	n/a
Percentage forfeited				
June 2005	37.5	37.5	37.5	n/a
December 2005	50	50	50	n/a
Percentage of remuneration				
Comprising variable remuneration	36.13	10.45	35.20	n/a

[1] Mr Davies' remaining Performance Rights lapsed on his resignation on 31 October 2005.

TABLE 6.0

DETAILS OF PERFORMANCE RIGHTS GRANTED AS REMUNERATION

	Rights							
	Number	Date of grant	% vested in 2005	% forfeited in 2005	Performance Rights yet to vest	Financial year in which grants may vest	Value of rights outstanding 31/12/05 $ Min[3]	$ Max[4]
Mr J Marlay	46,700[1]	Mar 03	12.5	37.5	-	2005	-	-
	48,900	Mar 03	-	50	24,450	2005	-	60,881
	72,500	Jan 04	-	-	72,500	2006	-	218,225
	70,600	Jan 05	-	-	70,600	2007	-	259,808
Mr R Davies	24,000[1]	Mar 03	12.5	37.5	-	2005	-	-
	25,000	Mar 03	-	100	-	2005	-	n/a
	37,300	Jan 04	-	100	-	2006	-	n/a
	36,500	Jan 05	-	100	-	2007	-	n/a
Mr K Dean[2]			n/a					
Mr S Foster	17,400[1]	Mar 03	12.5	37.5	-	2005	-	-
	18,200	Mar 03	-	50	9,100	2005	-	22,659
	27,000	Jan 04	-	-	27,000	2006	-	81,270
	26,300	Jan 05	-	-	26,300	2007	-	96,784

[1] These Rights were initially tested in December 2004.
[2] Mr Dean has not been allocated any Performance Rights as at 31 December 2005.
[3] The minimum value of the grant is $nil if the performance conditions are not met.
[4] Maximum value has been calculated by reference to valuations determined on the basis as outlined in note (A) to table 6.1.
The terms of Performance Rights granted to John Marlay, Bob Davies and Stephen Foster were not altered during the 2005 year.

The terms and conditions of each grant of Performance Rights affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	End of performance period[1]	Value per Performance Right at grant date[2]
26/03/2003	3/12/2003	2.44
26/03/2003	3/12/2004	2.49
26/03/2003	3/12/2005	2.49
19/01/2004	21/12/2006	3.01
25/01/2005	16/12/2007	3.68

[1] End of performance date is the date the performance of the Company is measured against the performance criteria. If the Company fails to meet the minimum performance criteria then 50% of the Performance Rights are forfeited and 50% are subject to a re-test in six months time.
[2] Value per Performance Right is independently calculated by Mercer Finance and Risk Consulting using the assumptions underlying the Black-Scholes methodology to produce a Monte Carlo simulation model which allows the incorporation of the hurdles that must be met before the Performance Rights vest.

TABLE 6.1

VALUE OF PERFORMANCE RIGHTS/OPTIONS

Director/Senior Executives	(A) Value – Granted in 2005 $ Performance Rights	Options	(B) Value – Vested in 2005 $ Performance Rights	Options	(C) Value – Lapsed in 2005 $ Performance Rights	Options	(D) Total of Columns A+B-C $ Performance Rights	Options	(E) Value as proportion of remuneration %
John Marlay	259,808	n/a	33,043	n/a	(104,487)	n/a	188,364	n/a	16
Robert Davies	134,320	n/a	16,980	53,500	(331,893)	n/a	(180,593)	53,500	(31)
Ken Dean	-	n/a	-	n/a	-	n/a	-	n/a	n/a
Stephen Foster	96,784	n/a	12,310	n/a	(38,906)	n/a	70,188	n/a	15

Table 6.1 shows the total value of any Performance Rights or options granted, exercised and lapsed in the year in relation to Directors and Senior Executives based on the following assumptions:

(A) The value of Performance Rights granted in the year reflects the value of a Performance Right, times the number of Performance Rights granted during 2005. Performance Rights were valued independently by Mercer Finance and Risk Consulting using the assumptions underlying the Black-Scholes methodology to produce a Monte Carlo simulation model that accomodates features associated with Alumina Limited's ESP such as exercise, forfeiture and performance hurdles. The rights are those granted in January 2005.

(B) The value of options exercised during 2005 has been determined by the share price applicable on the option date less the option exercise price times the number of options exercised during 2005. Mr Davies exercised 50,000 options granted prior to the Company's demerger, realising a profit of $53,500. The value of Performance Rights vesting during 2005 was determined by the number of vested rights multiplied by the market price at the vesting date.

(C) The value applicable to Performance Rights at lapse date has been determined by using the fair value as calculated by Mercer Finance and Risk Consulting multiplied by the number of rights lapsed.

(D) The total value is the sum of the value of Performance Rights/options granted during 2005, plus the value of Performance Rights/options exercised or vested during 2005, less the value of Performance Rights/options that lapsed during 2005.

TABLE 7.0

NON-EXECUTIVE DIRECTORS

	Don Morley $		Peter Hay $		Ron McNeilly $		Mark Rayner $	
	$ 2005	$ 2004	$ 2005	$ 2004	$ 2005	$ 2004	$ 2005	$ 2004
Short-term benefits								
Fees – cash[1]	191,250	191,250	-	-	82,500	63,750	99,000	76,500
Value of shares acquired in lieu of fees[2]	21,250	21,250	110,000	85,000	27,500	21,250	11,000	8,500
Post employment								
Superannuation Guarantee	19,125	19,125	9,900	7,650	9,900	7,650	9,900	7,650
Retirement benefit accrued	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other								
Stock Appreciation Plan	n/a	(254,113)[3]	n/a	n/a	n/a	n/a	n/a	n/a
Total Remuneration	**231,625**	**(22,488)**	**119,900**	**92,650**	**119,900**	**92,650**	**119,900**	**92,650**

[1] Directors' fees are fixed and relate to their participation on the Board. Directors do not receive a separate fee for participation on a Board Committee.

[2] Directors are required to sacrifice a minimum of 10 per cent of their fixed remuneration in Company Shares. The directors have the discretion to vary the amount of fixed remuneration they apply to acquiring shares.

[3] In 2004 Mr Morley redeemed all of his Stock Appreciation Rights (SAP) (granted during his employment with WMC Limited) for a total redemption value of $133,150 at an average redemption value per SAP of $0.53. The difference between the accrued amount of $387,263 reported in 2003 and the actual redemption value of $133,150 was $254,113.

TABLE 8.0

NON-EXECUTIVE DIRECTOR SHAREHOLDINGS AND SHARE OPTIONS 2005

	Balance of shares as at 1 January 2005[1]	Shares acquired during the year in lieu of salary [2]	Shares acquired during the year through the exercise of options	Other shares acquired during the year	Balance of shares held at 31 December 2005[1]
Don Morley	413,796	3,548	-	-	417,344
Peter Hay	15,430	16,270	-	-	31,700
Ron McNeilly	23,304	4,066	-	-	27,370
Mark Rayner	26,467	1,627	-	-	28,094

NON-EXECUTIVE DIRECTOR SHAREHOLDINGS AND SHARE OPTIONS 2004

	Balance of shares as at 1 January 2004[3]	Shares acquired during the year in lieu of salary [2]	Shares acquired during the year through the exercise of options	Other shares acquired during the year	Balance of shares held at 31 December 2004[3]
Don Morley	310,492	3,304	100,000	-	413,796
Peter Hay	2,200	13,230	-	-	15,430
Ron McNeilly	20,000	3,304	-	-	23,304
Mark Rayner	20,000	6,467	-	-	26,467

[1] Balance of shares held at 1 January 2005 and 31 December 2005 include directly held, nominally held shares and shares held by personally related entities.
[2] Non-executive directors are required to allocate a minimum of 10 per cent of their fees per annum to acquire shares in the Company.
[3] Balance of shares held at 1 January 2004 and 31 December 2004 include directly held, nominally held shares and shares held by personally related entities.

TABLE 9.0

SENIOR EXECUTIVES - HOLDINGS OF PERFORMANCE RIGHTS AND OPTIONS 2005

Specified Executives	John Marlay		Robert Davies		Stephen Foster		Ken Dean	
Type of equity-based instrument	Share Option	Performance Rights	Share Option	Performance Rights	Share Option	Performance Rights	Share Option	Performance Rights
Number held at 1 January 2005[1]	-	144,750	50,000	74,300	-	53,900	-	-
Number granted during the year as remuneration[2]	-	70,600	-	36,500	-	26,300	-	-
Number vested during the year	-	(5,838)	-	(3,000)	-	(2,175)	-	-
Number lapsed during the year[3]	-	(41,962)	-	(107,800)	-	(15,625)	-	-
Number exercised during the year	-	-	(50,000)[4]	-	-	-	-	-
Number held at 31 December 2005	-	167,550	-	-	-	62,400	-	-

[1] Includes the number of Performance Rights granted that were subject to testing in June 2005, December 2005 and December 2006 but not yet vested.

[2] Performance Rights granted in January 2005 for the three-year performance test period concluding in December 2007.

[3] Performance Rights conditions were not met for Tranche 3 of the March 2003 grant and under the ESP Rules, 50 per cent of the entitlement lapsed with the remaining 50 per cent to be retested in June 2006. In addition, a portion of Tranche 2 of the March 2003 grant tested in June 2005 lapsed. Mr Davies' remaining Performance Rights lapsed on his resignation on 31 October 2005.

[4] Mr Davies exercised his options and sold the shares he obtained from exercising his options.

TABLE 9.1

SENIOR EXECUTIVES - HOLDINGS OF PERFORMANCE RIGHTS AND OPTIONS 2004

Specified Executives	John Marlay		Robert Davies		Stephen Foster		Ken Dean	
Type of equity-based instrument	Share Option	Performance Rights	Share Option	Performance Rights	Share Option	Performance Rights	Share Option	Performance Rights
Number held at 1 January 2004[1]	-	95,600	50,000	49,000	-	35,600	-	-
Number granted during the year as remuneration[2]	-	72,500	-	37,300	-	27,000	-	-
Number vested during the year	-	-	-	-	-	-	-	-
Number lapsed during the year[3]	-	(23,350)	-	(12,000)	-	(8,700)	-	-
Number exercised during the year	-	-	-	-	-	-	-	-
Number held at 31 December 2004	-	144,750	50,000	74,300	-	53,900	-	-

[1] The number of Performance Rights granted for 2004 (tested in December 2004), 2005 (tested in December 2006) but not yet vested.
[2] Performance Rights granted in 2004 for the three-year performance test period concluding in December 2006.
[3] 2004 Performance Rights conditions were not met and under the ESP Rules, 50% of the entitlement lapsed with the remaining 50% to be retested in June 2005.

TABLE 9.2

DIRECTOR AND SENIOR EXECUTIVE PERFORMANCE RIGHTS GRANTED AND VESTED

	Number of Performance Rights granted during year		Number of Performance Rights vested during year[1]	
Name	2005	2004	2005	2004
Directors				
John Marlay	70,600	72,500	5,838	-
Other key management personnel				
Bob Davies	36,500	37,300	3,000	-
Stephen Foster	26,300	27,000	2,175	-
Ken Dean	-	-	-	-

[1] Performance Rights that vest result in the applicable shares being held on trust for the employee by the Alumina Employee Share Plan Pty Ltd.

TABLE 10.0

SENIOR EXECUTIVES SHAREHOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2005

	Balance of shares as at 1 January 2005[1]	Shares acquired during the year	Shares acquired during the year through the exercise of options	Shares acquired during the year under Employee Share Plan[2]	Shares sold during the year	Balance of shares held at 31 December 2005[1]
John Marlay	84,500	-	-	5,838	-	90,338
Robert Davies	90,762	-	50,000[3]	3,000	(143,762)	-
Stephen Foster	26,500	-	-	2,175	-	28,675
Ken Dean	-	-	-	-	-	-

SENIOR EXECUTIVES SHAREHOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2004

	Balance of shares as at 1 January 2004[4]	Shares acquired during the year	Shares acquired during the year through the exercise of options	Shares acquired during the year under Employee Share Plan[2]	Shares sold during the year	Balance of shares held at 31 December 2004[4]
John Marlay	84,500	-	-	-	-	84,500
Robert Davies	90,762	-	-	-	-	90,762
Stephen Foster	26,500	-	-	-	-	26,500
Ken Dean	-	-	-	-	-	-

1 Balance of shares held at 1 January 2005 and 31 December 2005 include directly held, nominally held shares and shares held by personally related entities. Mr Davies was not an employee of the Company as at 31 December 2005.
2 Does not include Performance Rights granted under the ESP but not vested.
3 Mr Davies exercised 50,000 options issued prior to the Company's demerger and sold the shares acquired on exercise.
4 Balance of shares held at 1 January 2004 and 31 December 2004 include directly held, nominally held shares and shares held by personally related entities.

This report is made in accordance with a resolution of the directors.

DON MORLEY // CHAIRMAN

JOHN MARLAY // CHIEF EXECUTIVE OFFICER

28 FEBRUARY 2006

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor of Alumina Limited for the year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Alumina Limited and the entities it controlled during the period.

PricewaterhouseCoopers

T GOLDSMITH
PARTNER
MELBOURNE
28 FEBRUARY 2006

ALUMINA LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	$ Million	
	2005	2004
Revenue from continuing operations	4.0	8.9
Other income	-	44.5
General and administrative expenses	(10.2)	(8.7)
Finance costs	(15.3)	(8.1)
Share of net profits of associates accounted for using the equity method	337.1	283.5
Profit from continuing operations before income tax	**315.6**	**320.1**
Income tax expense	-	(3.7)
Net profit attributable to members of Alumina Limited	**315.6**	**316.4**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:

Basic earnings per share	**27.1c**	27.2c
Diluted earnings per share	**27.1c**	27.2c

ALUMINA LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

	$ Million	
	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	15.2	117.9
Receivables	0.5	0.8
Deferred tax assets	2.1	2.1
Other financial assets	0.5	-
Total current assets	**18.3**	**120.8**
NON-CURRENT ASSETS		
Investments accounted for using the equity method	1,994.9	1,702.1
Property, plant and equipment	0.3	0.3
Total non-current assets	**1,995.2**	**1,702.4**
TOTAL ASSETS	**2,013.5**	**1,823.2**
CURRENT LIABILITIES		
Payables	3.1	2.4
Interest-bearing liabilities	478.7	397.9
Provisions	0.1	0.1
Other	1.2	10.7
Total current liabilities	**483.1**	**411.1**
NON-CURRENT LIABILITIES		
Provisions	0.2	0.2
Total non-current liabilities	**0.2**	**0.2**
TOTAL LIABILITIES	**483.3**	**411.3**
NET ASSETS	**1,530.2**	**1,411.9**
EQUITY		
Parent entity interest:		
Contributed equity	415.7	404.1
Treasury shares	(0.6)	(0.6)
Reserves:		
- Group	41.4	52.6
- Associates	37.5	2.4
Retained profits:		
- Group	608.7	441.5
- Associates	427.5	511.9
TOTAL EQUITY	**1,530.2**	**1,411.9**

ALUMINA LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	$ Million	
	2005	2004
Total equity at the beginning of the financial year	**1,411.9**	**1,307.0**
Adjustment on adoption of AASB 2, net of tax, to Reserves	(0.2)	1.6
Adjustment on adoption of AASB 139, net of tax, to Reserves	35.6	-
Exchange differences on translation of foreign operations	(11.5)	1.3
Net income recognised directly in equity	**23.9**	**2.9**
Profit from continuing operations after income tax	**315.6**	**316.4**
Total recognised income and expense for the year	**339.5**	**319.3**
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	11.6	19.3
Treasury shares	-	(0.6)
Dividends provided for or paid	(232.8)	(233.1)
	(221.2)	(214.4)
Total equity at the end of the financial year	**1,530.2**	**1,411.9**

ALUMINA LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	$ Million	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of goods and services tax)	(14.3)	(13.5)
GST refund received	0.5	0.3
Dividends received from associates	95.9	160.4
Interest received	4.5	8.6
Interest paid	(14.3)	(7.8)
Income taxes refunded	0.1	0.5
Other	(0.4)	-
Net cash inflow from operating activities	**72.0**	**148.5**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of Specialty Chemical Business	-	109.0
Proceeds from share premium reduction in associates	-	2.0
Payments for investment in associates	(8.2)	(41.1)
Other	-	3.5
Net cash (outflow) / inflow from investing activities	**(8.2)**	**73.4**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of shares	11.6	19.3
Proceeds from borrowings	52.8	10.1
Repayment of borrowings	-	(64.7)
Dividends paid	(232.8)	(233.1)
Net cash outflow from financing activities	**(168.4)**	**(268.4)**
Net decrease in cash and cash equivalents	**(104.6)**	**(46.5)**
Cash and cash equivalents at the beginning of the financial year	117.9	165.3
Effects of exchange rate changes on cash and cash equivalents	1.9	(0.9)
Cash and cash equivalents at end of the financial year	**15.2**	**117.9**

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONCISE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

This Concise Financial Report relates to the consolidated entity consisting of Alumina Limited and the entities it controlled at the end of, or during the year ended 31 December 2005. The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated in Note 1 below.

The Company is of a kind referred to in Class Order 98/100, issue by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in financial reports. Amounts in the Concise Financial Report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or as otherwise indicated.

NOTE 1
ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The full financial report on which this Concise Financial Report is based is the first annual Alumina Limited financial report to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing the full financial report.

Financial statements of Alumina Limited until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP), AGAAP differences in certain respects from A-IFRS. When preparing Alumina Limited 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in AGAAP financial statements to comply with A-IFRS. With the exception of financial instruments, the comparative figures in respect of 2004 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to A-IFRS on the Group's equity and its net income are given in Note 34 of the full financial report. A summary of this information is provided:

(1) Impact on total equity reported under previous AGAAP	$Million
a. At the date of transition to A-IFRS: 1 January 2004	
Total equity under previous AGAAP	1,323.8
Adjustments to retained earnings (net of related tax impact)	62.1
Adjustments made to reserves	(78.9)
Total equity under A-IFRS	**1,307.0**
b. At the end of the last reporting period: 31 December 2004	
Total equity under previous AGAAP	1,430.0
Adjustments to retained earnings (net of related tax impact)	60.7
Adjustments made to reserves/ treasury shares	(78.8)
Total equity under A-IFRS	**1,411.9**

(2) Impact on profit for year ended 31 December 2004 as reported under AGAAP	322.1
Foreign currency translation reserve	(3.4)
Share-based payment	(0.3)
Share of net profit of associates accounted for using the equity method	(3.4)
Income tax expense	1.4
Profit for the year ended 31 December 2004 – restated under A-IFRS	**316.4**

(3) Impact on cash flow statement

The adoption of A-IFRS has not resulted in any material adjustments to the cash flow statements.

Presentation currency

The presentation currency used in this Concise Financial Report is Australian dollars.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONCISE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

NOTE 2

FINANCIAL REPORTING BY SEGMENT

(a) Business segments

Years ended 31 December 2005 and 31 December 2004

Alumina Limited's primary assets are its 40% interest in the series of operating entities forming AWAC. The company operates in the alumina/aluminium business through its equity interests in AWAC.

(b) Geographical segments

Year ended 31 December 2005 — **$ Million**

Consolidated	Australia	North America	Europe	Caribbean, South America, Africa*	Total
Segment revenue by location of customer**	-	-	-	-	-
Unallocated revenue	4.0	-	-	-	4.0
Consolidated revenue					**4.0**
Investments in associates	1,030.2	356.0	54.8	553.9	1,994.9
Segment assets	12.6	1.3	4.7	-	18.6
Segment liabilities	483.2	0.1	-	-	483.3
Consolidated net assets					**1,530.2**
Acquisitions of non-current assets	-	-	-	-	-
Total acquisitions of non-current assets					**-**

Year ended 31 December 2004 — **$ Million**

Consolidated	Australia	North America	Europe	Caribbean, South America, Africa*	Total
Segment revenue by location of customer**	-	-	-	-	-
Unallocated revenue	8.9	-	-	-	8.9
Consolidated revenue					**8.9**
Investments in associates	758.0	352.3	50.9	540.9	1,702.1
Segment assets	110.9	1.4	0.4	8.4	121.1
Segment liabilities	402.8	0.1	-	8.4	411.3
Consolidated net assets					**1,411.9**
Acquisitions of non-current assets	-	-	-	51.1	51.1
Total acquisitions of non-current assets					**51.1**

* Predominantly includes assets in Jamaica, Brazil, Suriname and Guinea.

** The Group had no sale of goods and services for the year; therefore no segment revenue is disclosed.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONCISE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

NOTE 3
DIVIDENDS

	$ Million	
	2005	2004
Interim dividend No. 52 of 10 cents fully franked at 30% per fully paid share declared 4 August 2005 and paid 31 October 2005 (2004: 10 cents fully franked at 30% per fully paid share, paid on 6 September 2004).	116.5	116.1
Final dividend No. 51 of 10 cents franked to 7.5 cents at 30% per fully paid share, paid on 31 March 2005 (2004: 10 cents fully franked at 30% per fully paid share, paid on 30 March 2004).	116.3	116.1
	232.8	232.2
Dividends paid per share	20.0c	20.0c

(a) Dividends paid during the year

Dividend No. 52, paid on 31 October 2005, was the interim dividend for 2005.
Dividend No. 51, paid on 31 March 2005, was the final dividend for 2004.

(b) Dividends not recognised at year end

In addition to the above dividends, since year-end the Directors have recommended the payment of a final dividend No. 53 of 10 cents a share fully franked, declared 1 February 2006 and payable on 31 March 2006. The aggregate amount of the proposed dividend expected to be paid out of retained profits at 31 December 2005, but not recognised as a liability at year end is $116.6 million.

(c) Franked Dividends

The fully franked dividends received from Alcoa of Australia Limited (AofA) in the financial year were	411.6	148.0
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in these financial statements:		
Class ‘C’ (30%) franking credits available for subsequent financial years, based on a tax rate of 30% (2004: 30%)	93.5	1.9

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

a) Franking credits that will arise from the payment of the current tax liability;
b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
d) Franking credits that may be prevented from being distributed in subsequent financial years.

NOTE 4
EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no significant events since 31 December 2005.

ALUMINA LIMITED AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

The directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 31 December 2005 as set out on pages 71–77 complies with Accounting Standards AASB 1039: *Concise Financial Report*.

The Concise Financial Report is an extract from the Full Financial Report for the year ended 31 December 2005. The financial statements and specific disclosures included in the Concise Financial Report have been derived from the Full Financial Report.

The Concise Financial Report cannot be expected to provide as full an understanding of the Financial performance, Financial position and financing and investing activities of the consolidated entity as the Full Financial report, which is available on request.

This declaration is made in accordance with a resolution of the directors.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295 of the *Corporations Act 2001.*

DON MORLEY // CHAIRMAN

JOHN MARLAY // CHIEF EXECUTIVE OFFICER

28 FEBRUARY 2006

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALUMINA LIMITED

Audit opinion

In our opinion, the concise financial report of Alumina Limited for the year ended 31 December 2005 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the financial statements, and the directors' declaration for Alumina Limited (the company) for the year ended 31 December 2005.

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We also performed an independent audit of the full financial report of the company for the financial year ended 31 December 2005. Our audit report on the full financial report was signed on 28 February 2006, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, and other disclosures in the concise financial report which were not directly derived from the full financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Tim Goldsmith

T GOLDSMITH
PARTNER

MELBOURNE
28 FEBRUARY 2006

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