ALUMINA LIMITED

ASX Announcement

30 March 2016

Alumina Limited 2015 Annual Report

Attached, is a copy of Alumina Limited's Annual Report 2015 that will be sent to shareholders shortly.

Stephen Foster
Company Secretary

30 March 2016

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Prepared

ANNUAL REPORT 2015

ALUMINA
LIMITED

Alumina Limited (as a partner with Alcoa Inc in Alcoa World Alumina and Chemicals (AWAC)), is well prepared for growth in the years ahead.

AWAC has weathered the storm in recent years by reducing both costs and debt and focussing on lower cost alumina refining and bauxite mining assets.

The Company has laid the foundation for sustainable growth by the restructuring of AWAC's asset portfolio.

AWAC is well resourced with long-life mines and nearly all AWAC mines are integrated with low cost refineries.

As bauxite prices increase, AWAC's mines become more valuable and as the industry increasingly relies on sea borne bauxite, our integrated operations become even more competitive.

A stronger US dollar, productivity improvements and a lower cost base have contributed to our best financial result in many years. This is reflected in the highest dividend since 2008.

CONTENTS[1]

1 Contents – Corporate Governance Statement
Alumina Limited has elected to release it's 2015 Corporate Governance Statement only on the Company website at: www.aluminalimited.com/governance/

Building a stronger business

At a glance

The restructuring and portfolio repositioning which began in 2014, resulted in a reduction in the overall cost position of AWAC and improved operating performance. However, the continued reshaping of AWAC's portfolio resulted in a negative impact on Alumina Limited's results for the year. In 2015 Alumina Limited recorded a net profit after tax of $88.3 million compared to a net loss of $98.3 million in 2014. In context, the Company would have made a net profit of $258.2 million (2014: $91.1 million) excluding the significant items. This improvement is in line with the better operating performance of AWAC.

The 2015 significant items that were largely the result of restructuring activities related to the Suriname and Point Comfort refineries, and the closure of the Anglesea power station in Australia.

ALUMINA LIMITED RESULTS

$88.3m
NET PROFIT AFTER TAX US$88.3 MILLION
(2014: Net Loss after tax: US$ 98.3 million)

$258.2m
PROFIT EXCLUDING SIGNIFICANT ITEMS OF US$258.2 MILLION
(2014: Profit: US$91.1 million)

$101.2m
NET DEBT US$101.2 MILLION
(2014: US$86.6 million)

4.8%
GEARING 4.8 PER CENT
(2014: 3.4 per cent)

$106.3m
AWAC DIVIDENDS AND DISTRIBUTIONS OF US$106.3 MILLION RECEIVED
(2014: US$119.2 million)

3.9%
RETURN ON EQUITY
(2014: Negative 3.5 per cent)

Alumina Limited is a leading Australian company listed on the Australian Securities Exchange (ASX).

We invest worldwide in bauxite mining, alumina refining and selected aluminium smelting operations through our 40% ownership of AWAC.

Our partner, Alcoa Inc. (Alcoa), owns the remaining 60% of AWAC, and is the manager. The AWAC joint venture was formed in 1994 and our relationship with Alcoa dates back to 1961.

Alumina Limited represents a unique opportunity for a pure investment in AWAC, the world's largest alumina and bauxite producer.

AWAC – A global business

In 2015 AWAC recorded a net profit after tax of $318.2 million compared to a net loss of $243.0 million in 2014. In both years, AWAC's results were affected by one-off significant items related to the restructuring and repositioning of AWAC's portfolio. AWAC's EBITDA, excluding significant items increased by $495.5 million to $1,364.5 million, a 57% improvement on 2014.

Cash from operations was also affected by significant items as well as timing differences, such as tax payments and movements in working capital. Adjusted for these items, operating cash flow improvement would be more in line with EBITDA growth.

AWAC RESULTS

$318.2m
AWAC NET PROFIT AFTER TAX US$318.2 MILLION
(2014: Net loss after tax: US$243.0 million)

15.1m tonnes
ALUMINA PRODUCTION OF 15.1 MILLION TONNES
(2014: 15.9 million tonnes)

$808.9m
AWAC CASH FROM OPERATIONS US$808.9 MILLION
(2014: US$475.9 million)

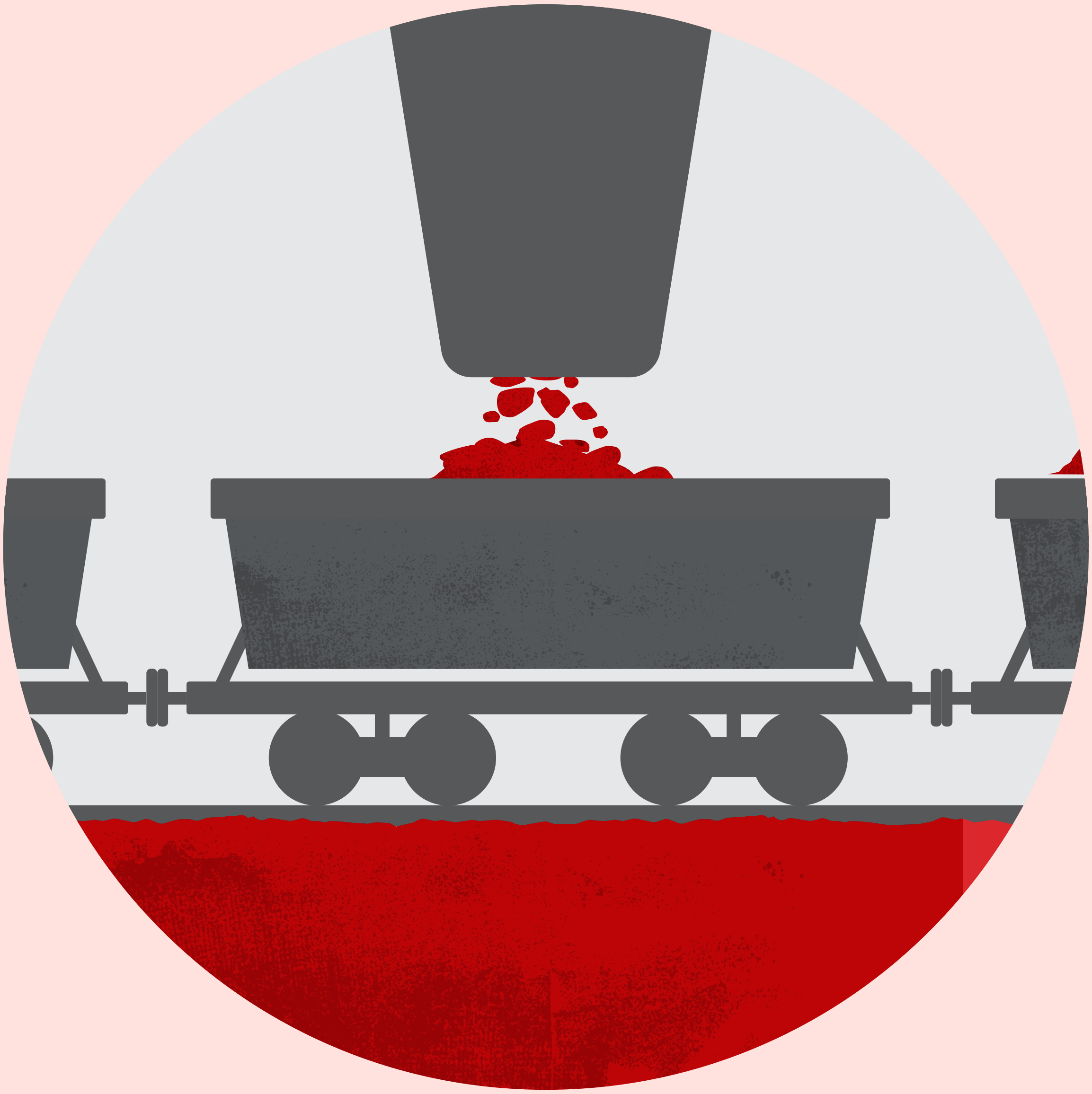
The origins of the AWAC partnership between Alcoa and WMC Limited (now Alumina Limited) began in the early 1960's following the discovery of bauxite deposits and other resources by WMC Limited and two other Australian companies. Alcoa was invited to join the project to provide technology, aluminium expertise and finance.

Over the following years the venture grew to include refineries and smelter interests as the partners sought to take opportunities to expand the business. By 1990, WMC Limited's interests in Alcoa of Australia had grown to 48.25% through acquiring the minority interests of other participants, other than Alcoa.

In July 1994, WMC decided to expand this interest as a worldwide bauxite, alumina and alumina-based chemicals enterprise.

WMC Limited and Alcoa combined their respective bauxite, alumina and alumina-based chemicals businesses and investments and some selected smelting operations to create AWAC in January 1995.

Chairman and Chief Executive Officer's Report 2015



The Company's financial performance improved significantly in 2015 reflecting in part the benefits of restructuring the AWAC asset portfolio over recent years. While world commodity markets and the alumina price experienced volatility and weakness, Alumina Limited delivered its best financial results and highest dividends since 2008.

CHAIRMAN & CEO REPORT

The deliberate repositioning of the AWAC asset portfolio has required difficult decisions, with over 30 per cent of the Joint Venture's alumina capacity curtailed, closed or sold over the past two years. This has strengthened the competitive position of our asset portfolio and we have continued to invest in our best assets and added new, low cash-cost capacity through our investment in the Ma'aden bauxite mine and alumina refinery in Saudi Arabia. As a result of these actions, AWAC's position on the alumina industry cost curve is expected to be in the 21st percentile in 2016, a step-change improvement from the 30th percentile ranking as recently as 2010.

In 2015, our lower cost base and higher production from our lowest cost refineries combined to lift profit margins and cash flows. Alumina Limited's full year net profit after tax was $258.2 million, excluding significant items. The curtailment of the Suralco and Point Comfort refineries, the closure of the Anglesea power station and other restructuring charges reduced net profit after tax to $88.3 million.

While alumina prices declined significantly throughout the year, AWAC cash from operations increased 70 per cent on the prior year. This enabled payment of a final dividend of US 1.8 cents per share, bringing the total dividend for the year to US 6.3 cents per share.

OPERATING HIGHLIGHTS

AWAC's EBITDA margin for alumina production was $91 per tonne, a significant improvement on $54 per tonne in 2014. This reflected a large improvement in AWAC's operating costs. Lower energy costs, a stronger US dollar and productivity initiatives in materials, maintenance and transport all contributed to a 13 per cent decline in average cash costs.

The stronger alumina price index (API) prices in the first half, and continued progression by AWAC to sales on an API basis, also contributed to improved margins. The alumina sales that moved from legacy contracts to an API basis achieved higher prices. During 2015, 75 per cent of AWAC's third party sales were on an indexed or spot basis. This should increase to approximately 85 per cent in 2016.

The ramp up of the Saudi Arabian bauxite mine and alumina refinery with Ma'aden in 2016 will add low cost production to AWAC. The refinery is expected to reach full production capacity in the first half of 2016.

In April 2015, Alcoa of Australia committed to a new 12 year gas supply agreement for the initial supply of 120 terajoules per day of natural gas, commencing in 2020. This gas supply agreement secures the competitiveness of AWAC's low cost Australian refining business into the next decade. A $300 million prepayment made under the contract means Alcoa of Australia receives a portion of contracted gas from 2020, against which there will be no cash outflow. A further $200 million prepayment will be made in the first half of 2016.

AWAC's low cost operations in Australia and Brazil achieved production records in 2015. In 2016, the Australian and Brazilian refineries should provide approximately 85 per cent of AWAC's production.

AWAC's cash from operations increased by $333 million dollars to $808.9 million dollars in 2015. This was an excellent outcome, particularly as it included the $300 million instalment for the gas supply agreement. Capital expenditure for AWAC was lower at $178.4 million (2014: $237.9 million).

Corporate costs for Alumina Limited were lower at $11.9 million (2014: $13.5 million), assisted by a stronger US dollar and deregistration from the Securities and Exchange Commission in 2015. Funding costs also declined to $6.6 million from $13.6 million in 2014. The Company is now financially stronger and has significantly reduced its finance costs.

During 2015, AWAC changed its business unit structure to create a separate mining business unit. The greater business and market focus on AWAC's bauxite assets should enable optimisation of these assets and increased development and sales opportunities. The AWAC bauxite mines in Western Australia are scheduled to make their first bauxite sale to third party customers in early 2016.

CAPITAL MANAGEMENT

The Company's strategy is to maintain a balance sheet that can meet the demands of the commodity cycle and enable cash flows to be readily distributed to shareholders. The Company has worked to strengthen its balance sheet and debt is at target levels. This means that as future free cash flow is generated by AWAC, shareholders can readily benefit.

The Board will consider the Company's capital structure and future capital requirements in determining dividends, but the Board will always give a high priority to distributing dividends to shareholders.

AWAC distributed $106.3 million in dividends, distributions and capital returns to Alumina Limited in 2015, and a further $29.5 million in January 2016. The Company's lower cost and debt levels enabled dividends to shareholders of US6.3 cents per share to be paid in respect of 2015.

The Company has sought in 2015 to ensure shareholders benefit from accumulated franking credits. For the interim dividend, the Dividend Reinvestment Plan was introduced and resulted in an almost 50 per cent take up by shareholders.

ALUMINA LIMITED STRATEGY

The Company's strategy is to invest worldwide in bauxite mining and alumina refining operations through its 40 per cent ownership of AWAC, the world's leading bauxite and alumina producer.

In a dynamic environment and where the future for the bauxite and alumina industry is evolving rapidly, the Company is active in protecting and growing the value of its investments. The alumina industry is a capital intensive industry where investment and portfolio decisions have long lasting impacts.

The Company's view of the bauxite, alumina and aluminium markets allows detailed discussion with Alcoa on portfolio management, investment opportunities and disruptive threats. We have worked proactively with Alcoa in recent years to ensure alignment on the restructuring of the AWAC asset portfolio.

ALCOA INC SEPARATION

AWAC's two joint venture partners, Alcoa and Alumina Limited, have different corporate strategies. Alcoa remains a major primary producer of aluminium, but has a growing focus on its successful downstream and diversified manufacturing portfolio. Alumina Limited remains a focused investor in the bauxite and alumina industry.

Alcoa announced in September 2015 a plan to separate into two independent, publicly traded companies. One of the separated companies would comprise Alcoa's upstream business, including its 60 per cent interest in AWAC. The separation of Alcoa Inc should enable greater recognition of the value and attractiveness of the AWAC business. The separation plan by Alcoa and its implications for the owners of AWAC, is something Alumina Limited will closely consider, consistent with our strategy.

GOVERNANCE

Alumina Limited has elected this year to disclose its Corporate Governance Statement only on the Company website www.aluminalimited.com/governance/, as provided for in the ASX Listing Rules. The Company reports its governance practices consistent with the 3rd Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council. Important governance changes incorporated for 2015 included modifying the Charter of the Audit & Risk Management Committee to incorporate responsibility for the Company's risk management framework and to review the risk management framework at least annually. Alumina Limited's compliance with the Corporate Governance Principles and Recommendations is defined in the Appendix 4G lodged with the ASX.

The Remuneration Report reviews the Company's remuneration strategy, policy and outcomes. The Company's 2015 Remuneration Report provides full details of the personal and corporate objectives of senior executives and an assessment of their performance against those objectives. Having regard to performance being achieved against personal and corporate objectives, a short term incentive award was made to the CEO and senior executives.

For Non-Executive Directors, there is no increase in fees for the 2015 year and fees have been unchanged since 1 January 2011.

Although the Company completed its deregistration in the US in 2015, it maintains its US American Depositary Receipts (ADR) program in the US Over-the-Counter (OTC) market, and remains committed to its US investors.

SUSTAINABILITY

At Alumina Limited we believe that sustainability efforts, linked to specific goals, are an investment in the future. AWAC's sustainability initiatives are driving efficiencies in energy usage and are impacting the bottom line. Health and safety efforts are making a safer workplace and contributing to improved current and future well-being of employees. Biodiversity efforts are protecting the natural environment for present and future generations.

Alumina' Limiteds and AWAC's focus also includes emissions reductions, water management and security and continuing close engagement with the communities in which AWAC operates. All of these aspects are forward looking and support AWAC's licence to operate in the future. Alumina Limited and AWAC's sustainability targets and outcomes are discussed in greater detail in the Sustainability Update on the Company's website.

OUTLOOK

There was an excess of world alumina production compared with demand in 2015. In addition there was a significant drop in the alumina cash cost curve. Together with the lower aluminium price and margins, Chinese and Australian alumina prices fell, in the case of Australian alumina from $355 to $200 per tonne over the course of 2015: the lowest for many years.

Towards the end of 2015 and extending into 2016, this sustained low alumina price led to significant alumina production curtailments inside and outside China. AWAC announced the full curtailments of its refineries in Suriname and Texas.

In China, where the cost of production is on average much higher than AWAC's, there has been a significant curtailment response to low prices. Seven million tonnes of Chinese alumina capacity have been curtailed and planned capacity additions have been slowed. As a result, it is expected that the supply/demand surplus will tighten considerably over 2016. These factors have led to a modest price recovery in early 2016.

However, there is a risk that the curtailments of some higher cost refineries will not occur in the medium term and alumina prices will be slow to recover. Also, there is the risk that aluminium production will fall because of low metal prices, leading to lower demand for alumina.

CONCLUSION

Whatever volatile commodity markets have in store, the Company is well prepared. The AWAC asset portfolio is stronger than ever and our costs and borrowings are at very low levels. Together this means that we can withstand even the very low prices that we saw at the start of 2016.

We thank our employees for their work to sustain and improve the Company during 2015.

PETER WASOW
Chief Executive Officer

GJ PIZZEY
Chairman

Sustainability – Future focused

AWAC is involved in the energy and resource intensive business of extracting bauxite ore and refining it into alumina, the primary raw material used in the manufacture of aluminium. The business impacts the local communities in which it operates, its employees – their health, safety and livelihood, and the natural environment: directly through its activities and indirectly through products used daily that are manufactured from aluminium.

The business' financial impact reaches to shareholders, suppliers, local communities, ancillary services, local and national governments where it operates – in Australia, Brazil, Spain, Texas in the USA and until recently, Suriname. AWAC also has minority interests in an alumina refinery and mine in Saudi Arabia and mining activities located in Guinea and Brazil.

AWAC's sustainability goals are focused on future outcomes that result in lasting benefits to all stakeholders. Sustainability goals drive business efficiencies, contributing to productivity gains and improved social and environmental outcomes. AWAC's operations and sustainability efforts and strategies are the responsibility of Alcoa, the 60 per cent partner and operator of the AWAC joint venture. AWAC shares the sustainability goals of Alcoa's upstream business. Alumina Limited supports the sustainability aspirations of Alcoa and through the governance structure of AWAC, reviews the sustainability strategy and outcomes.

AWAC's sustainability goals are clearly defined, challenging and are subject to annual scrutiny. They are incorporated into the business processes and there is a specified process of sustainability scorecards that oversee the integration of goals into business strategy and measure progress to short-term targets and also a framework of business roadmaps to achieve long-term sustainability goals.

Alumina Limited reports in reference to the global sustainability reporting principles and standards of the Global Reporting Initiative (GRI) G4. A more detailed account of Alumina Limited's and AWAC's sustainability practices and performance is available in the Company's sustainability update on the Company website.

AWAC BUSINESS	BAUXITE TO ALUMINIUM PROCESS	AWAC'S SUSTAINABILITY APPROACH	LONG-TERM SUSTAINABILITY OBJECTIVES SET BY ALCOA
Bauxite deposits	Aluminium ore, most commonly bauxite, is plentiful and occurs mainly in tropical and sub-tropical areas–Africa, West Indies, South America and Australia–with some deposits in Europe. Although plentiful, bauxite quality is diminishing, is often not readily accessible and is becoming harder to gain approvals for expansions or new mines. AWAC is the world's largest bauxite miner. AWAC operates mines integrated with alumina refineries in Western Australia, Brazil and until late 2015, in Suriname (when it was fully curtailed). Other refineries operate in Spain and Texas in the US.	Engagement with the local communities and stakeholders is a priority to identify and evaluate specific, environmental, economic or social sustainability issues. AWAC's licence to operate is based on its recognised ability to successfully restore mining sites to their pre-mining condition, re-establishing eco-systems and biodiversity values. Before expanding or commencing a new mine, external consultants are engaged to conduct comprehensive environmental impact assessments to determine the impact the project would have on the environment. In all aspects of business development and operation, the health and safety of employees and contractors is a priority.	Zero employee and contractor fatalities. Zero work-related injuries and illnesses have been long-standing goals.

AWAC BUSINESS	BAUXITE TO ALUMINIUM PROCESS	AWAC'S SUSTAINABILITY APPROACH	LONG-TERM SUSTAINABILITY OBJECTIVES SET BY ALCOA[1]
Bauxite mining	AWAC's bauxite deposits are generally extracted by open cast mining from strata, typically some four to six metres thick under a shallow covering of topsoil and vegetation. The topsoil is removed and stored for later use in restoration of the forest. Generally there is a layer of capstone that is removed to expose the bauxite ore which is extracted, broken up and transported to refineries for further processing. AWAC is the world's largest bauxite miner and is well positioned with long life mines. AWAC's Huntly mine is the world's largest bauxite mine, supplying bauxite ore to Pinjarra and Kwinana Refineries.	Mining is generally limited to relatively small pits and haul roads or infrastructure such as conveyors and railways are constructed to enable transportation of the ore. Particular care is taken in building roads etc. to avoid isolation of wildlife, disruption of streams and critical habitats. For example in Australia, haul roads were repositioned to protect nesting areas for threatened bird species. Mining operations can alter rainfall runoff patterns and surface and ground water hydrology which can have impacts on stream ecology and biodiversity. These are monitored and managed to preserve biodiversity.	From a 2005 baseline, a 25% reduction in average freshwater-use intensity and 30% by 2030.
Mine Rehabilitation	Rehabilitation is one of the most important parts of the mining process. AWAC supports the objective of returning mined areas to a sustainable future use. In most cases this means returning disturbed land to the pre-existing flora and fauna condition. Preservation of biodiversity of plant species and fauna species is an important focus and is a major consideration for rehabilitation plans or future use decisions. Typically rehabilitation efforts include returning collected and fresh topsoil, broadcasting collected and treated seeds and planting of nursery established plants.	A key objective at AWAC's mines and bauxite residue areas is to minimise the footprint of disturbed land by implementing a program of progressive land rehabilitation. At the Juruti mine in Brazil, AWAC has implemented the nucleation method of rehabilitation to reclaim mined out areas. This involves creating micro-environments using mounds built from topsoil and forest waste produced from mine clearing. It has helped reduce costs by 40% and flora is returning at a rate exceeding projections and attracting and maintaining wildlife in the first year instead of the expected third to fifth years.	Achieve a rolling five-year corporate-wide ratio of 0.75:1 for new active mining disturbance to rehabilitation by 2020; maintain a ratio of 1:1 by 2030 to ensure no net expansion in new disturbance.
Alumina refining process	Aluminium does not occur naturally as a metal, but must first be refined from bauxite in its oxide form. Bauxite is washed, ground and dissolved in caustic soda (sodium hydroxide) at high pressure and temperature at an alumina refinery. Approximately two tonnes of alumina are required to produce one tonne of aluminium. AWAC is the world's largest alumina business operating five alumina refineries in several countries, Australia, Brazil, Spain, and the USA. AWAC is a low cost alumina producer with global alumina production capacity of 14.1 million tonnes per year.	AWAC is developing innovative ways of adapting and using bauxite residue for alternative use. Refining alumina is an energy intensive operation therefore key AWAC sustainability targets involve improving energy efficiency and reducing GHG emissions. A strategy is to source operating locations with low carbon based power. In early 2015, the San Ciprian refinery in Spain completed its transition from fuel oil as the major energy source to cleaner natural gas.	Bauxite residue land requirements per unit of alumina produced – 15% reduction by 2020 and 30% reduction by 2030. Recycle or reuse 15% of bauxite residue generated by 2020 and 30% by 2030. From a 2005 baseline, a 10% reduction in the energy intensity of Global Primary Products (that includes AWAC operations) by 2020 and 15% by 2030.

AWAC BUSINESS	BAUXITE TO ALUMINIUM PROCESS	AWAC'S SUSTAINABILITY APPROACH	LONG-TERM SUSTAINABILITY OBJECTIVES SET BY ALCOA[1]
Smelting	Alumina is converted into aluminium by dissolving it in an electrolytic bath of molten cryolite (sodium aluminium fluoride) within a large carbon or graphite lined steel container known as a "pot". An electric current is passed through the electrolyte at low voltage, but very high current. Molten aluminium is deposited at the bottom of the pot and is siphoned off periodically. It can be blended to an alloy specification, cleaned and then generally cast. AWAC operates a single smelter located at Portland in Australia with an equity capacity of 197,000 tonnes of metal.	The process of aluminium smelting requires significant amounts of electricity resulting in GHG emissions. Process efforts have been focused on reducing direct emissions associated with perflurorcarbons (PFCs) in the smelting process and also opportunities to reduce energy intensity.	From a 2005 baseline, a 30% reduction in total (direct and indirect) carbon dioxide equivalent intensity in Global Primary Products (which includes AWAC's refining operations and the Portland aluminium smelter) by 2020, and 35% by 2030.

END USE

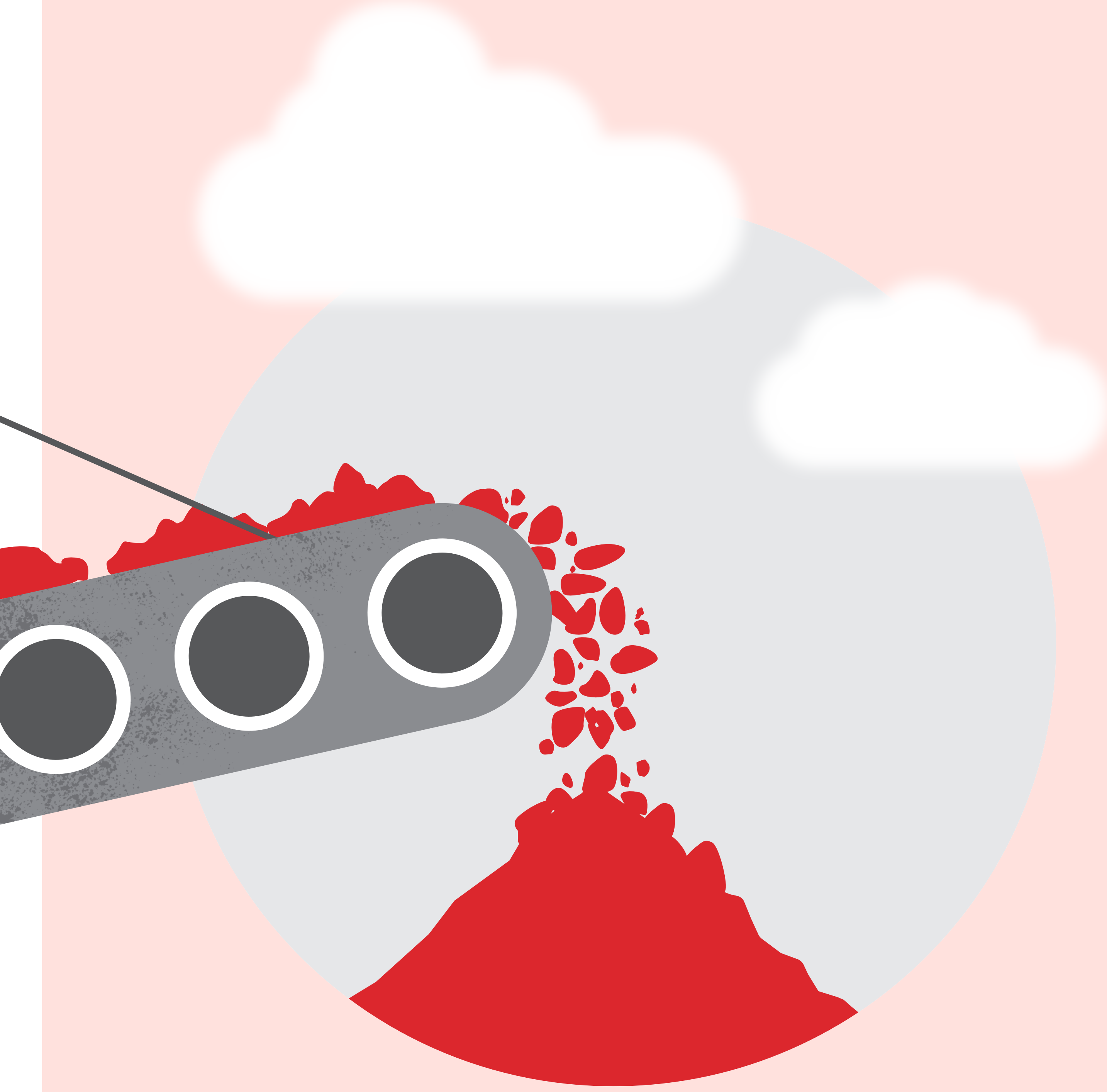
The properties of aluminium such as combining strength and lightweight, the easy ability to form, its long-life and little maintenance mean that it is in demand for a wide range of application used daily by people. Aluminium used in transport reduces the weight, fuel consumption and greenhouse gas emissions. Building products that are made from aluminium (alloys) are corrosion resistant, weather proof and virtually maintenance free over a long life time. Aluminium used in packaging provides excellent protection of food and other products that are subject to deterioration when exposed to light, oxygen, moisture and the risk of contamination from odours and micro-organisms. Also, the light weighting aspect provides savings in transportation or increase volume of the product.

RECYCLING

First produced in 1888, aluminium has become the second most-used metal in the world after iron. Nearly three-quarters of all aluminium ever made remains in use today, representing a growing 'energy and resource bank', and the metal can be recycled and reused endlessly. While AWAC is not involved in recycling of aluminium, it is important to appreciate that end product from AWAC's business can be easily recycled. Examples of areas where aluminium helps people and the economy to operate effectively and efficiently include air, road, rail and sea transport; food and medicine; packaging; construction; electronics and electricity transmission.

1. Alcoa, through their sustainaiblity management processes, developed global sustainability objectives that are measured from a global business perspective. The sustainability objectives relate to Alcoa's Global Primary products business of which, the AWAC assets form a substantial part of that business. However, that business included, at the time of developing these objectives, Alcoa's global aluminium smelting operations. The Portland smelter, that is part of AWAC, in 2005 had relatively low direct emissions and its continuous improvement will contribute to the Alcoa goal.

Directors' Report



The Directors present their report on the consolidated entity consisting of Alumina Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2015 (the Group).

DIRECTORS

Unless otherwise indicated, the following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

G J Pizzey (Chairman)

P C Wasow (Managing Director and Chief Executive Officer)

E R Stein

C Zeng

W P Day

M P Ferraro

BOARD OF DIRECTORS

The Company's Directors in office as at 31 December 2015 were:

MR G JOHN PIZZEY
B.E (CHEM), DIP. MGT., FTSE, FAICD
Independent Non-Executive Director and Chairman

Mr Pizzey was elected a Director of the Company on 8 June 2007. He is a Non-Executive Director of Orora Limited (appointed December 2013) and former Non-Executive Director and Chairman of Iluka Resources Ltd (appointed November 2005 and resigned December 2013) and a former Non-Executive director of Amcor Limited (appointed September 2003 and resigned December 2013).

Mr Pizzey is a life governor of Ivanhoe Grammar School and a former chairman and director of the London Metal Exchange. He is a member of the Audit and Risk Management Committee (formerly known as the Audit Committee) and of the Nomination and Compensation Committees and was Chair of the then Audit Committee to 30 November 2011. Mr Pizzey has extensive business experience including 33 years as an executive in the alumina and aluminium industries.

MS EMMA R STEIN
BSC (PHYSICS) HONS, MBA, FAICD, HON FELLOW WSU
Independent Non-Executive Director

Ms Stein was elected as a Director of the Company on 3 February 2011. Ms Stein is currently a Non-Executive Director of Diversified Utilities Energy Trust (appointed June 2004), Programmed Maintenance Services Ltd (appointed June 2010), and Transpacific Industries Group Ltd (appointed August 2011). She is a former Non-Executive Director of Transfield Services Infrastructure Fund (appointed October 2010 and resigned July 2011) and Clough Limited (appointed July 2008 and resigned December 2013). Formerly the UK Managing Director for French utility Gaz de France's energy retailing operations, Ms Stein moved to Australia in 2003. Before joining Gaz de France she was UK Divisional Managing Director for British Fuels.

Ms Stein is Chair of the Compensation Committee since 1 January 2014, current member and former Chair of the Audit and Risk Management Committee (Chair 28 November 2013 to 31 December 2013), and current member and former Chair of the Nomination Committee (Chair 3 March 2011 to February 2014). As a senior executive, she gained considerable international experience in management and leadership, strategy development and implementation in global industrial, energy and utilities markets. She has over a decade of experience as a listed non-executive director and board committee chair for capital intensive companies spanning resources, oil and gas and related sectors.

MR PETER C WASOW
BCOM, GRADDIPMGMT, FCPA
Managing Director and Chief Executive Officer

Mr Wasow was appointed Managing Director and Chief Executive Officer effective from 1 January 2014. He has responsibility for the overall management of Alumina Limited in accordance with the strategy, policies and business processes adopted by the Board. Prior to his appointment as CEO, Mr Wasow was a Non-Executive Director of the Company, appointed on 26 August 2011 and was a member of the Nomination Committee and Compensation Committee and a former member and Chair of the then Audit Committee (December 2011 to November 2013).

DIRECTORS

Mr G John Pizzey

Ms Emma R Stein

Mr Peter C Wasow

Mr Wasow served more than eight years at major Australian oil and gas producer Santos Limited from 2002 to 2010. Initially appointed as CFO, he assumed the additional role of Executive Vice President from 2008. Prior to joining Santos in 2002, Mr Wasow held several senior roles over a 23 year career at BHP including Vice President of Finance. Mr Wasow brings to the Board extensive financial skills and experience in the resource and energy industries.

MR CHEN ZENG
MIF
Non-Executive Director

Mr Zeng was appointed as a Director of the Company on 15 March 2013. He is a member of the Nomination, Compensation and Audit and Risk Management Committees (appointed 7 August 2014).

Mr Zeng is also currently a director of CITIC Pacific Limited, Chief Executive Officer of CITIC Pacific Mining and Chief Executive Officer of CITIC Mining International, the new holding company of CITIC Pacific Mining. He is a former director of CITIC Limited (listed on the Hong Kong Exchange), CITIC Dameng (listed on the Hong Kong Exchange), Macarthur Coal Limited (2007 to 2011) and Marathon Resources Limited (resigned 31 January 2014). Mr Zeng also served as a director on the Board of CITIC Group between 2010 and 2011.

Before joining CITIC Pacific Mining, Mr Zeng was the Vice Chairman and CEO of CITIC Resources, a CITIC Group controlled Hong Kong listed company focused on crude oil production, metal mining and refining, and commodity trading. Mr Zeng is also the Chairman of CITIC Australia. Mr Zeng has over 26 years of experience in project development, management, and a proven record in leading cross-cultural professionals in the resources sector. He has been working in Australia since 1994 and has extensive experience in various industries including aluminium smelting and coal mining.

MR W PETER DAY
LLB (HONS), MBA, FCA, FCPA, FAICD
Independent Non-Executive Director

Mr Day was appointed as a Director of the Company on 1 January 2014. He is a member of the Nomination and Compensation Committees and is Chair of the Audit and Risk Management Committee. Mr Day is also currently a Non-Executive Director of Ansell Limited (appointed August 2007), SAI Global Limited (appointed August 2008), and Boart Longyear Limited (appointed February 2014), and a former director of Federation Centres (October 2009 – February 2014) and Orbital Corporation Limited (August 2007 – February 2014). Mr Day brings extensive experience in the resource, finance and manufacturing sectors, having held a number of senior positions with Bonlac Foods, Rio Tinto, CRA, Comalco and the Australian Securities and Investments Commission. He is a former CFO of Amcor Limited.

MR MICHAEL P FERRARO
LLB (HONS) INDEPENDENT
Non-Executive Director

Mr Ferraro was appointed a Non-Executive Director of the Company on 5 February 2014. He is a member of the Audit and Risk Management and Compensation Committees and is Chair of the Nomination Committee.

Mr Ferraro is Partner, Client Development-Asia Pacific at Herbert Smith Freehills, a global law firm, and was formerly head of the Corporate Group at the firm. He was also a member of their executive management team. Between 2008 and 2010 Mr Ferraro was Chief Legal Counsel at BHP Billiton Ltd.

Mr Ferraro has considerable experience in the resources sector and has over 30 years of experience in joint ventures, mergers and acquisitions, fund raising, and regulatory issues across a wide range of sectors and countries. He also has considerable experience in the commercial and financing aspects of large transactions gained from a number of years in investment banking as a corporate adviser.

Mr Chen Zeng

Mr W Peter Day

Mr Michael P Ferraro

COMPANY SECRETARY

MR STEPHEN FOSTER
BCOM LLB (HONS) GDIPAPPFIN (SEC INST)
GRADDIP CSP, ACIS
General Counsel/Company Secretary

Mr Foster is responsible for legal, company secretarial, shareholder services, insurance and human resources. He has a wide range of legal and commercial experience gained over 30 years, more recently at Village Roadshow and WMC Limited, after working with the legal firm of Arthur Robinson & Hedderwicks (now Allens).

The appointment of the Company Secretary/General Counsel is ratified by the Board. As defined in the Board Charter, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

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
- generally attending all Board meetings and preparing the minutes
- monitoring that the Board and Committee policies and procedures are followed
- facilitating the induction of Directors
- managing compliance with regulatory requirements.

MEETINGS OF DIRECTORS

Particulars of the numbers of meetings of the Company's Directors (including meetings of committees of Directors) during the financial year, and the number of those meetings attended by each Director (as applicable), are detailed in the table below.

INTERESTS OF DIRECTORS

Particulars of relevant interests in shares in the Company or in any related body corporate held by the Directors of the Company as at the date of this report are set out in the Remuneration Report on page 62 of this report. Particulars of rights or options over shares in the Company or in any related body corporate held by the Directors of the Company as at the date of this report are set out in the Remuneration Report on page 61 of this report.

INSURANCE OF OFFICERS

During or since the end of the financial year, the Group has paid the premiums in respect of a contract to insure Directors and other 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.

ALUMINA LIMITED DIRECTORS' ATTENDANCE AT MEETINGS JANUARY TO DECEMBER 2015

	Board Meeting		Board Committee meetings		Audit and Risk Management Committee meetings		Compensation Committee meetings		Nominations Committee meetings	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
G J Pizzey	11	11	1	1	7	7	4	4	5	5
E R Stein	11	11	0	0	6	6	4	4	5	4
C Zeng	11	11	0	0	3	3	4	2	5	4
P Day	11	11	0	0	7	7	4	3	5	5
M Ferraro	11	11	0	0	7	7	4	4	5	5
P Wasow	11	11	1	1	na	na	na	na	na	na

INDEMNITY OF OFFICERS

Rule 75 of the Company's Constitution requires the Company to indemnify each officer of the Company (and, if the Board of the Company considers it appropriate, any officer of a wholly owned subsidiary of the Company) out of the assets of the Company against any liability incurred by the officer in or arising out of the conduct of the business of the Company or the relevant wholly-owned subsidiary or in or arising out of the discharge of the duties of the officer, where that liability is owed to a person other than the Company or a related body corporate of the Company.

This requirement does not apply to the extent that the liability arises out of conduct on the part of the officer which involved a lack of good faith, or to the extent that the Company is otherwise precluded by law from providing an indemnity. It also does not apply to the extent and for the amount that the officer is not otherwise entitled to be indemnified and is not actually indemnified by another person (such as an insurer under any insurance policy). Officer in this context means: a director, secretary, senior manager or employee; or a person appointed as a trustee by, or acting as a trustee at the request of, the Company or a wholly owned subsidiary of the Company, and includes a former officer. The Constitution also permits the Company, where the Board considers it appropriate, to enter into documentary indemnities in favour of such officers. The Company has entered into such Deeds of Indemnity with each of the Directors, which indemnify them consistently with rule 75 of the Constitution.

DIVIDENDS

Details of the dividends paid to members of the Company during the financial year are referred to in Note 6 of the Consolidated Financial Statements found on page 81.

PRINCIPAL ACTIVITIES

The principal activities of the Group relate to its 40 per cent interest in the series of operating entities forming AWAC. AWAC has interests in bauxite mining, alumina refining, and aluminium smelting. There have been no significant changes in the nature of the principal activities of the Group during the financial year.

REVIEW OF OPERATIONS AND RESULTS

The financial results for the Group include the 12 month results of AWAC and associated corporate activities.

The Group's net profit after tax for the 2015 financial year attributable to members of the Company was $88.3 million profit (2014: $98.3 million net loss).

Excluding significant items, there would have been a net profit after tax of $258.2 million (2014: $91.1 million). For further information on the operations of the Group during the financial year and the results of these operations refer to the Operating and Financial Review on pages 18 to 31 of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as reported in Note 15 of the Consolidated Financial Statements (refer to page 89), there are no significant matters or circumstances events that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in the financial years subsequent to the financial year ended 31 December 2015.

LIKELY DEVELOPMENTS

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 the expected results of those operations in the financial years subsequent to the financial year ended 31 December 2015.

ENVIRONMENTAL REGULATION

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.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission Class Order 98/100. Amounts shown in the 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

There have been no significant changes in the state of affairs of the Group during the financial year.

AUDITOR

PricewaterhouseCoopers continues in office, in accordance with the *Corporations Act 2001* (Cth) (Corporations Act).

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out below.

NON-AUDIT SERVICES

The Group 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 Group are important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided by (or on behalf of) the auditor and its related practices are disclosed in Note 13 of the Notes to the Consolidated Statement in the Financial Report on page 89.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the financial year by (or on behalf of) the auditor and its related practices, is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors are satisfied that the provision of those non-audit services did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Management 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 APES 110 Code of Ethics for Professional Accountants.

The fees paid or payable during the financial year for services provided by (or on behalf of) the auditor of the parent entity are disclosed in Note 13 of the Notes to the Consolidated Statement in the Financial Report on page 89.

CORPORATE GOVERNANCE STATEMENT

The Company has, for the 2015 reporting year, elected to disclose the Corporate Governance Statement only on the Company web site. The Corporate Governance Statement can be found at URL www.aluminalimited.com/governance/

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Alumina Limited for the year ended 31 December 2015, 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.

Nadia Carlin

NADIA CARLIN
Partner

Melbourne
15 March 2016
PricewaterhouseCoopers

Liability limited by a scheme approved under Professional Standards Legislation

Operating and Financial Review

Note regarding non-IFRS financial information

The Operating and Financial Review contains certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior year periods and to assess the operating performance of the business.

Alcoa World Alumina & Chemicals (AWAC) financial information, except as stated below, is extracted from audited financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

CONTENTS

The Operating and Financial Review should be read in conjunction with the financial statements, which are presented on pages 63 to 95 of this annual report.

1. STRATEGY AND BUSINESS MODEL

BUSINESS MODEL

Alumina Limited's sole business undertaking is in the global bauxite, alumina and aluminium industry, which it conducts primarily through bauxite mining and alumina refining, with some minor alumina-based chemicals businesses, aluminium smelting and the marketing of those products. All of those business activities are conducted through its 40% investment in AWAC.

Alumina Limited's net profit/(loss) is principally comprised of a return on its equity investment, and revenues are limited to small amounts of interest income and occasional one-off revenues.

AWAC was formed on 1 January 1995 by Alumina Limited and Alcoa Inc (Alcoa) combining their respective global bauxite, alumina and alumina-based chemicals business and investments and their respective aluminium smelting operations in Australia. AWAC is the world's largest producer of alumina and miner of bauxite. Alumina Limited's partner in AWAC is Alcoa, which owns the remaining 60% and manages the day-to-day operations.

This partnership provides investors with a direct investment in the alumina and bauxite industry.

The Strategic Council is the principal forum for Alcoa and Alumina Limited to provide direction and counsel to the AWAC entities in respect of strategic and policy matters. The Alcoa and Alumina Limited representatives on the Boards of the AWAC entities are required, subject to their general fiduciary duties, to carry out the directions and the decisions of the Strategic Council. The Strategic Council has five members, three appointed by Alcoa (of which one is Chairman) and two by Alumina Limited (of which one is the Deputy Chairman). Decisions are made by majority vote except for matters which require a "super majority" vote, which is a vote of at least 80% of the members appointed to the Strategic Council.

The following decisions require a super majority vote:

- change of the scope of AWAC.
- change in the minimum 30% dividend policy.
- sale of all or a majority of the assets of AWAC.
- equity calls on behalf of AWAC totalling, in any one year, in excess of $1 billion.
- loans to Alcoa, Alumina Limited or their affiliates by AWAC entities (including loans between AWAC entities).

Under the general direction of the Strategic Council, Alcoa is the "industrial leader" and provides the operating management of AWAC and of all affiliated operating entities within AWAC.

Alumina Limited is entitled to representation in proportion to its ownership interest on the Board of each entity in the AWAC structure and is currently represented on Alcoa of Australia Ltd (AofA), Alcoa World Alumina Brazil Ltda (AWA Brazil) and Alcoa World Alumina LLC (AWA LLC). In addition to the Strategic Council meetings, Alumina Limited's management and Board visit and review AWAC's operations each year.

Subject to the provisions of the AWAC agreements, AWAC is the exclusive vehicle for the pursuit of Alumina Limited's and Alcoa's (and their related corporations as defined) interests in the bauxite, alumina and inorganic industrial chemicals businesses, and neither party can compete with AWAC so long as they maintain an ownership interest in AWAC. In addition, Alumina Limited may not compete with the businesses of the integrated operations of AWAC (being the primary aluminium smelting and fabricating facilities and certain ancillary facilities that existed at the formation of AWAC).

ALCOA WORLD ALUMINA & CHEMICALS

ALL OPERATIONS 100% OWNED, UNLESS OTHERWISE INDICATED

BAUXITE MINES	ALUMINA REFINERIES	ALUMINIUM SMELTERS	ALUMINA CHEMICALS	SHIPPING OPERATIONS
Australia Huntly & Willowdale **Brazil** Trombetas (9.6%) & Juruti **Guinea** Sangaredi (23%) **Suriname** Moengo, Klaverblad & Kaimangrassie (fully curtailed) **Saudi Arabia** Al Ba'itha (25.1%)	**Australia** Kwinana, Pinjarra & Wagerup **Brazil** Sao Luis (39%) **Spain** San Ciprian **Suriname** Paranam (fully curtailed) **USA** Point Comfort **Saudi Arabia** Ras Al Khair (25.1%)	**Australia** Portland (55%)	**Australia** Kwinana **Spain** San Ciprian **USA** Point Comfort	
Bauxite deposits: AWAC's bauxite deposits have long term mining rights. Bauxite mining is planned on an incremental basis after detailed assessment of the deposits to achieve a uniform quality in the supply of blended feedstock to the relevant refinery.	**Refineries:** Five refineries are located in proximity to bauxite deposits.	**Smelters:** The Portland aluminium smelter is supplied alumina by the Australian refineries.	**Alumina Chemicals:** The Kwinana, Point Comfort and San Ciprian refineries produce chemical grade alumina as well as smelter grade alumina.	**Shipping Operations:** AWAC's shipping operations use owned and chartered vessels to transport dry and liquid bulk cargoes, including bauxite, alumina, caustic soda, fuel oil, petroleum, coke and limestone.

STRATEGY ANALYSIS

AWAC is primarily focused on bauxite and alumina assets, and this is the key investment concern of Alumina Limited. That is, to invest in long-life, low cost bauxite and alumina assets through AWAC.

Alumina Limited and Alcoa are different companies with different shareholders and different governance requirements. While AWAC is governed by constitutional documents, in a practical sense, the reconciliation of the differing interests requires challenge, debate and negotiation. To do this well, Alumina Limited needs to have (and has) an independent understanding of the bauxite, alumina and aluminium market and views on the impact of changes in the market, in particular around capacity investment, pricing and the development of the Chinese industry. Through the role of Alumina Limited representatives on the Strategic Council and AWAC-entity Boards and working with Alcoa, Alumina Limited contributes to the strategic and high-level commercial actions of AWAC.

2. PRINCIPAL RISKS

The risk management processes are summarised in the Corporate Governance Statement located on the Company web site at www.aluminalimited.com/governance/.

Alumina Limited's risk management framework provides for the production of a Group risk matrix, which sets out Alumina Limited's most significant risks and the steps taken to mitigate those risks. These risks are rated on the basis of their potential impact on the current operations and profitability and/or the long term value of the Group. Set out below are some of the key risks faced by Alumina Limited. However, there are other risks not listed below associated with an investment in Alumina Limited.

- **Movements in the market prices of bauxite, alumina and aluminium –** AWAC's, and hence Alumina Limited's, performance is heavily dependent on the market prices of bauxite, alumina and aluminium, which are affected by numerous factors outside Alumina Limited's control. These include the overall performance of world economies, the related cyclicality of industries that are significant consumers of aluminium and movement in production disproportionate to demand (whether as a result of changes to production levels at existing facilities or the development of new facilities). A fall in the market prices of bauxite, alumina and aluminium can adversely affect Alumina Limited's financial performance. AWAC and Alumina Limited generally do not undertake hedging to manage this price risk.
- **Fluctuations in exchange rates –** while a significant proportion of AWAC's costs are incurred in Australian dollars, its sales are denominated in US dollars. Accordingly, AWAC and Alumina's Limited's future profitability can be adversely affected by a strengthening of the Australian dollar against the US dollar and a strengthening against the US dollar of other currencies in which operating or capital costs are incurred by AWAC outside Australia, including the Brazilian Real. Also, given that China is a significant part of the world alumina and aluminium markets, fluctuations in the Chinese Renminbi against the US dollar could have some impact on other parts of the industry. AWAC and Alumina Limited generally do not undertake hedging to manage this risk.
- **Increase in AWAC's production costs or a decrease in production –** AWAC's operations are subject to conditions beyond its control that may increase its costs or decrease its production, including increases in the cost of key inputs (including energy, raw materials labor and freight), the non-availability of key inputs (including secure energy), weather and natural disasters, fires or explosions at facilities, unexpected maintenance or technical problems, key equipment failures, disruptions to or other problems with infrastructure and supply. In addition, industrial disruptions, work stoppages, refurbishments and accidents at operations may adversely affect profitability. Some cost inputs are subject to term contracts to increase the certainty of input pricing. AWAC's operating and maintenance systems and business continuity planning seek to minimise the impact of non-availability of key inputs.
- **AWAC structure –** Alumina Limited does not hold a majority interest in AWAC, and decisions made by majority vote may not be in the best interests of Alumina Limited. Other than certain key decisions which require Alumina Limited's consent, AWAC's decisions are by majority vote. Alcoa has a 60% interest in AWAC and has the majority vote.
- **Greenhouse gas emission regulation –** energy, specifically electricity, is a significant input in a number of AWAC's operations, making AWAC an emitter of greenhouse gases. The introduction of regulatory change by governments in response to greenhouse gas emissions may represent an increased cost to AWAC and may affect Alumina Limited's profitability.
- **Political, legal and regulatory impacts –** AWAC and Alumina Limited operate across a broad range of legal, regulatory or political systems. The profitability of those operations may be adversely impacted by changes in the regulatory regimes. AWAC and Alumina Limited's financial results could be affected by new or increasingly stringent laws, regulatory requirements or interpretations, or outcomes of significant legal proceedings or investigations adverse to AWAC or Alumina Limited. This may include a change in effective tax rates or becoming subject to unexpected or rising costs associated with business operations or provision of health or welfare benefits to employees, regulations or policies. AWAC is also subject to a variety of legal compliance risks. These risks include, among other things, potential claims relating to product liability, health and safety, environmental matters, intellectual property rights, government contracts, taxes and compliance with US and foreign export laws, anti-bribery laws, competition laws and sales and trading practices. Failure to comply with the laws regulating AWAC's businesses may result in sanctions, such as fines or orders requiring positive action by AWAC, which may involve capital expenditure or the removal of licenses and/or the curtailment of operations. This relates particularly to environmental regulations. Alumina Limited and AWAC undertake a variety of compliance training and governance functions to mitigate these risks.
- **Closure/impairment of assets –** Alumina Limited may be required to record impairment charges as a result of adverse developments in the recoverable values of its assets. To the extent that the recoverable value of an asset is impaired, such impairment may negatively impact Alumina Limited's profitability during the relevant period. Closure, curtailment or sale of AWAC's operations may result in an impairment being incurred as a result of the carrying value of an asset exceeding its recoverable value.
- **Customer risks –** AWAC's relationships with key customers for the supply of alumina (including Alcoa) are important to AWAC's financial performance. The loss of key customers or changes to sales agreement could adversely affect AWAC's and Alumina Limited's financial performance.

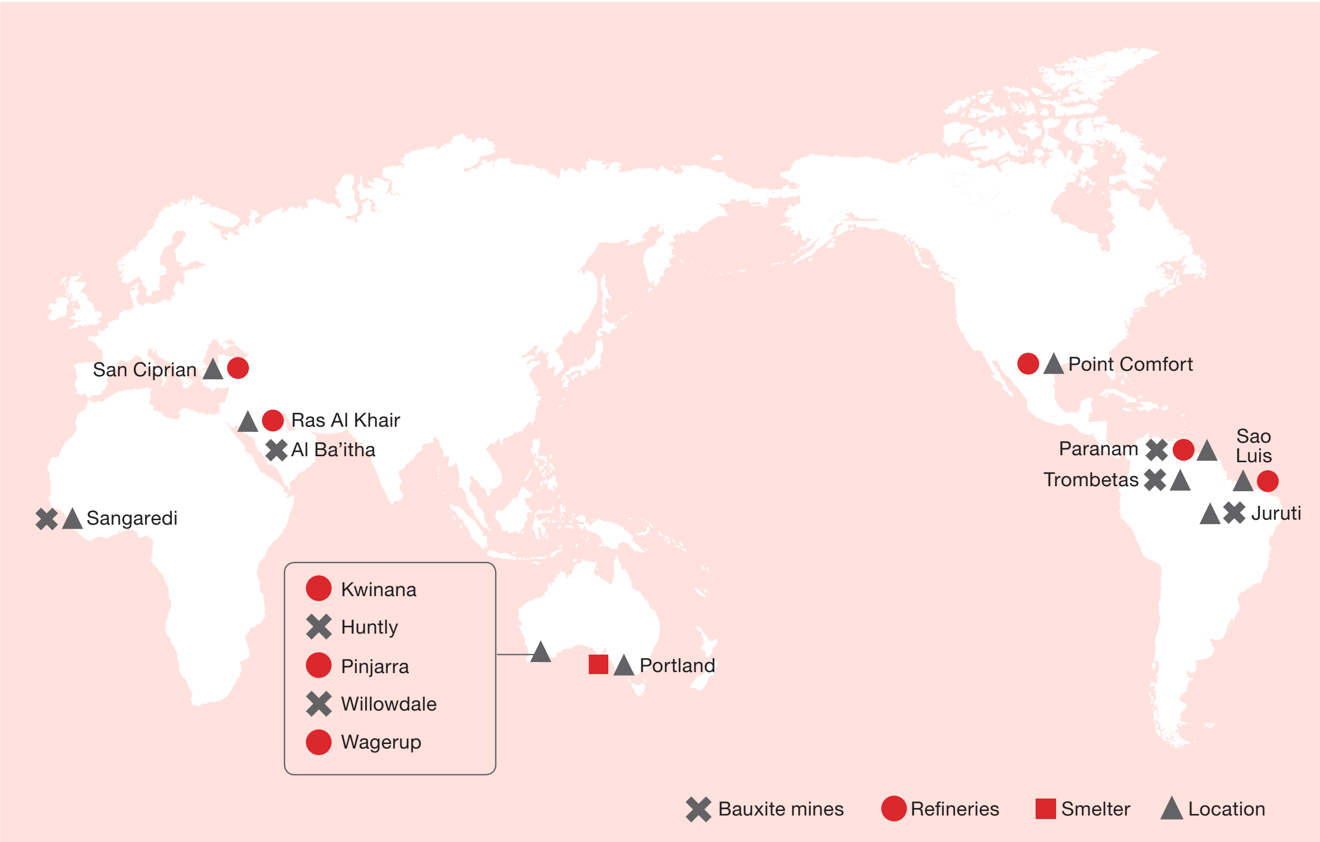
- **Debt refinancing –** Alumina Limited's ability to refinance its debt on favorable terms as it becomes due or to repay its debt, its ability to raise further finance on favorable terms, and its borrowing costs, will depend upon a number of factors, including AWAC's operating performance, general economic conditions, political, capital and credit market conditions, external credit ratings and the reputation, performance and financial strength of Alumina Limited's business. If a number of the risks outlined in this section eventuate (including the cyclicality of the alumina industry and adverse movements in the market prices of aluminium and alumina) and Alumina Limited's operating performance, external credit rating or profitability is negatively impacted as a result of these risks, there is a risk that Alumina Limited may not be able to refinance any expiring debt facilities or the costs of refinancing its debt may increase substantially.

Other risks include:

- an alumina market in supply surplus at a time of continuing relatively low aluminium prices, may lead to further smelting production cuts and lower demand for alumina;
- Chinese growth slowing further and affecting aluminium consumption and hence aluminium and alumina demand;
- a greater Chinese aluminium production at lower cost, combined with lower demand in China, may lead to a greater level of Chinese primary aluminium and semi-finished product exports, depressing the world prices of aluminium;
- Alcoa and its subsidiaries have a variety of obligations to Alumina Limited and AWAC, the fulfilment of which depends on their financial position. Adverse changes to the financial position of Alcoa could result in such obligations not being met;
- a greater outflow of aluminium stocks from warehouses' inventories could impact the world alumina market;
- a sustained increase in the supply of cheap bauxite from Asia to China, that could lower Chinese alumina production costs;
- a technology breakthrough that could lower Chinese alumina production costs.

3. REVIEW OF AWAC OPERATIONS

DIAGRAM OF ALCOA WORLD ALUMINA AND CHEMICALS (AWAC) OPERATIONS AND INTERESTS



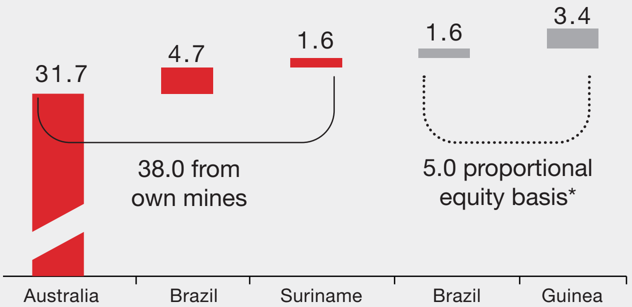
MINING

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

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

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

Bauxite Production (million bdmt)



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

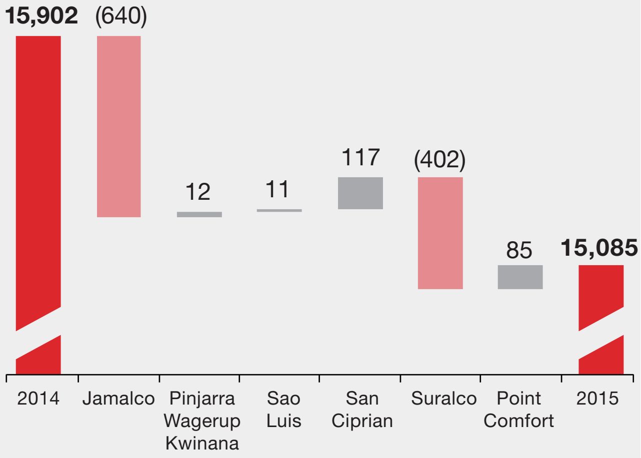
During 2015, AWAC sold to third parties 2.0 million BDT of bauxite and purchased 1.1 million BDT from third parties. Also, the Government of Western Australia granted permission to export trial shipments from AWAC's Western Australian mines. The first trial shipment is scheduled in early 2016. In addition,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

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

REFINING

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

Alumina Production (kt)



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

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

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

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

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

Average Alumina Realised Price Per Tonne

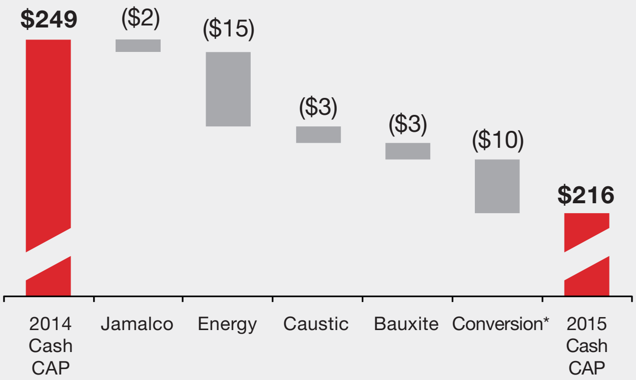
AWAC's average 2015 cash cost per tonne of alumina produced (which includes the mining business unit at cost) decreased by 13.3% to $216 per tonne, largely assisted by the stronger US dollar.

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

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

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

Cash Cost Per Alumina Tonne Produced



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

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

SMELTING

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

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

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

PORTFOLIO RESTRUCTURING AND REPOSITIONING

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

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

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

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

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

AWAC's total charges associated with the portfolio restructuring and repositioning was $385.4 million post-tax compared to $479.0 million post-tax for 2014.

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

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

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

4. AWAC FINANCIAL REVIEW

AWAC BALANCE SHEET (US GAAP)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AWAC PROFIT AND LOSS (US GAAP)	2015 US$M	2014 US$M
Net profit/(loss) after tax	318.2	(243.0)
Add back: Income tax charge[1]	367.1	135.0
Add back: Depreciation and Amortisation	302.9	404.5
Add back: Net interest	1.3	4.5
EBITDA	989.5	301.0
Add back: Significant items (pre-tax)	375.0	568.0
EBITDA excluding significant items	1,364.5	869.0

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

The AWAC's net profit/(loss) was negatively affected by the following individually significant items:

SIGNIFICANT ITEMS (US GAAP)		
	2015 US$M	2014 US$M
Suriname restructuring charges	(178.4)	–
Point Comfort restructuring charges	(85.7)	–
Anglesea restructuring charges	(68.2)	–
Point Henry restructuring charges	(2.0)	(329.2)
Sale of interest in Jamalco	3.3	(266.3)
Capital work in progress write-offs	(33.0)	–
Gain on sale of gold mining interest in Suriname	–	27.5
Other (includes severance and redundancy payments)	(11.0)	–
Total significant items (pre-tax)	(375.0)	(568.0)

5. ALUMINA LIMITED FINANCIAL REVIEW

ALUMINA LIMITED PROFIT AND LOSS		
	2015 US$M	2014 US$M
Share of net profit/(loss) of associates accounted for using the equity method	109.9	(73.6)
General and administrative expenses	(11.9)	(13.5)
Finance costs	(6.6)	(13.6)
Other and tax	(3.1)	2.4
Profit/(loss) for the year after tax	88.3	(98.3)
Total significant items after tax	169.9	189.4
Net profit after tax excluding significant items	258.2	91.1

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

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

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

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

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

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

ALUMINA LIMITED CASH FLOW	2015 US$M	2014 US$M
Dividends received	61.4	16.0
Distributions received	1.5	4.3
Net finance costs paid	(6.5)	(12.5)
Payments to suppliers and employees	(12.1)	(15.0)[1]
GST refund, interest received & other	(0.7)	(0.4)
Cash from operations	43.6	(7.6)
Net receipts – investments in associates	41.0	57.4
Free cash flow[2]	84.6	49.8

1 Includes CEO retirement payments.

2 Free cash flow calculated as cash from operations less net investments in associates.

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

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

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

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

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

The directors declared a fully franked final dividend of US1.8 cents per share, payable on 23 March 2016 to shareholders on the register as at 5pm on 3 March 2016. The fully franked interim dividend for 2015 of 4.5 cents per share was paid on 28 September 2015.

ALUMINA LIMITED BALANCE SHEET	2015 US$M	2014 US$M
Cash and equivalents	9.3	24.9
Investments	2,098.0	2,514.5
Other assets	3.4	3.8
Total Assets	2,110.7	2,543.2
Payables	1.7	1.9
Interest bearing liabilities – non-current	110.5	111.5
Other liabilities	15.6	5.8
Total Liabilities	127.8	119.2
Net Assets	1,982.9	2,424.0

Alumina Limited's net debt as at 31 December 2015 was $101.2 million. Gearing[1] increased to 4.8%, principally due to the decline in investments in associates, which was affected by AWAC's restructuring charges and the loss on foreign currency balance sheet revaluations that more than offset the improved operating performance of AWAC.

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

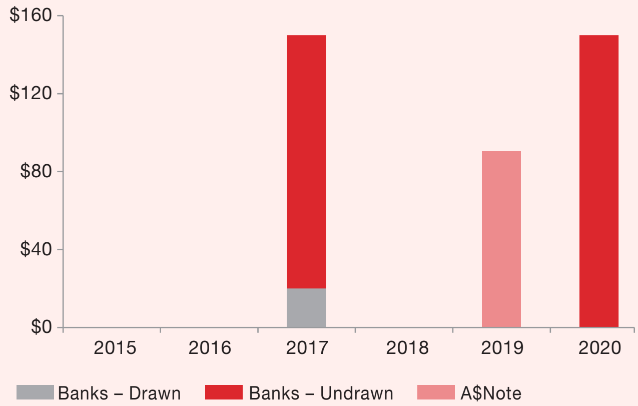
In addition to the fixed rate note, Alumina Limited had $300 million of committed bank facilities. These bank facilities were extended and re-priced in June 2015. As at 31 December 2015, these facilities expire as follows:

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

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

1 Calculated as (debt – cash) / (debt + equity).

Debt Maturity Profile as at 31 December 2015 (US$m)



6. MARKET OUTLOOK AND GUIDANCE

MARKET OUTLOOK

Aluminium demand

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

ALUMINIUM SUPPLY

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

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

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

ALUMINA DEMAND

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

ALUMINA SUPPLY

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

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

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

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

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

BAUXITE

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

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

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

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

AWAC GUIDANCE

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

ITEM	2016 GUIDANCE
Production – alumina	Approximately 12.7 million tonnes
Production – aluminium	Approximately 164,000 tonnes
Australian $ Sensitivity: +1¢ in USD/AUD	Approximately – $26.0 million profit before tax Approximately – $1.70/t alumina EBITDA
Brazilian $ Sensitivity: +1¢ in BRL/USD	Minimal impact
Third party smelter grade alumina shipments expected to be based on alumina price indices or spot	Approximately 85% for the year
AWAC sustaining capital expenditure	Approximately $150 million
AWAC growth capital expenditure	Approximately $25 million
AWAC Point Comfort after tax restructuring • Charges (IFRS) • Cash Flows	 Approximately $31 million Approximately $31 million
AWAC Suralco after tax restructuring • Charges (IFRS) • Cash Flows	 Approximately $13 million Approximately $13 million
AWAC Point Henry and Anglesea after tax restructuring • Charges (IFRS) • Cash Flows	 Approximately $2 million Approximately $15 million

ALUMINA LIMITED GUIDANCE

The financial results of Alumina Limited are dependent upon AWAC's operational performance and profitability, and the ability of Alumina Limited to influence the performance of AWAC to ensure that the Company's interests are protected. Alumina Limited's objectives are to achieve the position where AWAC is sustainable in the long term, that it has adequate governance procedures in place, and that long term capital allocation is implemented to maximise AWAC's returns.

Alumina Limited's expectations for cash receipts from AWAC in 2016 are that total receipts by Alumina Limited should exceed its corporate needs.

In 2016, Alumina Limited anticipates there could be equity calls by AWAC entities in relation to working capital support. However, this is subject to market conditions.

Letter by Chair of Compensation Committee

Dear Shareholder,

I am pleased to present Alumina Limited's 2015 remuneration report.

2015 REMUNERATION OUTCOMES AND DECISIONS

At the start of the year, the Compensation Committee established a Short Term (STI) performance scorecard which encapsulated the key business challenges for the executive team. As trading conditions deteriorated through the year the outcomes achieved on financial measures were of particular value to shareholders. While the joint venture agreement sets out a formula for minimum dividends from AWAC, management were able to negotiate a much better outcome for Alumina Limited's shareholders such that in 2015, dividends of US6.3 cents per share were declared. For longer term value, securing competitive gas supply to underpin our Western Australian operations was notable. A number of joint venture matters were also resolved.

Overall the Compensation Committee rated the STI scorecard performance at 90 per cent of target.

As previously communicated, our CEO's remuneration was re-structured in 2014 to achieve greater shareholder alignment and now consists of a higher base remuneration with equity exposure and lower STI and LTI opportunities. Overall, the package is reflective of the unique nature of Alumina Limited and the chief executive's role, and is modest when compared with peers.

Other remuneration decisions taken in 2015 for the year ahead include no remuneration increase for executives (to reflect the harsher trading reality), and maintaining director fees at the level set in 2011.

In 2015, partial vesting of the 2012 and 2013 Performance Rights resulted in an award of 49 per cent of the total opportunity of Performance Rights to the executive team, excluding the CEO.

While demand continues to grow for alumina, the industry has remained in a state of over-supply. As a result, Alumina Limited and Alcoa have acted to improve AWAC's relative cost, taking hard decisions to curtail, close or divest operations and thereby boosting the quality of the AWAC asset portfolio. It was therefore pleasing to see investors in Alumina outperforming the total shareholder returns of industry peer companies.

2015 COMPENSATION COMMITTEE AREAS OF FOCUS

In 2015, the Committee decided to add two specific focus areas to its annual work plan:

- To review the use of financial, strategic and commercial measures in the company's STI scorecard, and in the context of the AWAC joint venture, to challenge our thinking on the meaning of stretch performance and the tools used by the board to attribute value to outcomes achieved by executives. The Committee is satisfied that the scorecard and mechanisms in place to assess performance and determine STI awards continue to be robust and appropriate to Alumina Limited.
- To review the relevance of the two comparator groups in the company's LTI scheme, particularly with regard to the ownership base of Alumina Limited. This work validated the use of two groups, and was able to recommend some changes to the international group.

In closing I would like to thank shareholders who have been generous with their time and provided feedback on our remuneration policies, structures and report. I would also like to thank our shareholders for their support of last year's report.

EMMA STEIN
Chair

Remuneration Report

This Remuneration Report outlines the Director and executive remuneration arrangements of Alumina Limited. The information provided is given in accordance with the requirements of the Corporations Act and has been audited. This report forms part of the Directors' Report for the year ended 31 December 2015.

All contracts for key management personnel (KMP) are denominated in Australian dollars and accordingly all figures in the Remuneration Report are in Australian dollars unless otherwise shown. References to Senior Executives excludes the Chief Executive Officer (CEO).

CONTENTS

The Remuneration Report is presented in the following sections:

1. REMUNERATION POLICY & FRAMEWORK

1.1 PERSONS COVERED BY THIS REPORT

This report covers remuneration arrangements and outcomes for the following key management personnel of Alumina Limited:

NAME	ROLE	
Non-Executive Directors		
John Pizzey	Non-Executive Chairman	Appointed Chairman 1 December 2011 (director 8 June 2007)
Emma Stein	Non-Executive Director	Appointed 3 February 2011
Chen Zeng	Non-Executive Director	Appointed 15 March 2013
Peter Day	Non-Executive Director	Appointed 1 January 2014
Mike Ferraro	Non-Executive Director	Appointed 5 February 2014
Executive Director		
Peter Wasow	Chief Executive Officer (CEO)	Appointed CEO 1 January 2014
Other KMP		
Chris Thiris	Chief Financial Officer (CFO)	Appointed 13 December 2011
Stephen Foster	General Counsel/Company Secretary	Appointed 4 December 2002
Andrew Wood	Group Executive Strategy & Development	Employed 1 September 2008

1.2 REMUNERATION FRAMEWORK

1.2.1 REMUNERATION IN BUSINESS CONTEXT

Alumina Limited's remuneration strategy and policy has been developed in recognition of the unique nature of the Company, the complexities of managing a significant but non-controlling interest in a global joint venture and the significance of external factors influence on the sector and the Company's performance.

Alumina Limited owns a 40 per cent interest in the multi-billion dollar world-wide enterprise, AWAC, the world's largest bauxite and alumina producer. Alcoa Inc. owns the remaining 60 per cent and additionally, is responsible for AWAC's operational management. Alumina Limited is invested solely in the AWAC joint venture however for Alcoa, the AWAC assets form part of their upstream business at a time when Alcoa has increasingly focused on developing its downstream manufacturing businesses. As a result the partners can have differing priorities and objectives for AWAC. Alumina Limited's executives are responsible for protecting and advancing the interests of its 59,000 shareholders in the management of the AWAC portfolio of assets. AWAC is a large capital-intensive business operating in a number of jurisdictions, some in remote locations.

The Board has specifically charged the CEO and senior executives with maintaining Alumina Limited's investment grade rating, continued overhead discipline (particularly important in 2015 as difficult trading conditions emerged) and supporting the joint venture in its efforts to improve its relative cost position and strategic options. With only four key executive officers, Alumina Limited requires high calibre people with strong skills sets and commercial experience to ensure the Company and its investment are managed well. The Company and its investment are also subject to rigorous governance regimes and financial and reporting controls.

REMUNERATION IN BUSINESS CONTEXT – ALUMINA LIMITED'S EXECUTIVES ARE CHARGED WITH DELIVERING ON ALUMINA'S BUSINESS STRATEGY

Shaping AWAC's strategy, competitive position and options	Maintaining Alumina Limited's Investment Grade Balance Sheet and Metrics in a Highly Cyclical Environment	Managing Alumina Limited's investment as a tier one largely pure play global bauxite and alumina producer	Alumina Limited's cash flow optimisation – above minimum joint venture dividends and year on year overhead discipline

To deliver on Alumina Limited's business strategy, the remuneration strategy has been designed to:

Attract the right people, offer competitive performance-based remuneration

- Attract executives who are highly commercial, strategic and have tactical experience.
- Remuneration needs to be competitive in a market context.

Reward results delivered by executives

- The remuneration framework gives greater prominence to strategic, corporate and commercial initiatives so that the impact of short-term financial metrics are appropriately weighted.
- When compared with peers, executives are rewarded lower levels of maximum short term incentives reflecting the Board's intention that executive reward should not peak merely because commodities are at the 'top of cycle'.

Align company, executive and board and stakeholder interests through share ownership

- The remuneration structure has been designed so that the FAR and LTI components of the CEO's remuneration are impacted by the Company's share price.
- Alumina Limited has a minimum shareholding policy for Non-executive directors.
- Different mechanisms across all the remuneration components (FAR, STI and LTI) expose executives to the Company's share price, facilitate executives in building meaningful equity positions, and some rewards are deferred so that executives are encouraged to be committed for a meaningful period of time

The remuneration strategy is delivered via the following remuneration components:

Fixed remuneration

- Set to attract, retain and motivate the right talent to deliver on the Group's strategy. The Board takes in to account individual performance, skills, expertise and experience as well as external benchmarking to determine executive's fixed remuneration.

'At risk' remuneration (Short Term and Long Term Incentives)

- The 'at risk' components are based on performance against key financial, commercial and strategic measures that are linked to generating satisfactory returns for shareholders.
- Awarding of the STI component is also dependent on achievement of certain financial "gateway" measures.
- The LTI component involves two performance measures, one domestic and the other international. More detail on the 'at risk' remuneration components and their link to company performance is included in section 2 of this report.

1.2.2 REMUNERATION COMPONENTS

The following table sets out the different components of the CEO and Senior Executive remuneration, the performance measures used to determine the amount of remuneration executives will receive and how the performance measures drive achievement of Alumina Limited's strategic objectives.

TABLE 1
Components of Executive Remuneration

COMPONENT	PERFORMANCE MEASURE	STRATEGIC OBJECTIVE
Fixed Remuneration (delivered through cash and equity for the CEO and through cash for other executives)	Considerations: • Individual's role and responsibilities • Depth of knowledge and skill set • Level of expertise and effectiveness • Market (benchmarking)	Secure, retain and motivate a highly skilled and experienced executive team.
Short Term Incentive (STI) (delivered through cash for the CEO and Mr Wood and a mix of cash and equity for the CFO and General Counsel)	**Corporate Scorecard (50% of STI Award)** Minimum Performance Threshold To trigger payment under the Corporate Scorecard, a minimum threshold of performance is required being: • The achievement of a profit after significant items; or • The payment of a dividend to shareholders	This reinforces discipline in financial management and goal setting also providing determinable outcomes that are linked to the Company's performance.
	Financial objectives based on controllable metrics: • Free Cash flow • Investment rating	• Cash flow from AWAC is fundamental to Alumina Limited's capacity to pay dividends and to meet the terms of external financing. • A sound balance sheet with key banking relationships is critical to the Company's strength, stability and future success.
	Strategic and individual objectives	• Aligned to strategic and growth objectives. • Improve long-term cost curve positioning and strategic options to develop the business. • Protect Alumina Limited's interests through increased clarity on AWAC governance. • Ensuring Alcoa treats AWAC transactions at arm's length and Alumina Limited's shareholders' interests are protected in short and long term.
	Personal Scorecard (50% of STI Award) Implementation of business initiatives for which individual executives have defined accountabilities.	• Improve internal operating efficiency and profitability.
Long-term Incentive Plan (LTI) (delivered as equity)	Three year Company TSR performance equal to or outperforming 50 per cent in either of the two comparator groups results. • A result below 50 per cent will not result in an award of equity to the Company participants.	• Emphasises the importance that management strive to maintain the share price through the volatility involved in a capital intensive business heavily impacted by external factors. • Linked to long-term business strategy and focuses executives on key performance drivers for sustainable growth. • Links rewards of participants of the Plan to the experience of the shareholders.

1.2.3 CEO AND SENIOR EXECUTIVES REMUNERATION MIX AND COMPARABLES

Remuneration Mix Overview

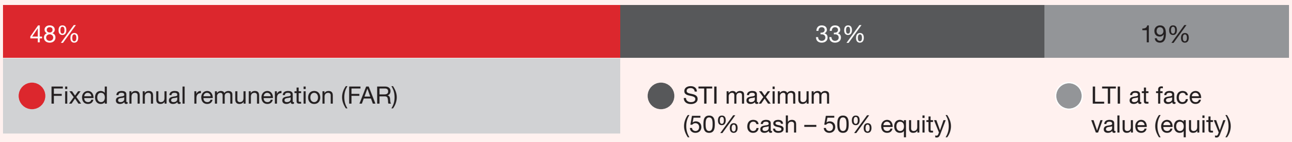
The Chief Executive Officer, other senior executives and professional employees all share the same remuneration principles. However, there are differences in the structures and relativities.

In setting the CEO and executive remuneration quantum and mix, the Board takes into account a number of factors including:

- The scope of the individual's role
- Their skills and experience
- Role-critical factors
- Company performance
- External market practice.

CEO 2015 Total Opportunity Remuneration Mix

Senior Executives[1] 2015 Total Opportunity Remuneration Mix



1 Mr Wood's remuneration mix differs from the other senior executives. His maximum potential award is FAR 55%, STI 28% and LTI 17%. Mr Wood's STI is received in cash only.

CEO

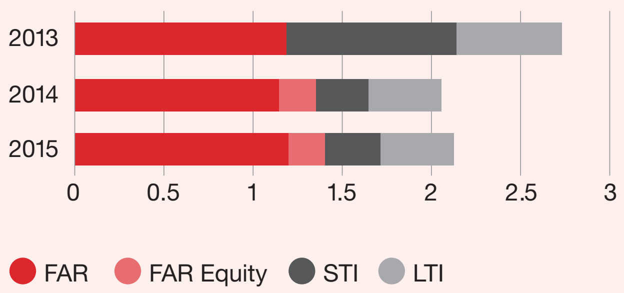
While the CEO's remuneration has a higher weighting to fixed remuneration, this is reflective of the fact that his STI and LTI opportunity have been substantially reduced when compared with that of his predecessor. As demonstrated by the adjacent chart, the CEO's 2015 'at target' repositioned remuneration package is significantly different to the 'at target' profile of the previous CEO. Further, the CEO's fixed remuneration, and total target remuneration, is modest relative to his peers. The reweighting of the CEO's package aligns with Alumina Limited's remuneration strategy, in particular to have lower levels of maximum short term incentives when compared with peers, reflecting the Board's intention that executive reward should not peak merely because commodities are at the 'top of cycle'.

Also, as part of the renegotiation in 2013, the CEO's fixed remuneration includes an annual share right component. The share rights are conditional on a minimum of 18 months service and if satisfied, is followed by a further 18 month deferral period (three years in total) from the date of the grant and are subject to share price fluctuations and therefore the final value reflects the experience of shareholders over the deferral period.

In 2015, the grant value of the share right component was $207,000. Including the LTI component of 19 per cent, the CEO has approximately 30 percent of his 'at target' remuneration allocated as equity. This reinforces the remuneration policy that the CEO acts in the longer term interests of the Company and its shareholders. The CEO's fixed remuneration remains unchanged for 2016.

The Board is satisfied that, while the CEO's total target remuneration is modest relative to his peers, it is appropriate in the context of Alumina Limited being a non-operating partner of the AWAC joint venture but also recognising the bauxite, alumina and aluminium industry is global, complex and dynamic.

CEO at target remuneration (A$ million)



SENIOR EXECUTIVE[1]

The senior executives fixed remuneration represents 51 per cent of their total at target remuneration (TTR). Although the senior executives are eligible to receive approximately 50 per cent of their STI award in cash, they are required under the terms of the STI Plan to apply 50 per cent of their after tax STI award in purchasing Alumina shares that must be held for three years. In total, senior executives would hold approximately 35 per cent of their at target remuneration on a deferred basis.

1 Mr Wood is employed under a different remuneration arrangement to the other senior executives. Mr Wood receives 100 per cent of any STI award in cash and is not required to apply any to purchase shares in Alumina Limited.

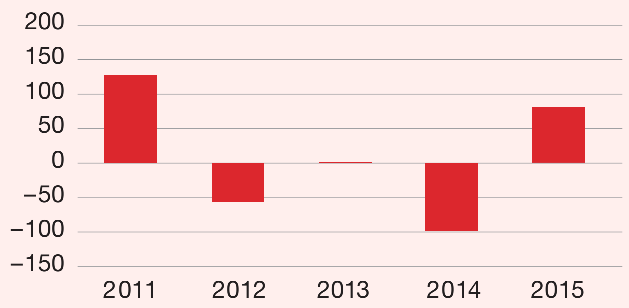
2. COMPANY PERFORMANCE & EXECUTIVE REMUNERATION OUTCOMES

In the first half of 2015 the AWAC business achieved solid returns due to the then index or spot price for alumina, the strategy to curtail or sell higher cost alumina refineries, lower energy costs and a strengthening US dollar. The latter half of 2015 was dominated by a declining alumina price and poor market fundamentals. In the fourth quarter of 2015, the alumina price fell 24 per cent (and 48 per cent over the entire year). The price fall had a corresponding negative impact on second half earnings. Also, a negative impact on the full year profit for 2015 resulted from charges associated with the strategy of repositioning AWAC's asset portfolio. Alumina Limited equity accounted charges of US$169.9 million were incurred due to the curtailment of the Suralco and Point Comfort alumina refineries and the closure of the Anglesea power station.

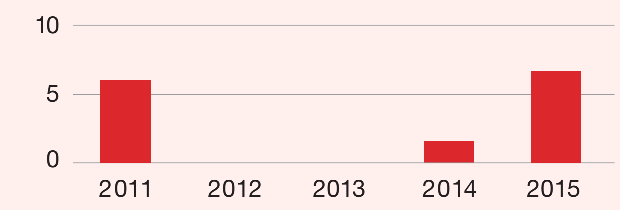
Despite the downturn in the second half of the year, AWAC distributed US$106 million in dividends, distributions and capital returns and Alumina Limited's full year net profit was US$88.3 million (up 190% from the previous year) as reported, or US$258.2 million, excluding significant items. Earnings per share were US3.1 cents in 2015 (negative US3.5 cents in 2014).

The diagrams that follow highlight Alumina Limited's performance against market indicators.

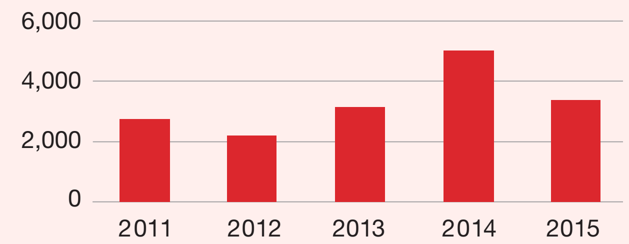
Net (Loss)/Profit After Tax (US$ million)



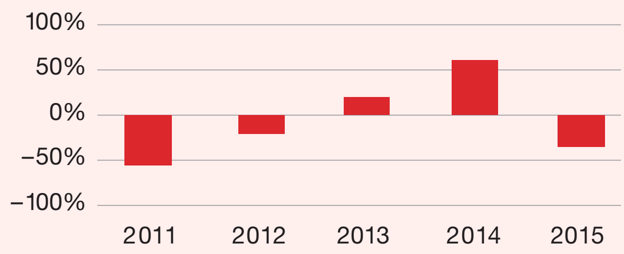
Dividends declared per share (US cents per share)



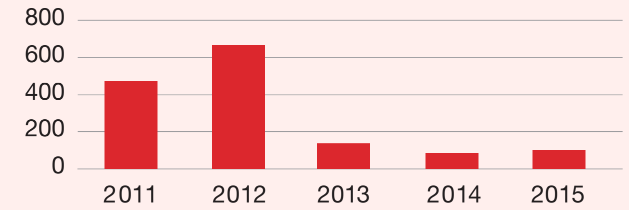
Market Capitalisation (US$ million)



Percentage change in share price



Net debt (US$ million)



REMUNERATION INDICATORS

REMUNERATION INDICATORS	2015	2014	2013	2012	2011
Per cent increase in fixed remuneration[1]	3.50%	3.00%	3.80%	3.00%	6.00%
Per cent short-term incentive[2]	42%	40%	22%	41%	38%
Per cent long-term incentive[2]	24%	10%	8%	Nil	Nil

1 Percentage is calculated by reference to FAR as at 31 December 2015.

2 Represents the average applicable to senior executives and CEO

2.1 REMUNERATION DECISIONS AND OUTCOMES FOR 2015

FIXED REMUNERATION	
2015 outcomes	As disclosed in last year's report, following a review of external data points and in the context of the Company's 2014 performance, the CEO and senior executives received an increase of 3.5 per cent to their fixed remuneration effective 1 January 2015. The CEO's Performance Rights and STI levels are expressed in dollar terms, and the Compensation Committee recommended that the 3.5 per cent increase should be applied to these dollar amounts. The fixed remuneration for the CEO and senior executives did not increase for 2016.

SHORT TERM INCENTIVE	
2015 outcomes	**Corporate Scorecard** In 2015, the Board is pleased to report that, consistent with Alumina Limited's sound financial performance, financial targets were exceeded and the highest dividend since 2008 was paid to shareholders triggering payment under the corporate element of the scorecard. For a detailed summary of performance against the Corporate Scorecard see page 52. **Personal Scorecard** In 2015, in aggregate, executives performed well against the Personal Scorecard. The Compensation Committee recommended individual executive performance ratings and STI payments based on: • assessment of Balanced scorecard outcomes • appropriateness in the context of shareholder returns • consideration of other factors (e.g. highly valuable outcomes which were not on the Personal Scorecard.) For a detailed performance against the Personal Scorecard see page 53 In total, in 2015, Alumina Limited's STI scheme paid $1,126,000 to its KMPs, which was an increase of $116,000 on 2014's level. **Net Profit/(Loss) after tax excluding significant items** The reported full year net profit after tax of US$88.3 million was the highest profit before significant items since 2011. In 2015, in line with the policy outlined in the 2014 Remuneration Report, when calculating STI outcomes the Board determined to exclude costs associated with the curtailment of the Suralco and Point Comfort alumina refineries and charges relating to the closure of the Anglesea power station on the basis that these decisions were consistent with the strategy to reposition AWAC's asset portfolio, and in the best long-term interest of shareholders. Further information outlining the Board's decision to exclude these items are outlined on page 53.

LONG TERM INCENTIVE	
2015 outcomes	In 2015, the 2013 LTI grant was tested, and the 2012 LTI grant was retested for the second (and final) time. (Note: retesting of LTI grants was abolished from 2014). Both tranches failed to meet the minimum vesting criteria against the ASX Comparator Group. However, partial vesting occurred for both tranches matched to the International Comparator Group. In line with Alumina's performance when compared with the comparator group, approximately 45 per cent of Performance Rights granted in 2012 and 49 per cent of 2013 Performance Rights vested to eligible participants. For further information on outcomes under the LTI see page 54. **International Comparator Group** In 2015, the International Comparator Group consisted of the following companies in the alumina and aluminium industry: • Alcoa Inc. • United Company Rusal • Noranda Aluminium Holdings • Century Aluminium • Aluminium Corporation of China • Norsk Hydro • Hindalco Industries Shandong Nanshan was omitted from the testing due to it ceasing to trade. The Compensation Committee undertook a rigorous review of the International Comparator Group in 2015 with a view to expanding the size of the group. While there was a change in the composition of the comparator group, due to the limited number of relevant companies against which to test on a like basis Alumina Limited's performance, the international comparator group continues to comprise eight companies. Further information can be found on page 54.

Equity Positions

As a result of the 2015 remuneration decisions and policy operation, all senior executives and the CEO continued to increase their equity holdings and exposures. Their equity positions are summarised in Tables on page 58 and 59.

2.1.2 REMUNERATION GOVERNANCE AND PROCESS

The ultimate responsibility for the Company's executive remuneration structure and outcomes rests with the Board of Directors.

The Board has delegated to the Compensation Committee the task of reviewing remuneration trends and developments and to propose remuneration strategies, policies and recommendations for the Board to consider.

The diagram on page 44 represents Alumina Limited's remuneration governance framework.

Remuneration Consultants

The Compensation Committee has the authority to seek advice from independent remuneration consultants on matters relating to remuneration including developing and implementing executive remuneration strategies, associated statutory obligations and the quantum of remuneration.

Alumina Limited has established protocols for the engagement of remuneration consultants and the processes to be followed regarding recommendations. Relevant executives are trained on an annual basis to ensure they understand the procedures.

In seeking remuneration advice from consultants, the Compensation Committee ensures that the advice is free from undue influence by:

- selecting the consultant
- briefing the consultant
- receiving the report directly from the consultant rather than via Company executives
- the consultant declaring that a remuneration recommendation is free from undue influence by the Key Management Personnel to whom it relates.

In 2015, no remuneration recommendation, as defined in the Corporations Act, was received.

ALUMINA LIMITED'S REMUNERATION GOVERNANCE FRAMEWORK

THE BOARD OF DIRECTORS

Reviews and approves the Charter of the Compensation Committee. The Board approves the remuneration philosophy, policies and practices.

COMPENSATION COMMITTEE

Delegated authority to:

- Take advice from management and where relevant, independent advisers.
- Devise a remuneration framework, strategy, policies and practices.
- Oversee the implementation of the remuneration strategy and policy.
- Establish appropriate performance objectives and measures.
- Monitor performance against objectives and recommend incentive awards.
- Approves remuneration outcomes.

EXTERNAL CONSULTANTS

- Provide independent advice on remuneration trends and practices.
- Provide benchmarking data and analysis.
- Support the Compensation Committee in relation to changes to remuneration policy, employment contracts, structures and practices etc.
- Provide governance and legal advice on remuneration related matters.

MANAGEMENT

- Provides the Compensation Committee with information to assist in its remuneration decisions including remuneration recommendations.

The Compensation Committee is solely formed of Non-Executive Directors and is chaired by Ms Emma Stein.

The duties and responsibilities delegated to the Compensation Committee by the Board are set out in the Compensation Committee's Charter, which is available on the Company's website at www.aluminalimited.com/compensation-committee.

2.1.3 OTHER REMUNERATION MATTERS

Superannuation

All Alumina Limited employees are members of a fund of their choice. Contributions are funded at the Superannuation Guarantee Contributions (SGC) rate, currently 9.5 per cent of an employee's fixed annual remuneration. Alumina Limited contributes 9.5 per cent of employees' salary up to the maximum superannuation contributions base, which is linked to each individual's earnings. The maximum contributions base is an annual income of approximately $203,240 (2015–2016).

Clawback Policy

In 2014 the Board adopted a Clawback Policy that provides scope for the Board to recoup incentive remuneration paid to the CEO and senior executives where:

- material misrepresentation or material restatement of Alumina Limited's financial statements occurred as a result of fraud or misconduct by the CEO or any senior executives; and
- the CEO or senior executives received incentive remuneration in excess of that which should have been received if the Alumina Limited financial statements had been correctly reported.

To the extent permitted by law, the Board will seek to recoup incentive remuneration, in all appropriate cases, paid (or in the case of equity-based compensation, which vested) to the CEO or any senior executives on or after the effective date of the clawback Policy if and to the extent that, in the case of equity awards that vested based on the achievement of financial results that were subsequently reduced due to a restatement, the Board also may seek to recover gains from the sale or disposition of vested shares. In addition, the Board may to the extent it considers appropriate, determine to cancel unvested equity awards in circumstances where the Board or the Compensation Committee took into account the financial performance of the Company at the time of granting such awards and where the financial results were subsequently reduced due to a restatement.

Share Trading and Hedging Prohibitions

Performance Rights granted under Alumina Limited's LTI provisions must remain at risk until fully vested. This is consistent with Alumina Limited's Share Trading Policy that prohibits Directors and employees from engaging in:

- short-term trading of any Alumina Limited securities
- buying or selling Alumina Limited securities if they possess unpublished, price-sensitive information or
- trading in derivative products over the Company's securities, or entering into transactions in products that limit the economic risk of their security holdings in the Company.

OPTION PLANS

Alumina Limited does not have any option plans available to Non-Executive Directors, executives and senior managers (including Executive Directors) other than Performance Rights granted to the CEO and senior executives under the Employee Share Plan (ESP).

2.2 SENIOR EXECUTIVE REMUNERATION

This section outlines how the STI and LTI 'at risk' components of executive remuneration operate and the outcomes against these plans.

2015	KEY FEATURES OF THE STI PLAN	KEY FEATURES OF THE LTI PLAN
Description and Performance Period	• The Board sets financial and non-financial performance objectives at the start of each year, and company and executive performance is then assessed against each objective at the end of each year to determine whether executives receive payment under the STI plan. • The STI is delivered in cash for the CEO and Mr Wood, and cash and equity for all other executives.	The LTI is delivered in the form of Performance Rights that are tested over a three year performance period (in the case of Performance Rights issued prior to 2014, the Performance Rights are also subject to two further tests at six months and 12 months after the initial test (refer below)). Each Performance Right results in delivery to the holder of an ordinary share in Alumina Limited upon vesting (for Performance Rights granted prior to 2016) or upon vesting and exercise (for Performance Rights granted from 2016).
STI component value	• The CEO had the opportunity to earn 30 per cent of FAR with a maximum benefit of up to $414,000 in 2015 (with the discretion to be adjusted annually). • For Mr Thiris and Mr Foster the maximum is 70 per cent of FAR and 50 per cent for Mr Wood.	• The CEO's Performance Right entitlement is limited to a maximum benefit of up to $414,000 in 2015 (with the discretion to be adjusted annually) equivalent in Alumina Limited shares (valued at grant date approximately 30 per cent of FAR). • For Mr Thiris and Mr Foster the maximum is 40 per cent of FAR and 30 per cent for Mr Wood. The annual dollar LTI grant is divided by the average Company share price over the 20 trading days leading up to the time that the Board determined to make offers of Performance Rights to senior executives under the ESP for the relevant year, in order to determine the number of Performance Rights to be offered.

2015	KEY FEATURES OF THE STI PLAN	KEY FEATURES OF THE LTI PLAN
Performance hurdles	• Prior to the commencement of each year, the Board establishes a scorecard comprising of corporate (50 per cent) and personal (50 per cent) objectives focused on key financial outcomes for the year ahead together with critical initiatives, issues and projects (which could be at the asset, joint venture or industry level). The required performance against each objective is set against a specific quantifiable metric or a specific minimum milestone (e.g. agreement to the initiative by the joint venture and delivery of a detailed assessment of options). • The Board is responsible for approving the scorecard. Through the year, as part of a suite of reporting, the CEO presents updates on progress against the scorecard. Details of the Corporate and Personal scorecards are set out on page 52 and 53.	• Alumina Limited's performance is tested using relative TSR compared against two Comparator Groups. Relative TSR was chosen as a performance measure as an appropriate means of measuring Company performance as it incorporates both capital growth and dividends. The two comparator groups against which Alumina's performance is tested are: **(Test 1 – ASX Comparator Group)** S&P ASX 100 Index companies excluding the Company, the top 20 companies by market capitalisation and property trusts. This test is applied to 50 per cent of the award. The ASX Comparator Group was developed in order to measure Alumina Limited's performance with reference to companies which are alternative investments (in the Australian context) for the Company's shareholders; and **(Test 2 – International Comparator Group)** eight selected companies in the alumina and/or aluminium industries that are listed in Australia or overseas, excluding the Company. This test is applied to 50 per cent of the award. The International Comparator Group comprises companies that reflect Alumina Limited's direct competitors in the market and operate in the alumina and/or aluminium industries. The Compensation Committee reviewed the constituents of the International Comparator Group in 2015, for a discussion of this refer to page 54.

<table>
<tr><th>2015</th><th>KEY FEATURES OF THE STI PLAN</th><th>KEY FEATURES OF THE LTI PLAN</th></tr>
<tr><td>Performance assessment</td><td>At the end of the year, for each individual, the Compensation Committee reviews performance against the scorecard. In making its assessment, the Committee considers actual performance results as well as internal and external factors that may have contributed to the results. The Compensation Committee receives a report from the CEO detailing:
financial targets, actual performance and underlying assumptions.
key activities underpinning each non-financial objective.
actual performance outcomes.
management commentary around key factors and management decisions leading to performance outcomes.
individual performance objectives and indicative performance.
In determining its recommendations to the board on the level of STI payments, the Compensation Committee decides and, through discussion, tests:
what weighting to apply to the individual scorecard components, weighting more highly those that had the potential to significantly impact shareholder value.
whether each individual element was achieved, in which case this is likely to result in a “target” rating for that element.
if an element was achieved and surpassed, whether it was sufficiently demanding or created sufficient additional value to warrant an above target rating and if so, by how much.
if an element was not achieved, whether and for what reason a positive rating is given, otherwise likely to be zero.
Given the nature of the building blocks to the Alumina Limited STI scheme, a simple distinction between threshold, at target and stretch performance is not always apparent, especially at the beginning of the year. But in making its assessments as described above, the Compensation Committee is focused on a scheme which is sufficiently demanding and rewards hard-won achievements by executives.</td><td>Performance hurdles are independently measured by Mercer Consulting (Australia) at the conclusion of the relevant performance period. Alumina Limited’s TSR is ranked against the TSR of companies in each of the comparator groups.
If Alumina Limited’s TSR is:
less than the TSR of the company at the 50th percentile of the relevant comparator group, ranked by TSR performance —0 per cent of the Performance Rights in each relevant tranche will vest.
equal to the TSR of the company at the 50th percentile of the relevant comparator group, ranked by TSR performance* — 50 per cent of the Performance Rights in each relevant tranche will vest.
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 of the Performance Rights in each relevant tranche will vest.
* If Alumina Limited’s TSR performance is between that of the entities (or securities) at the median (i.e. the 50th percentile) and the 75th percentile of the ASX Comparator Group ranked by TSR performance, the number of Performance Rights in the relevant tranche that vests will increase from 50% by two percentage points for each percentage point by which the Company’s percentile ranking is higher than the 50th percentile.

** If the company’s TSR performance is equal to that of any entities (or securities) between the 50th percentile and the 75th percentile of the international comparator group ranked by TSR performance, the number of performance rights in the relevant tranche that vests will be equal to the vesting percentage assigned by the board to that company. If the company’s TSR performance is between that of any two such entities (or securities) in the international comparator group, the number of performance rights in the relevant tranche that vests will be determined on a pro-rata basis relative to the vesting percentages assigned by the board to those entities (or securities).</td></tr>
</table>

2015	KEY FEATURES OF THE STI PLAN	KEY FEATURES OF THE LTI PLAN
Retesting		• Retesting applies to Performance Rights issued prior to 2014. If less than 100 per cent of Performance Rights vest when initially tested at the end of the three year performance period, two further retests apply, six months and 12 months after the initial test. Any Performance Rights that do not vest after the second retest will lapse. • The Compensation Committee abolished retesting in respect of Performance Rights issued from 2014 onwards, following a review in 2013.

2015	KEY FEATURES OF THE STI PLAN	KEY FEATURES OF THE LTI PLAN
Entitlements and benefits		• There is no entitlement to dividends, bonus issues or other benefits payable until the relevant performance conditions applicable to Performance Rights are satisfied (or waived) and the Performance Rights vest (and, in the case Performance Rights granted from 2016, are exercised). • If the Performance Rights or a portion of the Performance Rights vest, the participant is entitled to proportionally receive, all dividends and other distributions, bonus issues or other benefits payable to the Trustee in respect of the shares allocated upon such vesting (or, in the case of Performance Rights granted from 2016, upon vesting and exercise). • For Performance Rights granted from 2014, under certain circumstances involving a change of control event (see 'Change of Control' section below) or cessation of employment, the Board has the discretion to determine that an amount (Cash Settlement Amount) will be paid in respect of Performance Rights that vest, instead of Shares being allocated. • For Performance Rights granted from 2016, shares are not automatically allocated upon vesting. Instead, participants are entitled to exercise each relevant Performance Right at any time during the applicable exercise period (Exercise Period) after vesting. The Exercise Period will generally end seven years after vesting of the relevant Performance Rights. However, the Exercise Period may be shortened in certain circumstances such as cessation of employment or a change of control event. Performance Rights that do not vest as at the end of the vesting period will lapse. • If the Company conducts a rights issue, the Board may in its discretion determine to offer an additional number of Performance Rights to participants, or to otherwise adjust the number of Performance Rights held by the participant at the time. Unless the Board determines otherwise, any such new or additional Performance Rights will be subject to the same terms and conditions as the original Performance Rights held by the participant.

2015	KEY FEATURES OF THE STI PLAN	KEY FEATURES OF THE LTI PLAN
Cessation of employment		• For Performance Rights granted prior to 2014, unvested Performance Rights will lapse unless, in the case of death, total and permanent disablement, redundancy or retirement, the Board determines otherwise. • For Performance Rights granted from 2014, on cessation of employment prior to Performance Rights vesting, except to the extent that the Board otherwise determines in its absolute discretion within 20 business days after employment ceasing, a pro rata number of unvested Performance Rights will lapse. The number of unvested Performance Rights that lapse will be proportional to the amount of the testing period that has not yet elapsed at the time of employment ceasing. In these circumstances, the Board also has discretion under the ESP rules to determine, within two months of employment ceasing, that any of the remaining unvested Performance Rights are forfeited.
Change of Control		• In the event of a change in control, the Board may bring forward the testing date for the performance conditions, or waive those conditions, and/or (in the case of Performance Rights granted from 2016) shorten the Exercise Period for Performance Rights that have already vested or that vest subsequently. The Board may also, in its discretion, determine that cash settlement amounts will be paid in respect of any vested Performance Rights. A change of control event will generally occur upon an entity acquiring unconditionally more than 50 per cent of the issued shares of the Company, or the Company being required, under a takeover bid or scheme of arrangement, to issue an aggregate number of shares greater than the number existing before the issue (i.e. a “reverse takeover”).

2.2.1 STI SCORECARD

For corporate objectives, minimum performance thresholds must be met for any STI payments to be made: Alumina Limited must not make a net loss after tax excluding significant items at the end of the financial year or must declare a dividend. In 2015 Alumina Limited achieved a profit even after significant items and declared and paid an interim and final dividend. An outline of the corporate objectives and the results achieved are set out in Table 4 (there are some matters relating to corporate objectives which are commercially sensitive and for that reason are not disclosed).

For personal objectives, individuals are assessed on their actual performance against annual individual commercial objectives agreed to at the beginning of the performance period. These personal objectives related to key areas of performance over which the individual had accountability and influence for the delivery of an outcome that is adding or protecting value for Alumina Limited. An outline of the personal objectives set and the results achieved are set out in Table 5 on page 53. For reasons of commercial sensitivity, some matters relating to personal objectives are not disclosed.

2.2.2 PERFORMANCE UNDER THE STI PLAN

Tables 4 and 5 below provide a summary assessment of performance against STI performance measures for 2015.

TABLE 4
Corporate Scorecard – 50% of Potential STI Award

SHORT-TERM DRIVERS	PERFORMANCE MEASURES	PERFORMANCE RESULT AND ASSESSMENT
Financial objectives, Cash flow (20% weighting)	Achieve 2015 cash flow distributions from AWAC in excess of minimums required under the joint venture agreement.	**At target** Distributions of US$106 million received during 2015.
Investment rating and gearing (5% weighting)	Maintain key financial metrics consistent with investment grade credit rating: (i) Funds from operations/debt >50% (ii) Debt / EBITDA<2 times	**Surpassed target** Funds from operations/total debt 85%. Full year forecast for Net debt/ EBITDA is 1.1 times.
Strategic objectives • improving long term cost curve positioning and options • preserving shareholder interests (20% weighting)	Demonstrable progress on WA Energy strategy: • Complete an energy evaluation • Establish a viable energy alternative • Complete pre-project planning for a coal based energy option by the end of 2015.	**Surpassed target** Influenced the successful completion of the Apache gas contract Study of energy options were undertaken however this ceased as a result of the Apache gas contract.
(10% weighting)	Develop a bauxite strategy to enhance the value of the resource position	**At target** Influenced the introduction of a strategy for external bauxite sales. Established relationships with potential third party purchasers.
(25% weighting)	Renegotiate joint venture sales agreement	**Surpassed target** Substantial progress in introducing API transfer pricing basis for AWAC's related party alumina sales.
(20% weighting)	Develop business strategy options.	**Not achieved** Project deferred.

TABLE 5

Personal objectives – 50% of potential STI award (The application of personal objectives vary for each executive)

PERFORMANCE MEASURES	PERFORMANCE RESULT ASSESSMENT
Resolve the pricing basis of certain contracts (weighting 10–15%)	Not achieved Partial agreement.
Hold Alumina Limited costs flat to 2014 (10% weighting)	At target Achieved
Analyse and recommend to the Board a method to distribute surplus franking credits (10–15% weighting)	Surpassed target Partially underwritten DRP implemented for the interim dividend.
Protect Alumina's rights during portfolio restructure (15% weighting)	At target Progressing according to Plan.
Resolve application of alumina production limit in Brazil for Alcoa (20% weighting)	At target Achieved.
Ensure AWAC asset sales do not disadvantage Alumina Limited (20–40% weighting)	Surpassed target Achieved.
Verify intercompany charges for AWAC and related party transactions with Alcoa (15% weighting)	Not achieved In progress.
Resolve the treatment of certain Alcoa Brazilian alumina tonnage (20–25% weighting)	Not achieved In progress.

Net (Loss)/Profit after tax excluding significant items

The Board established AWAC portfolio rationalisation as a priority for management. This requires management to engage closely and co-operatively with Alcoa regarding the execution of closures, curtailments, and divestments.

In 2015, restructuring of the AWAC asset portfolio continued with the curtailment of the Suralco alumina refinery in Suriname and the Point Comfort refinery in Texas resulting in combined equity accounted restructuring charges of US$122.7 million. Additional restructuring charges in relation to the closure of the Anglesea power station and asset write offs totalling US$24.6 million also contributed to a negative adjustment to profit. The curtailment of Suralco and the Point Comfort production were consistent with the strategy to reshape AWAC's asset portfolio by removing refining capacity that is not competitive and to improve AWAC's cost profile in the face of challenging market conditions.

In deciding whether it is appropriate to use adjusted earnings within the STI scheme, the board considers factors including:

- the rationale and circumstances causing the adjustment, or simply put, was it the right thing to do?
- the impact on shareholders.
- was the matter caused by error or poor judgement.
- was the matter within management's control (e.g. legacy matters).
- the Audit and Risk Committee's review of these matters.

2.2.3 LTI PLAN PERFORMANCE TESTING

In Decemer 2015, the Performance Rights granted in 2013 were tested (three year performance test) and the 2012 Performance Rights were retested for the second and final time. Although both tranches failed the performance test in relation to the ASX Comparator Group, they both exceeded the minimum vesting criteria of 50 per cent for the International Comparator Group. This resulted in a partial vesting of Performance Rights to eligible participants.

Retesting was abolished for Performance Rights grants from 2014 onwards.

TSR Performance Results for the years 2011 to 2015

	2015	2014	2013	2012	2011
Percentile ranking of TSR against ASX 100 Comparator Group	35[1] 48[2]	46	18	27	46
International Comparator Groups	67[3] 74[4]	38	30	33	43
Percentage of total remuneration relating to vested LTI[5]	15%	2%	8%	Nil	Nil

1 TSR percentile ranking of approximately 35 is applicable to Performance Rights granted in 2012 under the ESP against the ASX Comparator Group, performance period 12 December 2011 to 11 December 2015 (second retest), calculated on the average closing share price over the 20 trading days up to and including the start of the performance period, and on the average closing share price over the 20 trading days up to and including the end of the performance period.

2 TSR percentile ranking of approximately 48 is applicable to Performance Rights granted in 2013 under the ESP against the ASX Comparator Group, performance period 8 December 2012 to 7 December 2015, calculated on the average closing share price over the 20 trading days up to and including the start of the performance period, and on the average closing share price over the 20 trading days up to and including the end of the performance period.

3 TSR percentile ranking of approximately 67 is applicable to Performance Rights granted in 2012 under of the ESP against the International Comparator Group, performance period 12 December 2011 to 11 December 2015 (second retest), calculated on the average closing share price over the 20 trading days up to and including the start of the performance period, and on the average closing share price over the 20 trading days up to and including the end of the performance period. The testing of the 2012 International Comparator Group was against a comparator of seven aluminium or alumina companies listed on overseas exchanges.

4 TSR percentile ranking of approximately 74 is applicable to Performance Rights granted in 2013 under of the ESP against the International Comparator Group, performance period 8 December 2012 to 7 December 2015, calculated on the average closing share price over the 20 trading days up to and including the start of the performance period, and on the average closing share price over the 20 trading days up to and including the end of the performance period. The testing of the 2013 International Comparator Group was against a comparator group of seven aluminium or alumina companies listed on overseas exchanges.

5 Represents the average applicable to senior executives (excludes the CEO who did not receive vested Performance Rights in 2015).

2012 and 2013 LTI testing against the International Comparator Group

The International Comparator Group typically comprises eight companies. However in 2015 testing could only be measured against seven companies due to one company, Shandong Nanshan ceasing trading.

International Comparator Group – 2015 Review

In 2015 the composition of the International Comparator Group was reviewed by the Compensation Committee to assess the applicability of comparator group companies, with an intention to potentially broaden the number of industry specific companies within the group. The Compensation Committee is mindful of including a sufficient number of companies in the comparator group, while ensuring the companies selected are relevant in assessing Alumina Limited’s performance.

A number of companies were considered however their lack of free float or liquidity in their shares was an impediment. The Compensation Committee sought submissions from management and external consultants, and following rigorous consideration, agreed on an international comparator group for the aluminium industry. The approved comparator companies for the international comparator group from 2016 onwards is Alcoa Inc., South32 (new), Chalco, Hindalco Industries, Norsk Hydro, Yunnan Aluminium (new), Century Aluminium and China Hongqiao (new) (Shandong Nanshan has now been excluded on the basis that it has ceased trading).

2.3 EXECUTIVE KMP REMUNERATION AND EQUITY GRANTED IN 2015

The following tables contain the components that form the total statutory remuneration paid in 2015 to the Company's CEO and senior executives. Remuneration outcomes presented in Table 6 are prepared in accordance with relevant accounting standards.

TABLE 6
Chief Executive Officer's and Senior Executives Remuneration For The Year Ended 31 December 2015

		SHORT-TERM BENEFITS					POST-EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS			TOTAL REMUNERATION
KMP	YEAR	FAR[1]	STI[2]	Non-Monetary[3]	Other[4]	Total	Super-annuation[5]	FAR[1]	Performance rights[6]	Total	
Peter Wasow (CEO)	**2015**	**1,171,254**	**375,000**	**30,661**	**10,344**	**1,587,259**	**19,046**	**213,205**	**217,109**	**430,314**	**2,036,619**
	2014	1,131,721	300,000	28,120	129,516	1,589,357	18,279	122,222	125,240	247,462	1,855,098
Chris Thiris (CFO)	**2015**	**656,454**	**368,000**	**25,839**	**–**	**1,050,293**	**34,946**	**–**	**230,049**	**230,049**	**1,315,288**
	2014	638,021	344,000	23,368	–	1,005,389	29,979	–	168,690	168,690	1,204,058
Stephen Foster (General Counsel/ Company Secretary)	**2015**	**492,935**	**275,000**	**24,866**	**–**	**792,801**	**23,565**	**–**	**172,096**	**172,096**	**988,462**
	2014	476,739	255,000	22,105	–	753,844	22,261	–	161,748	161,748	937,853
Andrew Wood (Group Executive Strategy and Development)	**2015**	**345,454**	**108,000**	**11,045**	**–**	**464,499**	**19,046**	**–**	**68,698**	**68,698**	**552,243**
	2014	333,821	111,000	14,347	–	459,168	18,279	–	57,033	57,033	534,480
Total Executive remuneration	**2015**	**2,666,097**	**1,126,000**	**92,411**	**10,344**	**3,894,852**	**96,603**	**213,205**	**687,952**	**901,157**	**4,892,612**
	2014	2,580,302	1,010,000	87,940	129,516	3,807,758	88,798	122,222	512,711	634,933	4,531,489

1 Short-Term FAR is the total cost of salary, exclusive of superannuation. FAR for Mr Wasow includes a conditional rights share based payment that is amortised over an 18 month (conditional) period. In 2015, Mr Wasow received 114,930 conditional rights calculated by dividing the aggregate grant value of $207,000 by an independently determined Volume Weighted Average Price (VWAP) of $1.8011 per right. The grant date was 7 January 2015 with release date of 28 December 2017. The rights vest immediately after the 18 month (conditional) period and only then is Mr Wasow entitled to any benefits or entitlements attaching to the shares. While Mr Wasow is employed by the Company, and unless the Board otherwise determines, he may not dispose of or otherwise deal or purport to deal with any Shares transferred to him upon vesting of the Award, until (and including) the Release Date. In 2014, Mr Wasow was the recipient of 164,908 share rights at a VWAP of $1.2128. The grant date was 10 February 2014.

2 Short-term incentive payments reflect the cash value paid for the years ended 31 December 2015 and 31 December 2014.

3 Non-monetary benefits represent accrued long service leave and value of the car park.

4 Other short-term benefits include personal financial advice allowance and travel allowance. For 2014 it also includes relocation costs for Mr Wasow.

5 Superannuation contributions reflect the SGC payment.

6 In accordance with AASB 2, the value attributed to Performance Rights represents the amortisation for the reporting period of the value at grant date of all previously granted Performance Rights that have neither vested nor lapsed. The value at grant date is amortised over a three year period.

TABLE 7
2015 STI Outcomes

The following table indicates the actual value of STI paid to the CEO and senior executives and the percentage of total potential STI paid and forfeited by each executive.

KMP	YEAR	STI PAID	PERCENTAGE PAID	PERCENTAGE FORFEITED
Peter Wasow (CEO)	**2015**	**375,000**	**91%**	**9%**
	2014	300,000	75%	25%
Chris Thiris (CFO)	**2015**	**368,000**	**76%**	**24%**
	2014	344,000	74%	26%
Stephen Foster (General Counsel/Company Secretary)	**2015**	**275,000**	**76%**	**24%**
	2014	255,000	73%	27%
Andrew Wood (Group Executive Strategy and Development)	**2015**	**108,000**	**59%**	**41%**
	2014	111,000	63%	37%
Total Executive Remuneration	**2015**	**1,126,000**	**78%**	**22%**
	2014	1,010,000	73%	27%

The following Performance Rights were granted in January 2015: Chris Thiris 162,900, Stephen Foster 122,400 and Andrew Wood 64,400. Mr Wasow also received 243,900 Performance Rights as per his contract and approved by shareholders at the 2015 Annual General Meeting.

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

TABLE 7A

GRANT DATE	END OF PERFORMANCE PERIOD	VALUE PER PERFORMANCE RIGHT AT GRANT DATE[1] $
08/02/2013[2]	07/12/2015	0.875
10/02/2014[3]	06/12/2016	0.93
05/01/2015	11/12/2017	1.13

1 Value per Performance Right is independently calculated by Mercer Consulting (Australia) 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.

2 Performance Rights granted between 2009 and 2013 are subject to retesting six months and 12 months after the conclusion of the three year Performance Period should the Rights not completely vest at the end of the Performance Period. Any Rights that do not vest after the second retest will lapse. For Performance Rights granted under LTI in February 2012 and tested in December 2014 were subject to two further tests applied over a (four week period) six and 12 months after the initial test. The testing of those Performance Rights in 2015 resulted in approximately 45% of those Performance Rights being awarded, and 55% lapsing. For Performance Rights granted in February 2013 and tested in December 2015, 49% of these Performance Rights vested and the remainder are subject to retest in June 2016 and December 2016 (refer to Table 9 for detail on the outcome).

3 Retesting was abolished for the 2014 and subsequent Rights grants.

Set out below are the assumptions made for the Performance Rights granted on 5 January 2015:

Share price at valuation date	$1.825
Risk free rate	2.15%
Dividend yield	2.0%
Volatility	38%
Initial TSR	7.5%
Post-vesting withdrawal rate	Nil

TABLE 8
Value of Performance Rights For The Years Ended 31 December 2015 and 31 December 2014

2015		(A)	(B)	(C)	(D)	(E)
Director/Senior Executive	Year	Value granted Performance Rights $	Value vested Performance Rights $	Value lapsed Performance Rights $	Total Column Performance Rights A+B-C $	Value as proportion of remuneration %
Peter Wasow	**2015**	**275,607**	**–**	**–**	**275,607**	**13.58%**
	2014	375,720	–	–	375,720	20.29%
Chris Thiris[1]	**2015**	**184,077**	**163,991**	**–**	**348,068**	**26.46%**
	2014	251,007	–	–	251,007	20.85%
Stephen Foster	**2015**	**138,312**	**192,400**	**(59,204)**	**271,508**	**27.47%**
	2014	187,488	71,021	(89,194)	169,315	18.05%
Andrew Wood	**2015**	**72,772**	**67,831**	**(20,850)**	**119,753**	**21.68%**
	2014	66,123	23,454	(29,457)	60,120	11.25%

Table 8 shows the total value of any Performance Rights 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, multiplied by the number of Performance Rights granted during 2014 and 2015. Performance Rights were valued independently by Mercer Consulting (Australia) using the assumptions underlying the Black-Scholes methodology to produce a Monte Carlo simulation model that accommodates features associated with Alumina Limited's ESP such as exercise, lapsed and performance hurdles. The rights are those granted in 2014 and 2015.

(B) The value of Performance Rights vesting is 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 value at grant date as calculated by Mercer Consulting (Australia) multiplied by the number of rights which have lapsed.

(D) The total value is the sum of the value of Performance Rights granted during 2015, plus the value of Performance Rights vested during 2015, less the value of Performance Rights that lapsed during 2015.

(E) Total value of Performance Rights expressed as a percentage of total remuneration.

1 Mr Thiris' first tranche of Performance Rights tested in 2015 that resulted in partial vesting, are subject to retest in 2016, hence he did not have any lapsed Performance Rights in 2015.

TABLE 9
Senior Executive – Number of Performance Rights for the Years Ended 31 December 2015 and 31 December 2014

	YEAR	BALANCE AT 1 JANUARY[1]	NUMBER GRANTED DURING THE YEAR AS REMUNERATION[2]	NUMBER VESTED DURING THE YEAR	NUMBER LAPSED DURING THE YEAR[3]	NUMBER EXERCISED DURING THE YEAR	BALANCE AT 31 DECEMBER
CEO							
Peter Wasow	**2015**	**404,000**	**243,900**	**–**	**–**	**–**	**647,900**
	2014	–	404,000	–	–	–	404,000
Senior Executives							
Chris Thiris[4]	**2015**	**561,400**	**162,900**	**(143,224)**	**–**	**–**	**581,076**
	2014	291,500	269,900	–	–	–	561,400
Stephen Foster	**2015**	**555,600**	**122,400**	**(168,035)**	**(75,228)**	**–**	**434,737**
	2014	440,600	201,600	(42,662)	(43,938)	–	555,600
Andrew Wood	**2015**	**195,900**	**64,400**	**(59,241)**	**(26,493)**	**–**	**174,566**
	2014	153,400	71,100	(14,089)	(14,511)	–	195,900

1 Includes the number of Performance Rights granted that were subject to testing in 2015 but not yet vested.

2 Performance Rights granted in January 2015 for the three year performance test period concluding in December 2017.

3 Performance Rights granted under ESP in February 2012 and tested in December 2014 were subject to two further tests applied at six and 12 months after the initial test (over a four week testing period). The testing of those Performance Rights in 2015 resulted in approximately 45% of those Performance Rights being awarded, and 55% lapsing. For Performance Rights granted in February 2013 and tested in December 2015, 49% of these Performance Rights vested and the remainder are subject to retest in June 2016 and December 2016.

4 Mr Thiris first tranche of Performance Rights tested in 2015 that resulted in partial vesting, are subject to retest in 2016, hence he did not have any lapsed Performance Rights in 2015.

TABLE 10
Details of Performance Rights Granted as Remuneration

		RIGHTS NUMBER[1]	DATE OF GRANT	% VESTED IN 2015	% FORFEITED IN 2015	PERFORMANCE RIGHTS YET TO VEST	FINANCIAL YEAR IN WHICH GRANTS MAY VEST[6]	VALUE OF RIGHTS OUTSTANDING 31/12/15[7] $MIN[2]	$MAX[3]
CEO									
Peter Wasow	**2015**	**243,900**	**Jan–15[4]**	**–**	**–**	**243,900**	**2017**	**–**	**275,607**
	2014	404,000	Feb–14[4]	–	–	404,000	2016	–	375,720
Senior Executives									
Chris Thiris[5]	**2015**	**162,900**	**Jan–15**	**–**	**–**	**162,900**	**2017**	**–**	**184,077**
	2014	269,900	Feb–14	–	–	269,900	2016	–	251,007
	2013	291,500	Feb–13	49.13	–	148,276	2015	–	129,742
Stephen Foster	**2015**	**122,400**	**Jan–15**	**–**	**–**	**122,400**	**2017**	**–**	**138,312**
	2014	201,600	Feb–14	–	–	201,600	2016	–	187,488
	2013	217,700	Feb–13	49.13	–	110,737	2015	–	96,895
	2012	136,300	Mar–12	44.81	55.19	–	2014	–	–
Andrew Wood	**2015**	**64,400**	**Jan–15**	**–**	**–**	**64,400**	**2017**	**–**	**72,772**
	2014	71,100	Feb–14	–	–	71,100	2016	–	66,123
	2013	76,800	Feb–13	49.13	–	39,066	2015	–	34,183
	2012	48,000	Mar–12	44.81	55.19	–	2014	–	–

1 The terms of Performance Rights granted to Mr Thiris, Mr Foster and Mr Wood were not altered during 2015. Mr Wasow's LTI entitlement had a ceiling of $414,000 in 2015 otherwise the Performance Rights conditions applicable to his grant are substantially the same as the other senior executives.

2 The minimum value of the grant is $nil if the performance conditions are not met.

3 The maximum value has been calculated by reference to valuations determined on the basis as outlined in Note 1 in Table 7a on page 56.

4 Mr Wasow's Performance grants were granted subject to shareholder approval at the relevant Annual General Meetings held in the May of the year in which they were granted.

5 Mr Thiris was appointed Chief Financial Officer in December 2011. The LTI incentive was not applicable for his service in 2011.

6 Performance Rights granted before 2014 that do not vest at the conclusion of their three year testing period are subject to retesting six and 12 months after the initial test. For Performance Rights granted in 2014 and onwards, there is no retesting. Following testing, any Performance Rights that do not vest are forfeited.

7 This shows the fair value of the Performance Rights at grant date. Refer to Tables 6 for amounts expensed in accordance with AASB 2.

SENIOR EXECUTIVE SHAREHOLDING

TABLE 11
Senior Executive Shareholdings for the Years Ended 31 December 2015 and 31 December 2014

		BALANCE OF SHARES AS AT 1 JANUARY[1]	SHARES ACQUIRED DURING THE YEAR UNDER EMPLOYEE SHARE PLAN[2]	OTHER SHARES ACQUIRED DURING THE YEAR	SHARES SOLD DURING THE YEAR	BALANCE OF SHARES HELD AT 31 DECEMBER
Peter Wasow	**2015**	**50,000**	**–**	**164,908**	**–**	**214,908**
	2014	50,000	–	–	–	50,000
Chris Thiris	**2015**	**69,500**	**143,224**	**50,500**	**–**	**263,224**
	2014	40,000	–	29,500	–	69,500
Stephen Foster	**2015**	**346,304**	**168,035**	**37,503**	**(40,000)**	**511,842**
	2014	281,795	42,662	21,847	–	346,304
Andrew Wood	**2015**	**51,769**	**59,241**	**–**	**–**	**111,010**
	2014	37,680	14,089	–	–	51,769

1 Balance of shares held at 1 January and 31 December of the respective years include directly held, and nominally held shares, and shares held by personally related entities.

2 Includes vested 2012 Performance Rights that were tested in June 2015 and December 2015 and 2013 Performance Rights that were tested in December 2015.

2.3.1 EXECUTIVES' SERVICE AGREEMENTS

Remuneration and other terms of employment for executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the Board's discretion. On cessation of employment, all executives are entitled to a pro-rata payment of long service leave (after three or more years of continuous service) and accrued annual leave.

In addition, Mr Wasow is entitled to obtain personal financial advice up to a maximum of $3,000 per annum and receive an additional 10 days of paid leave for each completed year of service.

Major provisions of the agreements relating to remuneration are set out below.

Termination benefits are within the limits set by the *Corporations Act 2001* (Cth) such that they do not require shareholder approval.

TERM OF AGREEMENT AND NOTICE PERIOD	TERMINATION PAYMENTS[1]
Peter Wasow	
No fixed term 12 month written notice from either party. Mr Wasow's employment may be terminated immediately for any conduct that would justify summary dismissal.	• A severance payment of 2.5 weeks per complete year of service, pro-rated for completed months of service. • 13 weeks ex gratia payment. • Number of shares equal to the granted conditional rights that would have vested during notice period. • Company may make a discretionary payment in lieu of some or all of the notice period. • If the Board determines that he is a good leaver, any unvested conditional share rights that have been granted and would have vested had he remained in employment during any period for which he is paid in lieu of notice, will immediately vest and the applicable shares will be transferred to him upon termination. • If the Board determine that his status is not that of a good leaver, the shares received on vesting may be subject to immediate forfeiture.
Chris Thiris and Stephen Foster	
No fixed term Six month notice from the Company, three month from Mr Thiris	• An additional payment which is the greater of: » A payment equivalent to six months Base Remuneration; or » A payment comprising: › Notice payment (the greater of 12 weeks or notice provided within employment contract). › severance payment of 2.5 weeks per complete year of service, pro-rated for completed months of service; and › nine weeks ex gratia payment.
Andrew Wood	
No fixed term, Four month notice from the Company, two month from Mr Wood	• An additional payment which is the greater of: » A payment equivalent to six months Base Remuneration; or » A payment comprising: › Notice payment (the greater of 12 weeks or notice provided within employment contract). › severance payment of 2.5 weeks per complete year of service, pro-rated for completed months of service; and › six weeks ex gratia payment.

1 Payable upon termination with notice and without the cause (eg for reasons other than unsatisfactory performance) and suitable alternative employment is not offered or if they do not accept other employment or in the event of a significant change (which is defined to be if Alumina Limited ceases to be listed on the ASX or if there is a significant change to the executives status and/or responsibilities that is detrimental to the executive). Calculated according to the "Base Remuneration", which is defined as FAR for Mr Wasow; and FAR + STI at target for Mr Thiris, Mr Foster and Mr Wood. The above termination entitlements are subject to any restrictions imposed by the Corporations Act.

3. NON-EXECUTIVE DIRECTORS REMUNERATION

The maximum remuneration for Non-Executive Directors is determined by resolution of shareholders. As approved at the 2011 AGM, the maximum aggregate remuneration approved for Non-Executive Directors is currently $1,250,000 per annum. A total of $1,116,249 was paid in Non-Executive Director fees in 2015.

In 2015 Non-Executive Director's base fees remained unchanged from the fee level set in 2011. In addition to the base fee, Non-Executive Directors receive fees for participation on the Board Committees and Superannuation Guarantee Contributions.

Committee Member	$10,000 (aggregate)
Compensation Committee Chair[1]	$15,000
Audit & Risk Committee Chair	$15,000
Other Committee Chair	$10,000

1 Effective from 1 January 2015, the Chair of the Compensation Committee receives an additional $5,000 in recognition of the increased workload.

Non-Executive Directors participation on Board Committees is set out on page 15.

Non-Executive Directors do not receive any other retirement benefits or performance based incentives, rights or options.

The Board reviewed Non-Executive Directors' fees and determined in the context of business conditions that there would be no increase for the 2016 year.

3.1 REMUNERATION OUTCOMES

Non-Executive Directors' remuneration details are set out below in Table 13.

TABLE 13

		SHORT-TERM BENEFITS		POST EMPLOYMENT	
		FEES – CASH	NON-MONETARY BENEFITS	SUPERANNUATION GUARANTEE[1]	TOTAL REMUNERATION
John Pizzey	**2015**	**357,425**	**–**	**19,045**	**376,470**
	2014	358,191	–	18,279	376,470
Emma Stein	**2015**	**174,174**	**–**	**16,576**	**190,750**
	2014	169,395	–	15,905	185,300
Chen Zeng	**2015**	**159,430**	**–**	**14,969**	**174,399**
	2014	159,430	–	14,969	174,399
Peter Day	**2015**	**174,174**	**–**	**16,576**	**190,750**
	2014	174,359	–	16,371	190,730
Mike Ferraro [2]	**2015**	**169,198**	**–**	**16,102**	**185,300**
	2014	151,059	–	14,210	165,269
Total	**2015**	**1,034,216**	**–**	**82,033**	**1,117,670**
	2014	1,012,434	–	79,734	1,092,168

1 Non-Executive Directors receive, in addition to their fees, a SGC. For 2014, this was initially 9.25 per cent (and adjusted to 9.5 per cent. in July 2014). For 2015, the applicable rate was 9.5 per cent.). Non-Executive Directors do not receive any other retirement benefits.
2 Mr Ferraro's increase in the value of remuneration from 2014 was the combination of Mr Ferraro being appointed Chair of the Nomination Committee in 2015 and his 2014 remuneration relates only to an 11 month period (Mr Ferraro was appointed a Non-Executive Director in February 2014).

3.2 NON–EXECUTIVE DIRECTOR SHARE HOLDINGS

Each Non-Executive Director is required to hold shares in the Company having a value at least equal to 50 per cent of their annual fees at the expiry of five years from appointment as directors. The requirement is satisfied when shares are acquired or by the expiry of the five year term.

TABLE 14
Non–Executive Director Shareholdings for the Years Ended 31 December 2015 and 31 December 2014

		BALANCE OF SHARES AS AT 1 JANUARY[1]	OTHER SHARES ACQUIRED DURING THE YEAR	BALANCE OF SHARES HELD AT 31 DECEMBER
John Pizzey	**2015**	**65,445**	**–**	**65,445**
	2014	65,445	–	65,445
Emma Stein[2]	**2015**	**58,408**	**17,400**	**75,808**
	2014	39,781	18,627	58,408
Chen Zeng[3]	**2015**	**4,804**	**–**	**4,804**
	2014	4,804	–	4,804
Peter Day[4]	**2015**	**54,800**	**20,920**	**75,720**
	2014	–	54,800	54,800
Mike Ferraro[5]	**2015**	**–**	**25,000**	**25,000**
	2014	–	–	–

1 Balance of shares held at 1 January and 31 December of the respective years include directly held shares, nominally held shares, and shares held by personally related entities.

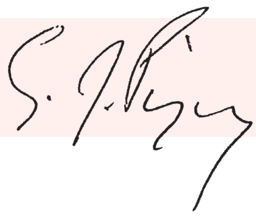
2 Ms Stein purchased 17,400 shares directly in her name.

3 Mr Zeng is a nominee of CITIC and CITIC holds 525,789,531 ordinary shares in Alumina Limited.

4 Mr Day purchased 20,920 shares directly in his name.

5 Mr Ferraro purchased 25,000 shares indirectly via the trustee company of the Ferraro Super Fund, of which Mr Ferraro is a beneficiary.

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



GJ PIZZEY
Chairman

15 March 2016

Financial Report

The financial report covers the consolidated entity consisting of Alumina Limited (the Company) and its subsidiaries. The financial report is presented in US dollars.

Alumina Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is: Alumina Limited, Level 12, IBM Centre, 60 City Road, Southbank Victoria 3006.

A description of the nature of the consolidated entity's operations and its principal activities is included in the operating and financial review on pages 18–31 of the annual report. The operating and financial review is not part of this financial report.

The financial report was authorised for issue by the Directors on 15 March 2016.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Investor Centre on our website: *www.aluminalimited.com*.

CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	US$ MILLION	
		2015	2014
Revenue from continuing operations		0.1	0.1
Share of net profit/(loss) of associates accounted for using the equity method	2(c)	109.9	(73.6)
Other income		–	1.5
General and administrative expenses	7(a)	(11.9)	(13.5)
Change in fair value of derivatives/foreign exchange losses		(3.2)	1.6
Finance costs	7(b)	(6.6)	(13.6)
Profit/(loss) before income tax		**88.3**	**(97.5)**
Income tax expense	8	–	(0.8)
Profit/(loss) for the year attributable to the owners of Alumina Limited		**88.3**	**(98.3)**
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Share of reserve movements accounted for using the equity method		(0.7)	(0.6)
Foreign exchange translation difference	9(c)	(452.2)	(224.6)
Items that will not be reclassified to profit or loss			
Re-measurements of retirement benefit obligations accounted for using the equity method	9(b)	32.0	(46.6)
Other comprehensive loss for the year, net of tax		**(420.9)**	**(271.8)**
Total comprehensive loss for the year attributable to the owners of Alumina Limited		**(332.6)**	**(370.1)**
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9(a)	**3.1¢**	**(3.5¢)**
Diluted earnings per share	9(a)	**3.1¢**	**(3.5¢)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	NOTES	US$ MILLION	
		2015	2014
CURRENT ASSETS			
Cash and cash equivalents	4(a)	9.3	24.9
Receivables		–	0.2
Other assets		3.3	3.5
Total current assets		**12.6**	**28.6**
NON-CURRENT ASSETS			
Investments in associates	2(c)	2,098.0	2,514.5
Property, plant and equipment		0.1	0.1
Total non-current assets		**2,098.1**	**2,514.6**
TOTAL ASSETS		**2,110.7**	**2,543.2**
CURRENT LIABILITIES			
Payables		1.7	1.9
Provisions		0.2	0.2
Current tax liabilities		–	0.8
Other		0.2	0.2
Total current liabilities		**2.1**	**3.1**
NON-CURRENT LIABILITIES			
Borrowings	4(b)	110.5	111.5
Derivative financial instruments	4(c)	14.7	4.1
Provisions		0.5	0.5
Total non-current liabilities		**125.7**	**116.1**
TOTAL LIABILITIES		**127.8**	**119.2**
NET ASSETS		**1,982.9**	**2,424.0**
EQUITY			
Contributed equity	9(a)	2,682.9	2,620.0
Treasury shares	9(a)	(1.4)	(1.2)
Retained earnings	9(b)	607.3	658.2
Reserves	9(c)	(1,305.9)	(853.0)
TOTAL EQUITY		**1,982.9**	**2,424.0**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	US$ MILLION			
		Contributed Equity[1]	Reserves	Retained Earnings	Total
Balance as at 1 January 2014		**2,618.7**	**(628.4)**	**803.1**	**2,793.4**
Loss for the year		–	–	(98.3)	(98.3)
Other comprehensive loss for the year		–	(225.2)	(46.6)	(271.8)
Transactions with owners in their capacity as owners:					
Movement in treasury shares	9(a)	0.1	–	–	0.1
Movement in share based payments reserve		–	0.6	–	0.6
Balance as at 31 December 2014		**2,618.8**	**(853.0)**	**658.2**	**2,424.0**
Balance as at 1 January 2015		**2,618.8**	**(853.0)**	**658.2**	**2,424.0**
Profit for the year		–	–	88.3	88.3
Other comprehensive (loss)/income for the year		–	(452.9)	32.0	(420.9)
Transactions with owners in their capacity as owners:					
Dividends paid		–	–	(171.2)	(171.2)
Dividend reinvestment plan	9(a)	62.9	–	–	62.9
Movement in treasury shares	9(a)	(0.2)	–	–	(0.2)
Balance at 31 December 2015		**2,681.5**	**(1,305.9)**	**607.3**	**1,982.9**

[1] Treasury shares have been deducted from contributed equity.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	US$ MILLION	
		2015	2014
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(12.1)	(15.0)
GST refund received		0.4	0.5
Dividends received from associates		61.4	16.0
Distributions received from associates		1.5	4.3
Interest received		–	0.1
Finance costs		(8.4)	(12.5)
Interest paid under cross currency interest rate swap		(3.3)	–
Interest received under cross currency interest rate swap		5.2	–
Other		(1.1)	(1.0)
Net cash inflow/(outflow) from operating activities	10(a)	**43.6**	**(7.6)**
Cash flows from investing activities			
Payments for investment in associates		(2.4)	(41.5)
Return of capital from associates		43.4	98.9
Net cash inflow from investing activities	2(c)	**41.0**	**57.4**
Cash flows from financing activities			
Proceeds from note issue		–	107.1
Repayment on termination of cross currency interest rate swap	5(a)	–	(6.9)
Proceeds from borrowings		110.0	55.0
Repayment of borrowings		(100.0)	(202.6)
Dividends paid		(108.2)	–
Net cash outflow from financing activities		**(98.2)**	**(47.4)**
Net (decrease)/increase in cash and cash equivalents		**(13.6)**	**2.4**
Cash and cash equivalents at the beginning of the financial year		24.9	24.0
Effects of exchange rate changes on cash and cash equivalents		(2.0)	(1.5)
Cash and cash equivalents at the end of the financial year	4(a)	**9.3**	**24.9**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

ABOUT THIS REPORT

Alumina Limited (Company or parent entity) is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Group for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 15 March 2016.

The consolidated financial report is a general purpose financial report which:

- incorporates assets, liabilities and results of operations of all of Alumina Limited's subsidiaries and equity accounts its associates. For the list of the Company's associates and subsidiaries refer Notes 2(a) and 3 respectively.
- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Alumina Limited is a for profit entity for the purpose of preparing the financial statements.
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.
- has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
- is presented in US dollars and all amounts are rounded off to the nearest hundred thousand dollars, unless otherwise stated, in accordance with Class Order 98/100 issued by the Australian Securities and Investment Commission.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are effective for the annual reporting period beginning 1 January 2015.
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.
- presents reclassified comparative information where required for consistency with the current year's presentation.

THE NOTES TO THE FINANCIAL STATEMENTS

The notes include information, which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature.
- it is important for the understanding of the results of the Group.
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- *Group structure and AWAC performance:* explains the group structure and information about AWAC's financial position and performance and its impact on the Group.
- *Financial and capital risk:* provides information about the Group's financial assets and liabilities and discusses the Group's exposure to various financial risks and explains how these affect the Group's financial position and performance and what the Group does to manage these risks. It also describes capital management objectives and practices of the Group.
- *Key numbers:* provides a breakdown of individual line items in the financial statements that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items.
- *Other Information:* provides information on items, which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements. However, they are not considered critical in understanding the financial performance of the Group and are not immediately related to the individual line items in the financial statements.

ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the notes to the financial statements.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in US dollars, which is Alumina Limited's presentation and functional currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in other equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

ABOUT THIS REPORT (continued)

The results and financial position of the Group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- all resulting exchange differences are recognised in other comprehensive income.
- On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, its proportionate share of such exchange differences are reclassified to the profit or loss, as part of the gain or loss on sale.

GROUP STRUCTURE AND AWAC PERFORMANCE

1. SEGMENT INFORMATION

(a) Segment Description

Alumina Limited's sole business undertaking is in the global bauxite, alumina and aluminium industry, which it conducts primarily through bauxite mining and alumina refining. All of those business activities are conducted through its 40% investments in AWAC. Alumina Limited's equity interests in AWAC forms a reportable segment. Equity interest in AWAC is represented by investments in a number of entities in different geographical locations (refer Note 2(a)).

Alumina Limited participates in AWAC through the Strategic Council, which consists of three members appointed by Alcoa Inc and two members appointed by Alumina Limited.

(b) Geographical Segment Information

YEAR ENDED 31 DECEMBER 2015	US$ MILLION			
	Australia	Brazil	Other	Total
Investments in Associates	1,132.3	617.4	348.3	2,098.0
Other assets	12.0	0.4	0.3	12.7
Liabilities	(127.8)	–	–	(127.8)
Consolidated net assets	**1,016.5**	**617.8**	**348.6**	**1,982.9**

YEAR ENDED 31 DECEMBER 2014	US$ MILLION			
	Australia	Brazil	Other	Total
Investments in Associates	1,072.5	908.2	533.8	2,514.5
Other assets	27.2	0.7	0.8	28.7
Liabilities	(118.4)	–	(0.8)	(119.2)
Consolidated net assets	**981.3**	**908.9**	**533.8**	**2,424.0**

2. INVESTMENTS IN ASSOCIATES

(a) Alcoa World Alumina and Chemicals

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

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE OWNERSHIP	
			2015	2014
Alcoa of Australia Limited	Bauxite, alumina & aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina production	America	40	40
Alumina Espanola S.A.	Alumina production	Spain	40	40
Alcoa World Alumina Brasil Ltda.	Bauxite and alumina production	Brazil	40	40
AWA Saudi Ltda.	Bauxite and alumina production	Hong Kong	40	40
Enterprise Partnership	Finance lender	Australia	40	40

The audited combined financial statements of the entities forming AWAC are prepared in accordance with Accounting Principles Generally Accepted in the United States of America (US GAAP). Alcoa of Australia Limited and Enterprise Partnership (AWAC entities) further issue audited financial statements prepared in accordance with the requirements of the Corporation Act 2001, Australian Accounting Standards and interpretation issued by Australian Accounting Standards Board.

For the remaining AWAC entities, adjustments are made to convert the accounting policies under US GAAP to Australian Accounting Standards. The principal adjustments are to the valuation of inventories from last-in-first-out basis to a basis equivalent to weighted average cost, create an additional asset retirement obligation for dismantling, removal and restoration of certain refineries and differences in the recognition of actuarial gains and losses on certain defined benefit plans and the reversal of certain fixed asset uplifts included in Alcoa World Alumina Brasil Ltda.

In arriving at the value of these GAAP adjustments, Management is required to use accounting estimates and exercise judgement in applying the Group's accounting policies. The note below provides an overview of the areas that involved a higher degree of judgement or complexity.

(b) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Retirement benefit obligations

The Group recognised a net liability for retirement benefit obligations under the defined benefit superannuation arrangements through its investment in AWAC. All plans are valued in accordance with AASB 119 *Employee Benefits*. These valuations require actuarial assumptions to be made. All re-measurements are recognised in other comprehensive income.

Asset retirement obligations

The estimated costs of rehabilitating mined areas and restoring operating sites are reviewed annually and fully provided at the present value. The amount of obligations recognised under US GAAP by AWAC is adjusted to be in compliance with IFRS. This requires judgemental assumptions regarding the extent of reclamation activities required, plant and site closure and discount rates to determine the present value of these cash flows.

Carrying value of investment in associates

The Group assesses at each reporting period whether there is objective evidence that the investment in associates may be impaired by:

- Performing an impairment trigger assessment to consider whether indicators of impairment exist;
- Calculating the value in use of the investment in AWAC using a discounted cash flow model ("DCF model"); and
- Comparing the resulting value to the book value.

The key assumptions used in the DCF model to estimate future cash flows are those relating to future aluminium and alumina prices, energy prices and exchange rates. Key assumptions are determined with reference to industry participants and brokers' forecasts, commodity and currency forward curves, industry consultant views and brokers' consensus.

These cash flows are then discounted to net present value using the Company's weighted average cost of capital (WACC) of 9.5%.

Furthermore, a following sensitivity analysis (stress testing) is performed over the value in use calculations:

- Commodities (including aluminium, alumina, caustic, coal, oil and gas) price fluctuation plus or minus 10%. The AWAC future cash flows are more sensitive to the alumina price.
- Currency rate fluctuation plus or minus 10%.
- Increased discount rate (WACC).

2. INVESTMENTS IN ASSOCIATES (continued)

As a final check, the book value of the investment in associates is compared to Alumina Limited's market capitalisation and to major analysts' valuations.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

No impairment loss was recognised in the years ended 31 December 2015 and 31 December 2014.

(c) Summarised financial information for AWAC

The information disclosed in the tables below reflects the amounts presented in the AWAC financial statements amended to reflect adjustments made by Alumina Limited when using equity method, including adjustments for differences in accounting policies.

SUMMARISED BALANCE SHEET	US$ MILLION	
	2015	2014
Current assets	1,504.9	1,563.1
Non-current assets	5,643.0	6,834.4
Current liabilities	(1,311.6)	(1,407.5)
Non-current liabilities	(1,436.9)	(1,677.9)
Net assets	**4,399.4**	**5,312.1**
Group Share as a percentage	40%	40%
Group Share in dollars	1,759.7	2,124.9
Goodwill	175.8	175.8
Net value of mineral rights and bauxite assets	109.2	111.3
Deferred Tax Liability (DTL) on mineral rights and bauxite assets	(35.5)	(36.1)
Allocation of Alba settlement – *Note 2(d)*	88.8	138.6
Carrying value	**2,098.0**	**2,514.5**
Reconciliation to carrying amount:		
Opening carrying value 1 January	2,514.5	2,798.9
Net additional (return)/funding in AWAC entities	(41.0)	(57.4)
Allocation of Alba settlement – *Note 2(d)*	–	138.6
Profit/(loss) for the year	109.9	(73.6)
Other comprehensive loss for the year	(422.5)	(271.7)
Dividends and distributions paid	(62.9)	(20.3)
Closing net assets	**2,098.0**	**2,514.5**

SUMMARISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	US$ MILLION	
	2015	2014
Revenues	5,380.4	5,862.0
Profit/(loss) from continuing operation	278.5	(180.2)
Profit/(loss) for the year	**278.5**	**(180.2)**
Other comprehensive loss for the year	(1,052.3)	(679.5)
Total comprehensive loss for the year	**(773.8)**	**(859.7)**
Group Share of profit/(loss) for the year in percentage	40%	40%
Group Share of profit/(loss) for the year in dollars	111.4	(72.1)
Mineral rights and bauxite assets amortisation	(2.1)	(2.1)
Movement in DTL on mineral rights and bauxite assets	0.6	0.6
Share of profit/(loss) from associate accounted for using equity method	**109.9**	**(73.6)**
Dividends and distributions received from AWAC	**62.9**	**20.3**

2. INVESTMENTS IN ASSOCIATES (continued)

(d) Allocation of Alba settlement terms and related transactions

In September 2012, Alcoa Inc and Alumina Limited had entered into an allocation agreement that the cash costs (including legal fees) of settlement of the Department of Justice (DoJ) and Securities & Exchange Commission (SEC) investigations (reached in January 2014), as well as the $85 million civil settlement with Alba (reached in October 2012) recorded in the accounts of Alcoa World Alumina LLC (AWA), will be adjusted to ensure that 85% will be allocated to Alcoa Inc and 15% to Alumina Limited. AWA is a company within Alcoa World Alumina and Chemicals.

To reflect the provisions of the allocation agreement, as at 31 December 2013, Alumina Limited recognised $137.1 million (representing 25% of the total Alba settlement payments and costs) as other assets with the corresponding credit recognised in the statement of profit or loss as other income.

During 2014 it was resolved that the other assets recognised as at 31 December 2013 in relation to this matter will be recovered through Alcoa World Alumina LLC equity allocations to Alumina Limited, funded by Alcoa Inc. On this basis, the $137.1 million that was previously recognised in other assets has been reclassified to investments in associates.

In October 2014, Alumina Limited received the first equity allocation of $21.3 million which included an additional $1.5 million "true up" of the previously recognised amount. This additional amount was recognised as investment in associates with the corresponding credit recognised in the statement of profit or loss as other income. In January 2015, Alumina Limited received the second equity allocation of $28.5 million. The balance of $88.8 million of equity will be allocated over a three-year period with each 15th January instalment payment to the DoJ and SEC, with the last allocation due in January 2018. Alumina Limited's interest in AWA will remain at 40%.

(e) Commitments and contingent liabilities in respect of AWAC

St Croix proceedings

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

Glencore has demanded that St Croix Alumina LLC (SCA) and Alcoa World Alumina LLC (AWA), AWAC entities, indemnify Glencore from any losses incurred as a result of the Lockheed Action under the 19 July 1995 Acquisition Agreement (the 1995 Agreement) between Vialco and AWA pursuant to which SCA purchased the refinery from Vialco.

AWA has denied that it owes Glencore any such obligation of indemnity and has filed a declaratory judgement action in Delaware seeking clarification of its rights and obligations under the 1995 Agreement.

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

As previously reported, on 14 January 2010, Alcoa was served with a multi-plaintiff action complaint involving several thousand individual persons claimed to be residents of St. Croix who are alleged to have suffered personal injury or property damage from Hurricane Georges or winds blowing material from the SCA facility on the island of St. Croix (U.S. Virgin Islands) since the time of the hurricane. This complaint, Abednego, et al. v. Alcoa, et al. was filed in the Superior Court of the Virgin Islands, St. Croix Division. Following an unsuccessful attempt by Alcoa and SCA to remove the case to federal court, the case has been lodged in the Superior Court. The complaint names as defendants the same entities as were sued in a February 1999 action arising out of the impact of Hurricane Georges on the island and added as a defendant the current owner of the alumina facility property.

As previously reported, on 1 March 2012, Alcoa was served with a complaint involving approximately 200 individual persons alleging claims essentially identical to those set forth in the Abednego v. Alcoa complaint. This complaint, Abraham, et al. v. Alcoa, et al., was filed on behalf of plaintiffs previously dismissed in the federal court proceedings involving the original litigation over Hurricane Georges impacts. The matter was originally filed in the Superior Court of the Virgin Islands, St. Croix Division, on 30 March 2011.

Alcoa and other defendants in the Abraham and Abednego cases filed or renewed motions to dismiss each case in March 2012 and August 2012 following service of the Abraham complaint on Alcoa and remand of the Abednego compalint to Superior Court, respectively. By order dated 10 August 2015, the Superior Court dismissed plaintiffs' complaints without prejudice to re-file the complaints individually, rather than as a multi-plaintiff filing. The order also preserves the defendants' grounds for dismissal if new, individual complaints are filed.

On 5 June 2015, AWA and SCA filed a complaint in Delaware Chancery Court for a declatory judgment and injunctive relief to resolve a dispute between Alcoa and Glencore Ltd. (Glencore). The dispute arose from Glencore's demand that Alcoa indemnify it for liabilities it may have to pay to Lockheed Martin (Lockheed) related to the St. Croix alumina refinery. Lockheed had earlier filed suit against Glencore in federal court in New York seeking indemnity for liabilities it had incurred and would incur to the U.S. Virgin Islands to remediate certain properties at the refinery and claimed that Glencore was required by an earlier, 1989 purchase agreement to indemnify it. Glencore had demanded that Alcoa indemnify and defend it in the Lockheed case and threatened to claim against Alcoa in the New York action

2. INVESTMENTS IN ASSOCIATES (continued)

despite exclusive jurisdiction for resolution of disputes under the 1995 purchase agreement being in Delaware. After Glencore conceded that it was not seeking to add Alcoa to the New York action, AWA and SCA dismissed their complaint in the Chancery Court case and on 6 August 2015, filed a complaint for declaratory judgment in Delaware Superior Court. AWA and SCA filed a motion for judgment on the pleadings on 16 September 2015. Glencore answered AWA's and SCA's complaint and asserted counterclaims on 27 August 2015, and on 2 October 2015, filed its own motion for judgment on the pleadings. Argument on the parties' motions was held by the court on 7 December 2015, and by order dated 8 February 2016, Alcoa's motion was granted and Glencore's motion was denied resulting in Alcoa not being liable to indemnify Glencore for the Lockheed action. On 17 February 2016, Glencore filed notice of its application for interlocutory appeal of the 8 February 2016 ruling. At this time Alumina Limted is unable to reasonably predict an outcome for the remaining claims.

Other claims

There are potential obligations that may result in a future obligation due to the various lawsuits and claims and proceedings which have been, or may be, instituted or asserted against entities within AWAC, including those pertaining to environmental, product liability, safety and health and tax matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that existed at balance date. Also, not every plaintiff has specified the amount of damages sought in their complaint. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies. Pursuant to the terms of the AWAC Formation Agreement, Alcoa Inc and Alumina Limited have agreed to remain liable for Extraordinary Liabilities (as defined in the agreement) as well as for certain other pre-formation liabilities, such as existing environmental conditions, to the extent of their pre-formation ownership of the AWAC's entity or asset with which the liability is associated.

3. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alumina Limited as at 31 December 2015 and the results of their operations for the year then ended.

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by the Alumina Employee Share Plan Trust are disclosed as treasury shares and deducted from contributed equity.

The Group's subsidiaries at 31 December 2015 are set out below.

NAME	NOTES	PLACE OF INCORPORATION	PERCENTAGE OWNERSHIP	
			2015	2014
Alumina Employee Share Plan Pty Ltd	A	VIC, Australia	100	100
Alumina Finance Pty Ltd.	A	VIC, Australia	100	100
Alumina Holdings (USA) Inc.	B	Delaware, USA	100	100
Alumina International Holdings Pty. Ltd.	C	VIC, Australia	100	100
Alumina Brazil Holdings Pty Ltd	A	VIC, Australia	100	100
Alumina Limited Do Brasil SA	D	Brazil	100	100
Alumina (U.S.A.) Inc.	B	Delaware, USA	100	100
Butia Participaçoes SA	D	Brazil	100	100
Westminer Acquisition (U.K.) Limited	D	UK	100	100

A. A small proprietary company, which is not required to prepare a financial report.
B. A company that has not prepared audited accounts as they are non-operating or audited accounts are not required in their country of incorporation. Appropriate books and records are maintained for these entities.
C. The company has been granted a relief from the necessity to prepare accounts pursuant to Australian Securities and Investment Commission (ASIC) Class Order 98/1418. For further information refer Note 17.
D. A company that prepares separate audited accounts in the country of incorporation.

FINANCIAL AND CAPITAL RISK

4. FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group.
- specific information about each type of financial instrument.
- accounting policies.
- information about determining the fair value of the instruments.

The Group holds the following financial instruments:

	AT FAIR VALUE THROUGH PROFIT OR LOSS	AT AMORTISED COSTS	TOTAL
2015	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents – *Note 4(a)*	–	9.3	9.3
Receivables	–	–	–
Total financial assets	**–**	**9.3**	**9.3**
Payables	–	1.7	1.7
Borrowings – *Note 4(b)*	–	110.5	110.5
Derivative financial instruments – *Note 4(c)*	14.7	–	14.7
Total financial liabilities	**14.7**	**112.2**	**126.9**
Net financial liabilities	**14.7**	**102.9**	**117.6**

	AT FAIR VALUE THROUGH PROFIT OR LOSS	AT AMORTISED COSTS	TOTAL
2014	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents – *Note 4(a)*	–	24.9	24.9
Receivables	–	0.2	0.2
Total financial assets	**–**	**25.1**	**25.1**
Payables	–	1.9	1.9
Borrowings – *Note 4(b)*	–	111.5	111.5
Derivative financial instruments – *Note 4(c)*	4.1	–	4.1
Total financial liabilities	**4.1**	**113.4**	**117.5**
Net financial liabilities	**4.1**	**88.3**	**92.4**

The Group's exposure to various risks associated with the financial instruments is discussed in Note 5. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above. The carrying amounts of financial assets and liabilities, other than derivative financial instruments, approximate their fair values. Derivative financial instruments are measured at fair value through profit or loss.

4. FINANCIAL ASSETS AND LIABILITIES (continued)

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

	US$ MILLION	
	2015	2014
Cash on hand and at bank	1.8	2.4
Money market deposits	7.5	22.5
Total cash and cash equivalents as per the Statement of Cash Flows	**9.3**	**24.9**

(b) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of a facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of a facility will be drawn down, the fee is capitalised as a prepayment for the liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

	US$ MILLION	
	2015	2014
Bank loans	20.0	10.0
Fixed rate note	90.5	101.5
Total borrowings	**110.5**	**111.5**

Bank loans

Alumina Limited has a $300 million syndicated bank facility with two equal tranches maturing in December 2017 and July 2020. As at 31 December 2015 there was $20 million drawn against the syndicated facility, so the undrawn available facility amount as at 31 December 2015 was $280 million (2014: $10 million was drawn with the remaining undrawn facility of $290 million).

Fixed rate note

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

4. FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Derivatives

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. Derivatives are classified as held for trading and accounted for at fair value through profit or loss as they are not designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 month after the end of the reporting period.

To provide an indication about the reliability of the input used in determining the fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2015	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Cross-currency interest rate swap (CCIRS AUD/USD)	–	14.7	–	14.7
Total financial liabilities at fair value through profit or loss	**–**	**14.7**	**–**	**14.7**
2014				
Cross-currency interest rate swap (CCIRS AUD/USD)	–	4.1	–	4.1
Total financial liabilities at fair value through profit or loss	**–**	**4.1**	**–**	**4.1**

Level 1: Financial instruments traded in active markets (such as publicly traded derivatives, trading and available for sale securities) for which the fair value is based on quoted market prices at the end of the reporting period.

Level 2: Financial instruments that are not traded in an active market (for example, over the counter derivatives) for which the fair value is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

5. FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Market risk: foreign currency	Financial assets and liabilities denominated in currency other than US$	Cash flow forecasting & sensitivity analysis	Cross-currency interest rate swaps
Market risk: interest rate	Long-term borrowings at fixed rates	Sensitivity analysis	Cross-currency interest rate swaps
Credit risk	Cash and cash equivalent, and derivative financial instruments	Credit ratings	Credit limits, letters of credit, approved counterparties list
Liquidity risk	Borrowings and other liabilities	Cash flow forecasting	Availability of committed borrowing facilities

Financial risk management is carried out by the Treasury Committee which is responsible for developing and monitoring risk management policies. Risk management policies are established to identify and analyse the risks faced by the Group to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

Foreign exchange risk

Foreign exchange risk for the Group arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

On 12 November 2014 Alumina Limited issued an A$125 million face value 5.5% fixed rate note at a discount of A$0.7 million. The note is issued in Australian dollars. To mitigate the exposure to the AUD/USD exchange rate and Australian interest rates the Group entered into CCIRS for the full amount of the face value of the fixed rate note to swap the exposure back to US dollars.

Except as described above, the Group generally does not hedge its foreign currency exposures except through the near-term purchase of currency to meet operating requirements. The change to USD functional currency in January 2010 removed the foreign exchange risk on USD borrowings and USD denominated assets.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in US$, was as follows:

	USD	AUD	OTHER	TOTAL
2015	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents	8.1	1.0	0.2	9.3
Receivables	–	–	–	–
Total financial assets	**8.1**	**1.0**	**0.2**	**9.3**
Payables	–	1.7	–	1.7
Borrowings	20.0	90.5	–	110.5
Total non-derivative financial liabilities	**20.0**	**92.2**	**–**	**112.2**
Net non-derivative financial (liabilities)/assets	**(11.9)**	**(91.2)**	**0.2**	**(102.9)**
Derivative financial instruments (notional principal)	(108.4)	108.4	–	–
Net financial assets/(liabilities)	**(120.3)**	**17.2**	**0.2**	**(102.9)**

	USD	AUD	OTHER	TOTAL
2014	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents	23.8	0.8	0.3	24.9
Receivables	–	0.2	–	0.2
Total financial assets	**23.8**	**1.0**	**0.3**	**25.1**
Payables	–	1.8	0.1	1.9
Borrowings	10.0	101.5	–	111.5
Total non-derivative financial liabilities	**10.0**	**103.3**	**0.1**	**113.4**
Net non-derivative financial assets/(liabilities)	**13.8**	**(102.3)**	**0.2**	**(88.3)**
Derivative financial instruments (notional principal)	(108.4)	108.4	–	–
Net financial assets/(liabilities)	**(94.6)**	**6.1**	**0.2**	**(88.3)**

5. FINANCIAL RISK MANAGEMENT (continued)

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from its borrowings.

Borrowings by the Group at variable rates expose it to cash flow interest rate risk. Borrowings at fixed rates would expose the Group to fair value interest rate risk. When managing interest rate risk the Group seeks to reduce the overall cost of funds. Group policy is to generally borrow at floating rates subject to availability of attractive fixed rate deals.

In 2015 and 2014, CCIRS for the whole face value of the fixed rate note were used to manage the exposure to Australian interest rates over the life of the note.

The consolidated entity's exposure to interest rate risk and the effective weighted interest rate after the effect of derivative instruments is set out below:

	FLOATING INTEREST	FIXED INTEREST	NON-INTEREST BEARING	TOTAL
2015	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents	9.3	–	–	9.3
Receivables	–	–	–	–
Total financial assets	**9.3**	**–**	**–**	**9.3**
Payables	–	–	1.7	1.7
Borrowings	20.0	90.5	–	110.5
Total non-derivative financial liabilities	**20.0**	**90.5**	**1.7**	**112.2**
Net non-derivative financial liabilities	**10.7**	**90.5**	**1.7**	**102.9**
Weighted average interest rate before derivatives	1.6%	5.5%		
Weighted average interest rate after derivatives	1.6%	3.1%		

	FLOATING INTEREST	FIXED INTEREST	NON-INTEREST BEARING	TOTAL
2014	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents	24.9	–	–	24.9
Receivables	–	–	0.2	0.2
Total financial assets	**24.9**	**–**	**0.2**	**25.1**
Payables	–	–	1.9	1.9
Borrowings	10.0	101.5	–	111.5
Total non-derivative financial liabilities	**10.0**	**101.5**	**1.9**	**113.4**
Net non-derivative financial assets/(liabilities)	**14.9**	**(101.5)**	**(1.7)**	**(88.3)**
Weighted average interest rate before derivatives	1.9%	5.5%		
Weighted average interest rate after derivatives	1.9%	3.1%		

Had interest rates on floating rate debt during 2015 been one percentage point higher/lower than the average, with all other variables held constant, pre-tax profit for the year would have been US$0.7 million lower/higher (2014: US$1.4 million lower/higher).

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A–' are accepted, and exposure limits are assigned based on actual independent rating and Board approved guidelines.

Credit risk further arises in relation to cross guarantees given to wholly owned subsidiaries (see Note 17 for details). Such guarantees are only provided in exceptional circumstances and are subject to Board approval.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

(c) Liquidity risk

Prudent liquidity risk management requires maintaining sufficient cash and credit facilities to ensure the Group's commitments and plans can be met. This is managed by maintaining committed undrawn credit facilities to cover reasonably expected forward cash requirements. Management monitors rolling forecasts of the Group's liquidity, including undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows.

The Group had the following undrawn borrowing facilities at the end of the reporting period:

	US$ MILLION	
	2015	2014
Expiring within one year	–	150.0
Expiring beyond one year	280.0	140.0
Total undrawn borrowing facilities	**280.0**	**290.0**

In June 2015 the original two year tranche of the $300 million syndicated facility was repriced and extended until July 2020.

The table below details the Group's remaining contractual maturity for its non-derivative financial liabilities.

	LESS THAN 6 MONTHS	6–12 MONTHS	1–2 YEARS	2–5 YEARS	TOTAL
2015	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Trade payables	1.7	–	–	–	1.7
Borrowings	–	–	20.0	90.5	110.5
Total financial non-derivative liabilities	**1.7**	**–**	**20.0**	**90.5**	**112.2**
2014					
Trade payables	1.9	–	–	–	1.9
Borrowings	–	–	–	111.5	111.5
Total financial non-derivative liabilities	**1.9**	**–**	**–**	**111.5**	**113.4**

6. CAPITAL MANAGEMENT

(a) Risk management

The Group's objectives when managing capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group calculates the gearing ratio as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus debt.

The gearing ratios at 31 December 2015 and 31 December 2014 were as follows:

	US$ MILLION	
	2015	2014
Total borrowings	110.5	111.5
Less: cash and cash equivalents	(9.3)	(24.9)
Net debt	**101.2**	**86.6**
Total borrowings	110.5	111.5
Total equity	1,982.9	2,424.0
Total capital	**2,093.4**	**2,535.5**
Gearing ratio	**4.8%**	**3.4%**

(b) Dividends

	US$ MILLION	
	2015	2014
Interim dividend of US4.5 cents fully franked at 30% per fully paid share declared 19 August 2015 and paid on 28 September 2015 (2014: No interim dividend was paid).	126.3	–
Final dividend of US1.6 cents fully franked at 30% per fully paid share declared 26 February 2015 and paid on 25 March 2015 (2013: No final dividend was paid).	44.9	–
Total dividends	**171.2**	**–**

Since the year end the Directors have recommended the payment of a final dividend of US1.8 cent per share (2014: US1.6 cents per share), fully franked based on the tax paid at 30%. Record date to determine entitlements to the dividend is 3 March 2016. The aggregate amount of the proposed dividend expected to be paid on 23 March 2016 out of retained earnings at 31 December 2015, but not recognised as a liability at the year end, is $51.8 million.

(c) Franked dividends

	A$ MILLION	
	2015	2014
Franking credits available for subsequent financial years, based on a tax rate of 30% (2014: 30%)	339.9	409.1

The above amounts are calculated from the balance of the franking credits as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities and receivables for income tax and dividends after the end of the year.

	US$ MILLION	
	2015	2014
The fully franked dividends received from AWAC in the financial year were	56.2	–

KEY NUMBERS

7. EXPENSES

(a) Employee benefits expense

Liabilities for salaries and annual leave are recognised in current provisions (i.e. short-term employee benefits), and are measured as the amount unpaid at reporting date at expected pay rates in respect of employees' services up to that date, including related on-costs.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

All employees of Alumina Limited are entitled to benefits on retirement, disability or death from the Group's superannuation plan. Alumina employees are members of an Alumina Limited Super Plan managed by MLC MasterKey Super, except for employees who elected to contribute to an alternate fund. The plan is an accumulation category plan which offers a minimum Company contribution (subject to certain cashing out options and legislation) of 9.5 per cent of basic salary to each member's account. Members also have the option to make voluntary contributions to their account. Employer contributions to these funds are recognised as an expense.

	US$ MILLION	
	2015	2014
Profit/(loss) before income tax included the following specific expenses:		
Defined contribution superannuation expense	0.2	0.2
Other employee benefits expense	4.9	4.6
Total employee benefits expense	**5.1**	**4.8**

(b) Finance costs

Finance costs comprise interest payable on borrowings using the effective interest rate method, commitment fees and amortisation of capitalised facility fees.

	US$ MILLION	
	2015	2014
Finance costs:		
Interest expense	3.6	10.1
Commitment and upfront fees	2.1	2.6
Amortisation of capitalised upfront fees	0.8	0.8
Bank charges	0.1	0.1
Total finance costs	**6.6**	**13.6**

8. INCOME TAX EXPENSE

(a) Income tax expense and deferred taxes

The income tax expense/benefit for the period is the tax payable/receivable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income.

	US$ MILLION	
	2015	2014
Current tax	–	0.8
Deferred tax	–	–
Aggregate income tax expense	**–**	**0.8**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Alumina Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The Group's deferred tax assets and liabilities are attributable to the following:

	US$ MILLION	
	2015	2014
Deferred tax liabilities		
Unrealised foreign exchange gains	3.4	2.0
Total deferred tax liabilities	**3.4**	**2.0**
Deferred tax assets		
Employee benefits	0.2	0.2
Derivative financial instruments	3.2	1.2
Accrued liabilities	–	0.4
Transaction costs	0.3	0.3
Total deferred tax assets other than tax losses	**3.7**	**2.1**
Net deferred tax assets before tax losses	**0.3**	**0.1**
Deductible temporary differences and tax losses not recognised	**(0.3)**	**(0.1)**
Net deferred tax assets	**–**	**–**

Deferred tax assets are recognised only to the extent of deferred tax liabilities existing at reporting date. Remaining deferred tax assets are not recognised as it is not probable that future taxable amounts will be available to utilise those temporary differences and losses.

8. INCOME TAX EXPENSE (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

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

(c) Tax expense/(benefit) relating to items of other comprehensive income

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity.

	US$ MILLION	
	2015	2014
Cash flow hedges	(0.3)	(0.3)
Actuarial gains/(losses) on retirement benefit obligations	15.2	(23.0)
Total tax expense/(benefit) relating to items of other comprehensive income	**14.9**	**(23.3)**

(d) Tax losses

	US$ MILLION	
	2015	2014
Tax losses – revenue	912.2	905.7
Tax losses – capital	951.5	951.5
Total unused tax losses	**1,863.7**	**1,857.2**
Potential tax benefit – revenue	298.8	297.1
Potential tax benefit – capital	285.4	285.4
Total potential tax benefit	**584.2**	**582.5**

9. EQUITY

(a) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

In April 2015 the directors approved reccomencement of the Company's Dividend Reinvestment Plan (DRP). DRP was applicable for the Company's interim dividend, resulting in 73,617,883 shares issued in September 2015 at a 1.5% discount to the market price. DRP was later suspended and will not apply to the 2015 final dividend.

MOVEMENT IN SHARE CAPITAL	NUMBER OF SHARES		US$ MILLION	
	2015	2014	2015	2014
Balance brought forward	2,806,225,615	2,806,225,615	2,620.0	2,620.0
Movement for the period	73,617,883	–	62.9	–
Total issued capital	**2,879,843,498**	**2,806,225,615**	**2,682.9**	**2,620.0**

Treasury shares

Treasury shares are Alumina Limited shares held by the Alumina Employee Share Plan Trust for the purposes of issuing shares under the Alumina Employee Share Plan.

MOVEMENT IN TREASURY SHARES	NUMBER OF SHARES		US$	
	2015	2014	2015	2014
Balance brought forward	423,695	499,314	1,176,904	1,312,156
Acquisition of shares by Alumina Employee Share Plan Pty Ltd (average price: $1.78 per share)	600,000	–	827,340	–
Employee performance rights vested	(961,978)	(75,619)	(590,638)	(135,252)
Total treasury shares	**61,717**	**423,695**	**1,413,606**	**1,176,904**

Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share calculated as weighted average number of ordinary shares outstanding during the financial year, adjusted for treasury shares issued.

	NUMBER OF SHARES	
	2015	2014
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	2,824,328,800	2,805,745,467

(b) Retained earnings

Movement in retained earnings were as follows:

	US$ MILLION	
	2015	2014
Retained earnings at the beginning of the financial year	658.2	803.1
Profit/(loss) attributable to the owners of Alumina Limited	88.3	(98.3)
Dividends provided for or paid	(171.2)	–
Re-measurements of retirement benefit obligations accounted for using the equity method	32.0	(46.6)
Total retained earnings at the end of the financial year	**607.3**	**658.2**

9. EQUITY (continued)

(c) Other reserves

The following table shows a breakdown of the balance sheet line item “reserves”. A description of the nature and purpose of each reserve as well as the movement in these reserves during the year is provided below.

	US$ MILLION	
	2015	2014
Asset revaluation reserve	30.8	30.8
Capital reserve	12.5	12.5
Foreign currency translation reserve	(1,370.7)	(918.5)
Option premium on convertible bonds	18.6	18.6
Share-based payments reserve	6.3	6.3
Cash-flow hedge reserve	(3.4)	(2.7)
Total Reserves	**(1,305.9)**	**(853.0)**

Asset revaluation reserve

The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares and is only available for the payment of cash dividends in limited circumstances as permitted by law.

Capital reserve

The reserve records dividends arising from share of profits on sale of investments.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising on the translation of non-US dollar functional currency operations within the Group into US dollars.

	US$ MILLION	
	2015	2014
Balance at the beginning of the financial year	(918.5)	(693.9)
Currency translation differences arising during the year	(452.2)	(224.6)
Balance at the end of the financial year	**(1,370.7)**	**(918.5)**

Option premium on convertible bonds

The convertible bond was accounted for as a compound instrument at the Group level. The option premium represented the equity component (conversion rights) of the convertible bond. The convertible bond was fully redeemed in 2011.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of performance rights issued but not exercised. For further details refer to Note 12.

Cash-flow hedge reserve

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The year end balance and movements within the cash-flow hedge reserve of AWAC is accounted for via the equity accounting method.

10. CASH FLOW INFORMATION

(a) Reconciliation of (loss)/profit after income tax to net cash (outflow)/inflow from operating activities

	US$ MILLION	
	2015	2014
Profit/(loss) from continuing operations after income tax	88.3	(98.3)
Allocation of Alba settlement	–	(1.5)
Share of net (profit)/loss of associates accounted for using equity method	(109.9)	73.6
Dividends and distributions received from associates	62.9	20.3
Share based payments	0.8	0.6
Other non-cash items (depreciation, net exchange differences, other)	2.1	(1.2)
Sub total	**44.2**	**(6.5)**
Change in assets and liabilities		
Decrease/(increase) in receivables	0.2	(0.1)
Decrease/(increase) in other assets	0.2	0.2
(Decrease)/increase in payables	(0.2)	(2.0)
(Decrease)/increase in current tax liability	(0.8)	0.8
Net cash inflow/(outflow) from operating activities	**43.6**	**(7.6)**

(b) Non-cash financing and investing activities

In September 2015, 73,617,883 shares in Alumina Limited, valued at $62.9 million were issued to shareholders who elected to participate in the dividend reinvestment plan which was applicable to the interim dividend for 2015.

During 2014 it was resolved that $138.6 million in relation to Alba settlement allocation adjustment will be recovered through Alcoa World Alumina LLC equity allocations to Alumina Limited, funded by Alcoa Inc. For further details refer to Note 2(d).

OTHER INFORMATION

11. RELATED PARTY TRANSACTIONS

The parent entity within the Group is Alumina Limited. Balances and transactions between the parent entity and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

(a) Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

- associates – Note 2.
- controlled entities – Note 3.

(b) Compensation of key management personnel

Detailed remuneration disclosures for the key management personnel, defined as Group's Directors, CEO and Senior Executives, are provided in the remuneration report on pages 34 to 62 of this annual report.

The remuneration report has been prepared in Australian dollars, whilst the financial report has been prepared in US dollars. The average exchange rate for 2015 of 0.7519 (2014: 0.9021) has been used for conversion.

DIRECTORS AND SENIOR EXECUTIVES	US$	
	2015	2014
Short-term employee benefits	3,706,166	4,348,296
Post-employment benefits	135,385	152,033
Share based payments	677,580	572,773
Total	**4,519,131**	**5,073,102**

(c) Other transactions and balances with related parties

There have been no other related party transactions made during the period or balances outstanding as at 31 December 2015, between the Group, its related parties, the directors or key management personnel (2014: Nil).

12. SHARE-BASED PAYMENTS

The Group provides benefits to employees (including CEO and Senior Executives) through share based incentives. Employees are incentivised for their performance in part through participation in the grant of conditional entitlement to fully paid ordinary shares (a Performance Right) via the Alumina Limited Employee Share Plan (ESP).

For further details on key features of the ESP refer to the remuneration report on pages 46 to 54 of this annual report.

Set out below are summaries of performance rights granted under the ESP:

2015						
Grant Date	Expiry Date	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Lapsed during the year Number	Balance at end of the year Number
9/3/2012	11/12/2014	666,040	–	(297,646)	(368,394)	–
8/2/2013	7/12/2015	1,354,880	–	(664,332)	(2,780)	687,768
10/2/2014	6/12/2016	1,113,350	–	–	(2,580)	1,110,770
5/1/2015	11/12/2017	–	695,810	–	(1,560)	694,250
Total		**3,134,270**	**695,810**	**(961,978)**	**(375,314)**	**2,492,788**

2014						
Grant Date	Expiry Date	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Lapsed during the year Number	Balance at end of the year Number
18/2/2011	6/12/2013	153,500	–	(75,619)	(77,881)	–
9/3/2012	11/12/2014	666,040	–	–	–	666,040
8/2/2013	7/12/2015	1,378,780	–	–	(23,900)	1,354,880
10/2/2014	6/12/2016	–	1,135,450	–	(22,100)	1,113,350
Total		**2,198,320**	**1,135,450**	**(75,619)**	**(123,881)**	**3,134,270**

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 2.0 years (2014: 2.1 years).

In addition to the ESP, the CEO's fixed remuneration includes an annual share right component. This share based component of the CEO's fixed remuneration is conditional on a minimum of 18 months service and deferred for three years from the date of the grant.

For further details refer to the remuneration report on page 40 of this annual report.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	US$ 000's	
	2015	2014
Performance rights granted under the Alumina Employee Share Plan	607	544
CEO annual conditional share rights grant	160	110
Total	**767**	**654**

13. REMUNERATION OF AUDITORS

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, and its related practices and non-related audit firms:

	US$ 000's	
	2015	2014
PricewaterhouseCoopers Australia:		
Audit and review of the financial reports	355	497
Other assurance services	28	7
Related practices of PricewaterhouseCoopers Australia:		
Audit and review of the financial reports	37	–
Overseas taxation services	8	9
Total	**428**	**513**

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important provided such arrangements do not compromise audit independence. These assignments are principally tax advice or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

14. COMMITMENTS AND CONTINGENCIES

Capital commitments

There are no contractual capital commitments at reporting date but there could be future equity calls by AWAC entities in relation to working capital support. However, this is subject to market conditions.

Contingent liabilities

There are no contingent liabilities of the Group as at 31 December 2015 and 31 December 2014, other than as disclosed in Note 2(e) and Note 16.

15. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Except as disclosed in the Director's report or elsewhere in the Financial Statements, there have been no significant events occurring since 31 December 2015.

16. PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Alumina Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Intercompany Loans

Loans granted by the parent entity to its subsidiaries are classified as non-current assets.

Tax consolidation legislation

Alumina Limited and its wholly-owned Australian controlled entities have implemented tax consolidation legislation. The head entity, Alumina Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, Alumina Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

16. PARENT ENTITY FINANCIAL INFORMATION (continued)

(a) Summarised financial information

The individual financial statements for the parent entity show the following aggregated amounts:

	US$ MILLION	
	2015	2014
BALANCE SHEET		
Current assets	13.4	28.5
Total assets	3,867.5	3,928.1
Current liabilities	1.9	2.1
Total liabilities	133.0	123.4
SHAREHOLDERS' EQUITY		
Issued capital	2,682.9	2,620.0
Reserves	239.3	239.3
Retained earnings	812.3	945.4
TOTAL SHAREHOLDERS' EQUITY	**3,734.5**	**3,804.7**
Profit/(loss) for the year	**38.1**	**(10.5)**
Total comprehensive income/(loss) for the year	**38.1**	**(10.5)**

(b) Guarantees entered into by the parent entity

The parent entity has provided guarantees to certain third parties in relation to the performance of contracts by various AWAC companies.

In order to facilitate the full conversion of the San Ciprian alumina refinery from fuel oil to natural gas, in October 2013, Alumina Española SA (Espanola) signed a take or pay gas pipeline utilization agreement. In November 2013, Alumina Limited agreed to proportionally (i.e. 40%) guarantee the payment of Espanola's contracted gas pipeline utilization over the four years of the commitment period. Such commitment came into force six months after the gas pipeline was put into operation. The gas pipeline was completed in January 2015 and the refinery has switched to natural gas consumption for 100% of its needs.

Three supply contracts were signed in 2014 for the supply of natural gas to the San Ciprián refinery for the 2015 period and further extended for the 2016 period. Alumina Limited agreed to proportionally guarantee the payment of Espanola's obligations under those contracts.

There is also a guarantee to Banco di Bilbao in respect of Espanola's bank facility.

A guarantee in relation to a Suriname mining contract and a letter of credit to Honeywell Manageability Leasing Company in relation to lease payments for the Honeywell operating system were cancelled in January 2016.

In late 2011, Alcoa Inc, on behalf of AWAC, issued guarantees to the lenders of the Ma'aden bauxite mining/refining joint venture in Saudi Arabia. Alcoa Inc's guarantees for the Ma'aden Bauxite and Alumina Company cover total debt service requirements through 2019 and 2024. In the event Alcoa Inc would be required to make payments under the guarantees, 40% of such amount would be contributed by Alumina Limited.

In addition, the parent entity has entered into a Deed of Cross Guarantee with the effect that it guarantees the debts of its wholly-owned subsidiaries. Further details of the Deed of Cross Guarantee are disclosed in Note 17.

No liability was recognised by the parent entity or the group in relation to the abovementioned guarantees, as the fair value of the guarantees are immaterial.

(c) Contingent liabilities the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2015 or 31 December 2014. For information about guarantees given by the parent entity refer above.

(d) Contractual commitments for the acquisition of property, plant and equipment

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment at reporting date.

17. DEED OF CROSS GUARANTEE

Alumina Limited and Alumina International Holdings Pty. Ltd. are parties to the cross guarantee under which each of these companies guarantees the debts of the other. By entering into the deed, wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a "closed group" as defined in the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Alumina Limited, they also represent the "extended closed group".

(a) Consolidated statement of profit or loss and other comprehensive income and summary movements in consolidated retained earnings

	US$ MILLION	
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2015	2014
Dividends and distributions	62.9	20.3
Other income	-	100.3
General and administrative expenses	(11.5)	(12.7)
Change in fair value of derivatives/foreign exchange losses	(1.4)	2.5
Finance costs	(6.7)	(7.0)
Profit from ordinary activities before income tax	**43.3**	**103.4**
Income tax expense	–	–
Net profit for the year	**43.3**	**103.4**
Other comprehensive income net of tax	–	–
Total comprehensive income for the year	**43.3**	**103.4**
MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS	2015	2014
Retained profits at the beginning of the financial year	**807.6**	**704.2**
Net profit for the year	43.3	103.4
Dividend provided for or paid	(171.2)	–
Retained profits at the end of the financial year	**679.7**	**807.6**

17. DEED OF CROSS GUARANTEE (continued)

(b) Consolidated balance sheet

	US$ MILLION	
	2015	2014
Current assets		
Cash and cash equivalents	9.1	23.8
Receivables	71.3	75.4
Other assets	2.8	3.1
Total current assets	**83.2**	**102.3**
Non-current assets		
Investments in associates	1,672.4	1,681.5
Other financial assets	1,979.2	2,006.7
Property, plant and equipment	0.1	0.1
Total non-current assets	**3,651.7**	**3,688.3**
Total assets	**3,734.9**	**3,790.6**
Current liabilities		
Payables	1.7	1.9
Provisions	0.2	0.3
Total current liabilities	**1.9**	**2.2**
Non-current liabilities		
Borrowings	115.8	116.8
Derivative financial instruments	14.7	4.1
Provisions	0.5	0.5
Total non-current liabilities	**131.0**	**121.4**
Total liabilities	**132.9**	**123.6**
Net assets	**3,602.0**	**3,667.0**
Equity		
Contributed equity	2,682.9	2,620.0
Reserves	239.4	239.4
Retained profits	679.7	807.6
Total equity	**3,602.0**	**3,667.0**

18. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2015 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

(a) AASB 9 Financial Instruments (effective from 1 January 2018).

The most recent version of AASB 9 (issued in 2014) is the final version of the standard and includes comprehensive guidance on three areas of accounting for financial instruments: classification and measurement, impairment and hedging. AASB 9 (2014) is the only version available for adoption for reporting periods beginning on or after 1 February 2015.

The Group has not yet decided when to adopt AASB9, however does not expect the impact to be material.

AASB 16 Leases (effective from 1 January 2019)

The new standard will replace AASB 117 Leases. Once effective, the new requirements will apply to new and pre-existing lease arrangements. The key changes have been outlined below:

- Lessees will recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts (optional exemption available for certain short-term leases and leases of low-value assets).
- Lessees will have to present interest expense on the lease liability and depreciation on the right-of-use asset in their income statement.
- Lease payments that reflects interest on the lease liability can be presented as an operating cash flow. Cash payments for the principal portion of the lease liability should be classified within financing activities. Payments for short-term leases, for leases of low-value assets could be presented within operating activities.

The Group is yet to assess the full impact of the new standard and has not yet decided when to adopt AASB16 (early adoption permitted in conjunction with AABS 15 Revenue from Contracts with Customers).

(b) AASB 15 Revenue from contracts with customer (effective 1 January 2017).

The AASB has issued a new standard for the recognition of revenue. AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or a service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments to retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The standard is not applicable until 1 January 2017 but is available for early adoption. The Group is yet to assess its full impact and has not yet decided when to adopt AASB 15.

There are no other Standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALUMINA LIMITED

DIRECTORS' DECLARATION

In the directors' opinion:

a) the financial statements and notes set out on pages 63 to 93 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial year ended on that date; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 3 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 17.

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

GJ Pizzey
Chairman
15 March 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALUMINA LIMITED

Report on the financial report

We have audited the accompanying financial report of Alumina Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income , consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Alumina Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) the financial report of Alumina Limited is in accordance with the Corporations Act 2001, including:
   - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
   - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the notes to the consolidated financial statements.

Report on the Remuneration Report

We have audited the remuneration report included in pages 34 to 62 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Alumina Limited for the year ended 31 December 2015 complies with section 300A of the Corporations Act 2001.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Nadia Carlin

Nadia Carlin
Partner
Melbourne
15 March 2016

DETAILS OF SHAREHOLDINGS AND SHAREHOLDERS LISTED SECURITIES – 29 FEBUARY 2016

Alumina Limited has 2,879,843,498 issued fully paid ordinary shares.

SIZE OF SHAREHOLDINGS AS AT 29 FEBRUARY 2016

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	20,103	9,343,020	0.32
1,001 – 5,000	22,213	55,203,125	1.92
5,001 – 10,000	7,346	54,063,444	1.88
10,001 – 100,000	8,084	207,739,839	7.21
100,001 – 9,999,999,999	480	2,553,494,070	88.67
Total	**58,226**	**2,879,843,498**	**100.00**

Of these, 8,815 shareholders held less than a marketable parcel of $500 worth of shares (372) a total of 1,690,235 shares. In accordance with ASX Business Rules, the last sale price on the Company's shares on the ASX on 29 February 2016 was used to determine the number of shares in a marketable parcel.

	NAME	NO. OF FULLY PAID ORDINARY SHARES	%
1.	HSBC CUSTODY NOMINEES (AUST)	480,240,526	16.68
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	440,257,233	15.29
3.	NATIONAL NOMINEES	370,142,421	12.85
4.	CITIC RESOURCES AUSTRALIA PTY LTD	219,617,657	7.63
5.	CITICORP NOMINEES PTY LTD	210,635,743	7.31
6.	BESTBUY OVERSEAS CO LTD	154,114,590	5.35
7.	BNP PARIBAS NOMS PTY LTD <DRP>	86,978,564	3.02
8.	RBC GLOBAL SERVICES AUSTRALIA	82,707,016	2.87
9.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	74,183,866	2.58
10.	CITIC RESOURCES AUSTRALIA PTY LTD	59,282,343	2.06
11.	BESTBUY OVERSEAS CO LTD	52,975,733	1.84
12.	UBS NOMINEES PTY LTD	52,002,265	1.81
13.	CITIC AUSTRALIA PTY LTD	39,799,208	1.38
14.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	21,726,158	0.75
15.	UBS NOMINEES PTY LTD	14,595,847	0.51
16.	AUSTRALIAN FOUNDATION RBC INVESTOR SERVICES AUSTRALIA	14,323,142	0.50
17.	NOMINEES PTY LIMITED <PISELECT>	12,701,788	0.44
18.	ARGO INVESTMENTS LIMITED	12,429,285	0.43
19.	BNP PARIBAS NOMS (NZ) LTD <DRP>	6,399,244	0.22
20.	MIRRABOOKA INVESTMENTS LIMITED	5,321,800	0.18
Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**2,410,434,429**	**83.70**
Total Remaining Holders Balance		**469,409,069**	**16.30**
		2,879,843,498	**100.00**

Each ordinary shareholder is entitled on a show of hands to vote and on a poll one vote for each share held.

The Company does not have a current on market buy-back of its shares. There are no restricted securities or securities subject to voluntary escrow.

In 2015, 600,000 shares in Alumina Limited were purchased on market for the Alumina Employee Share Plan (LTI scheme) at an average share price of $1.7749.

SUBSTANTIAL SHAREHOLDING AS AT 29 FEBRUARY 2016	SHAREHOLDING	%
CITIC Resources Australia Pty. Ltd.	516,093,911	17.92
Perpetual Investments Limited	409,710,617	14.23
Schroder Investment Management (Australia) Limited	224,569,169	8.00
Lazard Asset Management Pacific Limited	214,912,407	7.46
Allan Gray Australia Pty. Ltd.	204,660,488	7.11

FINANCIAL HISTORY

ALUMINA LIMITED AND CONTROLLED ENTITIES

AS AT 31 DECEMBER	2015 US$ MILLION	2014 US$ MILLION	2013 US$ MILLION	2012 US$ MILLION	2011 US$ MILLION
Revenue from continuing operations	**0.1**	0.1	0.3	0.1	0.2
Share of net profit/(loss) of associates accounted for using the equity method	**109.9**	(73.6)	(97.4)	(7.5)	173.1
Other income	**–**	1.5	137.1	–	–
General and administrative expenses	**(11.9)**	(13.5)	(17.2)	(19.0)	(17.3)
Change in fair value of derivatives/foreign exchange losses	**(3.2)**	1.6	3.0	0.6	0.1
Finance costs	**(6.6)**	(13.6)	(25.3)	(29.4)	(28.5)
Income tax (expense)/benefit from continuing operations	**–**	(0.8)	–	(0.4)	(1.0)
Net profit/(loss) attributable to owners of Alumina Limited	**88.3**	(98.3)	0.5	(55.6)	126.6
Total assets	**2,110.7**	2,543.2	2,964.0	3,311.4	3,350.4
Total liabilities	**127.8**	119.2	170.6	682.9	496.4
Net assets	**1,982.9**	2,424.0	2,793.4	2,628.5	2,854.0
Shareholders' funds	**1,982.9**	2,424.0	2,793.4	2,628.5	2,854.0
Dividends declared	**171.2**[2]	–	–	73.2[3]	170.8
Dividends received from AWAC	**61.4**	16.0	100.0	86.0	232.2
Statistics					
Dividends declared per ordinary share	**US6.3c**[4]	US1.6c	–[5]	–[5]	US6.0c
Dividend payout ratio	**202%**	–	–	–	136%
Return on equity[1]	**3.9%**	(3.5)%	0.02%	(2.0)%	4.1%
Gearing (net debt to equity)	**4.8%**	3.4%	4.6%	20.1%	14.1%
Net tangible assets backing per share	**$0.60**	$0.77	$0.91	$0.97	$1.06

1 Based on net profit attributable to members of Alumina Limited.

2 Final dividend for the financial year ended 31 December 2014, declared and paid in 2015 and interim dividend for the year ended 31 December 2015, declared and paid in 2015.

3 Final dividend for the financial year ended 31 December 2011, declared and paid in 2012.

4 Interim dividend of 4.5 cents per share and final dividend of 1.8 cents per share for the year ended 31 December 2015.

5 No interim or final dividend declared for the years ended 31 December 2013 and 31 December 2012.

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