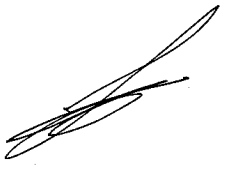
To: The Manager
Announcements
Company Announcements Office
Australian Securities Exchange

ALUMINA LIMITED

Public Announcement 2011 – 13AWC

Attached, in accordance with Listing Rule 3.17 is a copy of Alumina Limited's Annual Review 2010.



Stephen Foster
Company Secretary

31 March 2011

Alumina Limited

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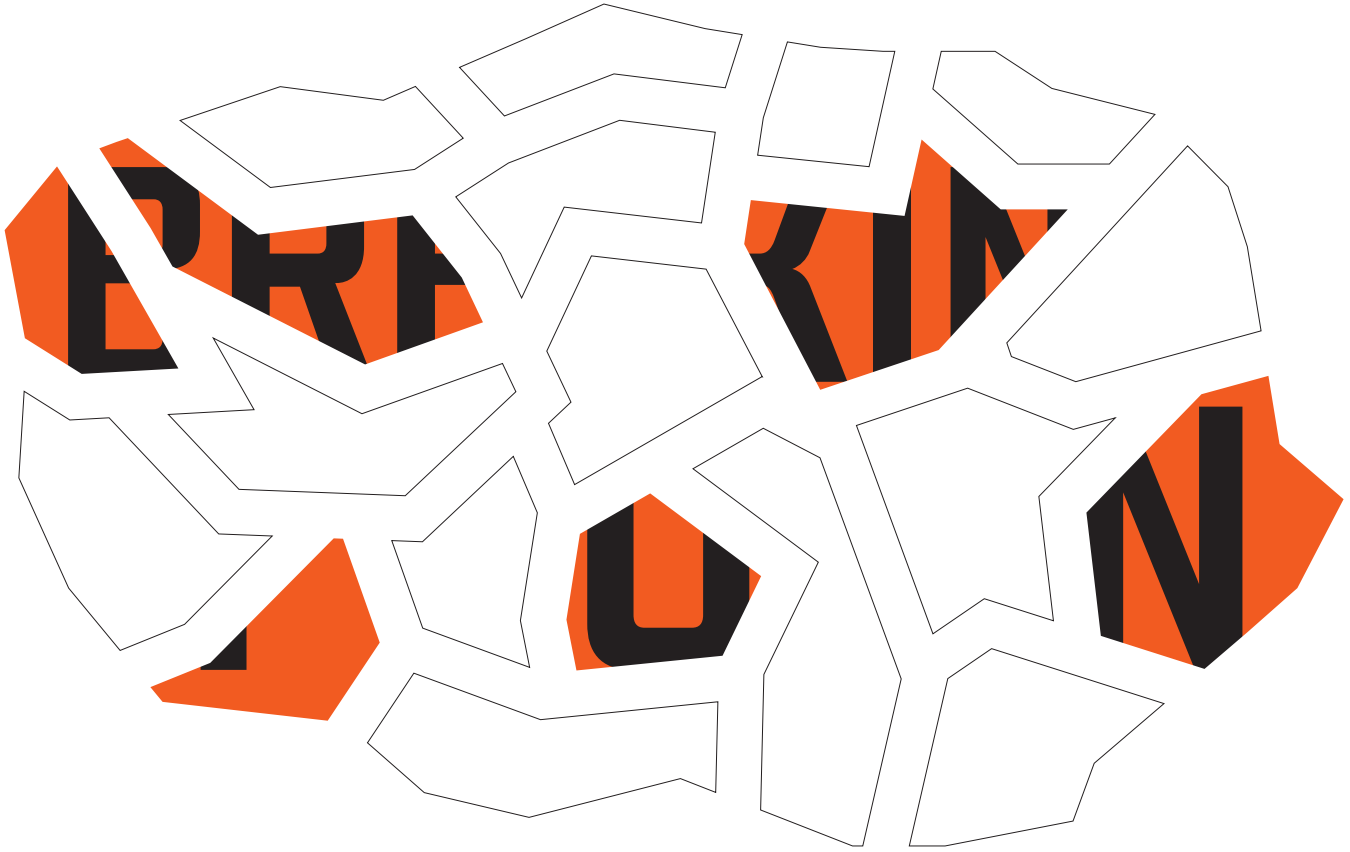
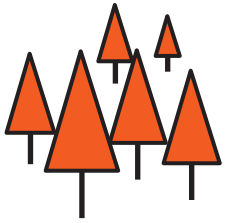


ALUMINA LIMITED
ANNUAL REVIEW 2010

BREAKING IT DOWN

We see things clearer when we break them down. Alumina Limited, for instance, holds a 40 per cent interest in Alcoa World Alumina and Chemicals (AWAC) – the world's largest producer of alumina. Alumina is the basic raw material used for the production of aluminium and is recovered by refining bauxite ore. AWAC has bauxite deposits in Australia, Brazil, Jamaica and Suriname.

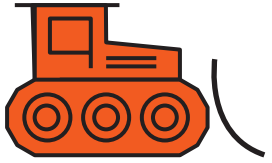
THE MINING, REFINING, SMELTING AND RECYCLING PROCESS



1

Bauxite deposits

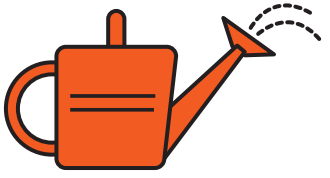
Aluminium is the third most abundant element in the earth's crust and constitutes 7.3% by mass. Aluminium ore, most commonly bauxite, occurs mainly in tropical and sub-tropical areas – Asia, Africa, West Indies, South America and Australia – with some deposits in Europe. Although plentiful, bauxite quality is diminishing, is often not readily accessible and it 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, Jamaica and Suriname.



2

Bauxite mining

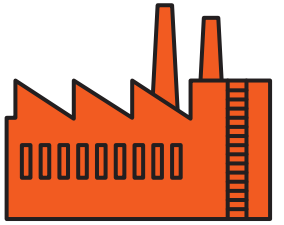
AWAC's bauxite deposits are generally extracted by open cut mining from strata, typically under a shallow covering of topsoil and vegetation. The topsoil is removed and stored for later use in mine site rehabilitation. Generally there is a layer of capstone that is removed to expose the bauxite ore which is extracted, broken up and transported to refineries for further processing. AWAC is 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. The mine at Juruti Brazil with at least a 50 year mine life adds to AWAC's long term capacity.



3

Mine rehabilitation

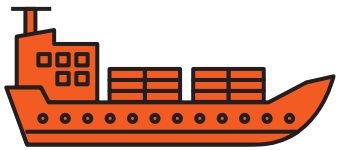
Rehabilitation is one of the most important parts of the mining process. For both the Huntly and Willowdale mines in Western Australia, every year about 600 hectares of the mined areas are rehabilitated across the two sites, helping restore the forest ecosystem. AWAC has nursery operations that focus on the bauxite mines but it also provides seeds and plants for rehabilitation of the residue rehabilitation areas at refineries. In the Western Australian mines, AWAC has achieved 100 per cent of plant species richness in AWAC's rehabilitated mining areas, the first mining company in the world to achieve that goal.



4

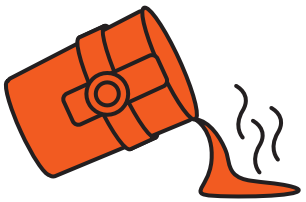
Alumina refining process

Alumina does not occur naturally but must be recovered from bauxite. 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 8 alumina refineries in Australia, Brazil, Jamaica, Spain, Suriname and the USA. AWAC is a low cost alumina producer with global alumina production capacity of 17.2 million tonnes per year. AWAC's joint venture with Ma'aden to build a 1.8 million mpty alumina refinery in Saudi Arabia is expected to be completed in 2014.



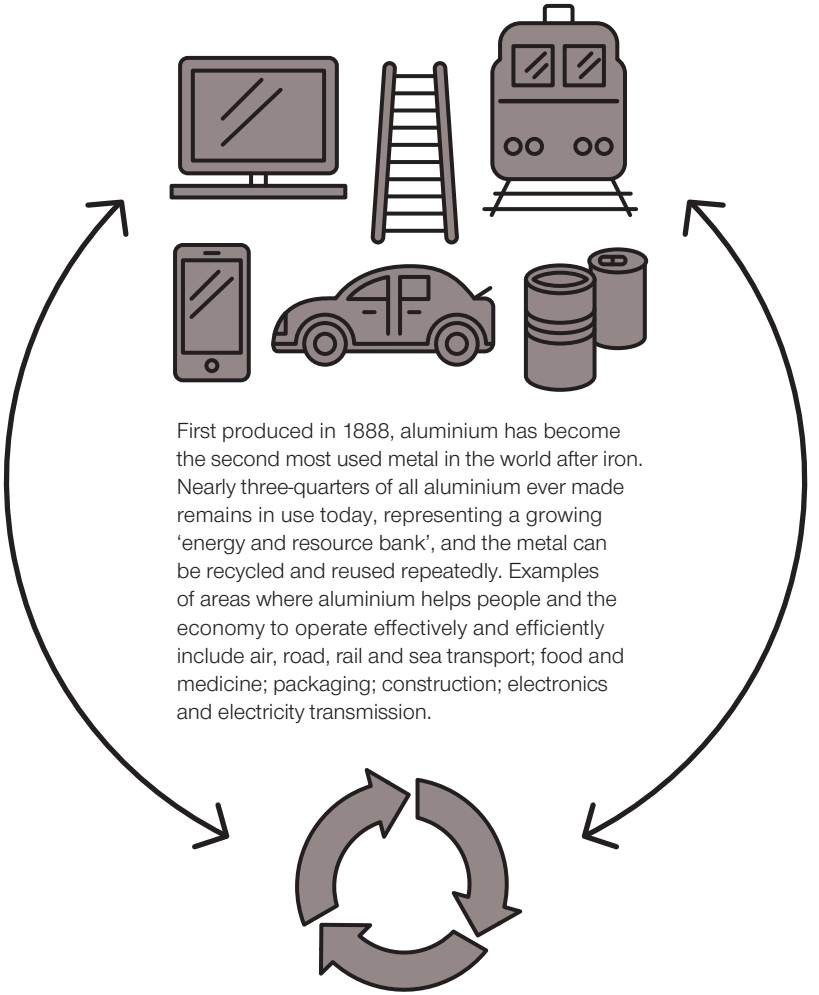
5 Shipping

AWAC owns and operates a shipping operation that uses bulk carriers to transport alumina to third party smelters around the world for smelting into aluminium metal. AWAC's operations benefit from deep water port access enabling easy and cost effective loading and transportation of alumina. Third party smelters now represent 40 per cent of the global alumina market and this percentage is increasing.



6 Smelting

AWAC supplies alumina to third party smelters around the world. 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 efficient smelting operations at Point Henry and Portland in Australia with a combined annual AWAC production capacity of 385,000 tonnes.



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 repeatedly. 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.

AT A GLANCE

Alumina Limited reported improved profitability and a strong turn around in cash flow generation for the 2010 year as the global economy began to recover and demand for aluminium and alumina increased.

With predicted increases in the demand for aluminium and alumina, Alumina Limited's investment in AWAC with long-life bauxite deposits and 17 million tonnes of alumina production design capacity, is positioned well for the future.

Alumina Results

$34.6m

Net profit US$34.6 million
(2009: net loss US$23.7 million)

$36.7m

Underlying earnings of US$36.7 million
(2009: US$0.3 million)

6cents

Fully franked dividend of US 6 cents per share
(2009: US$ 1.8 cents per share)

$86.6m

Share of AWAC underlying profit US$86.6 million
(2009: US$25.6 million)

10%

Gearing 10 per cent
(2009: 9 per cent)

$234m

AWAC dividends of US$234 million received
(2009: US$136 million)

AWAC Results

$335m

AWAC net profit after tax
US$335.3 million
(2009: US$106.4 million)

15.2m

Record alumina production
of 15.2 million tonnes
(2009: 13.5 million)

$714m

AWAC cash from operations
US$714 million
(2009: US$(64) million)

Alumina Limited's functional and presentation currency is now US dollars. Prior period results have been restated to present them in US dollars.

AWAC — A GLOBAL JOINT VENTURE

Alumina Limited is a leading Australian company listed on the Australian Securities Exchange (ASX) and the New York Stock Exchange (NYSE).

We invest worldwide in bauxite mining, alumina refining and selected aluminium smelting operations through our 40 per cent ownership of Alcoa World Alumina and Chemicals (AWAC), the world's largest alumina business.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT 2010

Alumina Limited reported improved profitability and a strong turn around in cash flow generation for the 2010 year as the global economy began to recover and demand for aluminium and alumina increased.

Stronger market conditions resulted in improved pricing, with realised alumina prices up 28 per cent on the prior year. The resulting profit increase was reduced by the strengthening Australian dollar (which impacts 60 per cent of AWAC's global production), and additional costs in the commissioning of the expanded Brazilian assets.

AWAC responded to improving demand with record alumina production of 15.2 million tonnes. This was achieved by restarting some of the production capacity that was idled in late 2008 at the height of the Global Financial Crisis and also includes increased production from the recently expanded Brazilian operations. Also, in 2010, AWAC finalised new power contracts with Loy Yang Power to secure electricity supply to the Portland and Point Henry aluminium smelters in Victoria, Australia until 2036. The new contracts will come into effect in 2014 for the Point Henry operations (Geelong) and 2016 for the Portland operations.

Free cash flow available for debt reduction and distribution to shareholders increased significantly as cash flow from the AWAC operations increased and significant investment in capital expenditure wound down.

Dividends received from the AWAC joint venture increased by US$98.8 million to US$234.4 million. Fully franked dividends of US 6 cents per share, were declared (US 1.8 cents per share in 2009). The Board intends generally, on an annual basis, to distribute cash from operations after debt servicing and corporate cost commitments have been met. Dividends will be fully franked for the foreseeable future.

Alumina Limited's functional and presentation currency was changed to US dollars recognising that most dividends are received by the Company are in US dollars.

Mr Ron McNeilly, a non-executive director of the Company since its demerger in 2002, retired from the Company in March 2011. Mr McNeilly's experience and expertise were invaluable to the deliberations of the Board and as Chairman of the Compensation Committee. The Board thanks Mr McNeilly for the valuable contribution he made to the Company for over 9 years. Ms Emma Stein joined the Company's Board in February 2011 as a non-executive director. She brings considerable experience with industrial customers in international energy and utilities markets and investment in long-life assets and projects.

Alumina market

The increase in the number of independent smelters in recent years, predominantly in China, has resulted in the proportion of integrated producers declining. Independent or standalone smelters source their alumina from third party suppliers. In 2010 the market for third party alumina exceeded 40 per cent of the entire alumina market and it continues to grow. The third party alumina market is important to AWAC which currently directs 60 per cent of its alumina production to supply third party customers. AWAC's ability to service the growing third party market has improved with the completion and commissioning of the 2.1 million mtpy expansion of the Alumar alumina refinery and the 2.6 million mtpy Juruti bauxite mine in Brazil. AWAC's share of alumina production from the 3.6 million mtpy Alumar refinery is 1.4 million mtpy.

Alumina pricing

The traditional alumina pricing methodology was to link the price of alumina as a percentage of the aluminium price. The linkage methodology in recent years has not recognised that alumina cost drivers are different from those of aluminium.

In 2010 a significant development occurred in the pricing structure for alumina. Several independent pricing indices were developed for alumina based on spot sales.

A more extensive description of the change in pricing and its implications for Alumina Limited is covered on page 12 of this report.

Alumina Limited 2010 Result Highlights

In 2010 Alumina Limited made a profit of US$34.6 million (2009: US$(23.7) million).

Underlying earnings after tax was US$36.7 million (2009: US$0.3 million) (Underlying earnings exclude non-cash revaluations of embedded derivatives in certain energy contracts and retirement benefit obligations which do not relate to operations during the current reporting period).

Alumina received $234 million of fully franked dividends from AWAC, compared to $136 million in 2009.

Directors determined a final dividend of USD 4 cents (AUD 3.943 cents) per ordinary share. The 2010 interim dividend was USD 2 cents, (AUD 2.2324 cents).

Corporate costs rose to A$15.9 million, from A$13.1 million in 2009. Principal reasons for the increase were Brazil taxes of A$1 million on capital movements from Brazil, the additional costs associated with our change to USD functional and presentation currency and the establishment of entities in Brazil.

In 2009, Alumina Limited restructured its funding facilities, by increasing maturities and diversifying funding sources and smaller refinancing requirements. This led to a period of higher cash balances in 2010 than normal, and as cash is invested in US dollars, the low interest rates available resulted in little interest income.

AWAC Financial Performance

Profitability improved significantly to US$335 million (2009: US$106 million). Stronger market conditions resulted in improved pricing, with realised alumina prices up 28% on the prior year. The increase in realised alumina prices accounted for over 60% of the total increase in alumina revenue. Alumina production increased by 1.7 million tonnes, to 15.2 million tonnes, a new record for the AWAC joint venture. In 2010, free cash flow in AWAC was $416 million (2009: negative US$729 million). This very significant turnaround in free cash flow reflects both the improvement in cash from operations, and the final stages of investment in the major capital project in Brazil. The improved cash from operations increased to US$714 million (2009: negative US$64 million), reflected increased prices and volume of alumina sales, disciplined cost and working capital management.

AWAC earnings include significant costs in Brazil of US$135 million before tax arising from commissioning and start-up issues and their impact on production costs. By year end the refinery was operating at design capacity.

Alumina operating margins improved as a result of higher realised prices and continued discipline on controllable costs. Excluding Brazil direct commissioning and start-up costs of $80 million, the average cost of alumina production increased $17 per tonne.

This was principally due to the appreciation of the AUD against the USD which had a negative impact of approximately $14 per tonne (the average AUD/USD rate for 2010 was 0.92, compared with 0.79 in 2009). Average costs were also impacted by increased production from higher cost refineries outside Australia which were ramped up in response to increases in customer demand and alumina pricing. The proportion of total production from the lower cost Australian refineries fell from 67% in 2009 to 60% in 2010.

Energy costs increased approximately 23% on the prior year, although this was partially offset by a 27% decline in caustic soda costs. Depreciation expense in Brazil increased to $138 million, up from $38 million in 2009, following commissioning of the expanded refinery and full mine operation.

AWAC produces aluminium at two smelters in Australia. Aluminium production declined marginally to 356,000 tonnes (2009: 368,000 tonnes) reflecting a full year of curtailed production at the Portland smelter following production cuts in 2009. The price per tonne improved by 29%, benefiting from increased global prices and regional premia (the average three month aluminium LME price was $2,200 per tonne in 2010). In AUD terms, aluminium costs of production decreased by 4% during the year, as a result of the continuing strong focus on cost control and cash expenditure.

Capital expenditure on growth projects was $153 million, with $102 million spent in Brazil, $44 million on the Ma'aden joint venture in Saudi Arabia, and $7 million on the existing Australian operations. Certain parts of the growth capital expenditure in Brazil were deferred into 2011, to allow a focus on commissioning issues. AWAC also made additional equity investments in Brazil, to cover the costs of commissioning issues, an increase in working capital as production increased, and operating losses during the ramp up phase of the expansion. Sustaining capital expenditure of $201 million was mainly spent in Australia.

AWAC continued to operate with minimal borrowings. With the exception of minor working capital facilities at individual operating assets, any borrowing required by an AWAC entity is provided by the joint venture partners.

Alumina Limited Governance and Sustainability

Effective corporate governance remains a strong focus for Alumina Limited.

The Board is cognisant that corporate sustainability and continuing shareholder value are dependent on the existence of a viable governance framework of policies and procedures and a governance culture that steers the company.

Alumina Limited strives to provide best practice corporate governance by, where possible, adhering to best practice principles and guidelines. As a listed company in Australia and the USA, Alumina Limited comes under the regulatory jurisdiction of the Australian Securities Exchange (ASX) and the New York Stock Exchange (NYSE). Alumina Limited has complied with all applicable governance principles of the ASX.

In 2010 the Board reviewed the Company's compliance to various regulatory requirements and evaluated changes that were either introduced or proposed by relevant governance bodies. In conducting these reviews the Board is advised by management and independent experts. As a part of the continuing governance review the Board in 2010 adopted and updated policies and processes including in relation to diversity in the workplace.

Sustainable development is a key issue within Alumina Limited and AWAC. AWAC operates in 7 different countries in diverse locations such as Brazil and Western Australia. Alumina and AWAC management are ever mindful of their responsibility to protect the environment, manage resources responsibly, respect the rights of the communities in which they operate and ensure the safety and health of employees. Alumina Limited also fully supports the sustainability goals and efforts of AWAC's operating manager, Alcoa. Alcoa has an enviable reputation as a leader in sustainability being consistently recognised as one of the world's top 100 most sustainable companies. A number of AWAC operations are multi award winners for sustainable practices in rehabilitation of mined areas, employee safety, water management and community action. For more information on sustainability including case studies and to review Alumina's Sustainability Policy, please access the Company's web site at: *www.aluminalimited.com/sustainability-policy/*

Carbon emissions reduction

In February 2011, the Australian Government announced that it would pursue a carbon price mechanism that would commence with a fixed carbon price before transitioning into a cap-and-trade emissions trading scheme. This new mechanism could commence as early as 1 July 2012. Details regarding the structure, timetable, pricing and any assistance afforded to Australian industries have not been finalised.

Alumina Limited believes any scheme should not adversely impact on the international competitiveness of Australia's aluminium and alumina industry and should mitigate the risk that production moves to regions that have no or weaker carbon dioxide emission controls.

Matters on climate change and emissions legislation are discussed in greater detail in the Sustainability section of this report found on page 14 of this report or on the Company's web site.

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Capital management

Alumina Limited's gearing remains at a conservative 10%. Net debt at year end was $353 million.

$54 million of the Company's 2008 convertible bonds were bought back in the first six months, and a further $128 million bought back in December. The total amount of the bonds outstanding is $168 million. The bonds may be put to the Company in May 2011, and otherwise, matures in May 2013.

A new $320 million syndicated facility was completed in November, with $107 million maturing in late 2013 and $213 million maturing in 2015. A further $300 million of committed undrawn facilities maturing in 2012 are available to the Company. Alumina Limited has no facilities maturing in 2011.

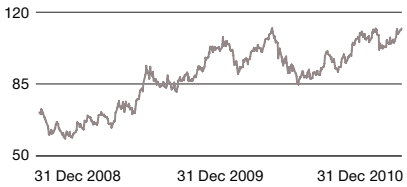
AWAC Growth projects

By the end of 2010, the major capital expenditure for the Brazilian growth projects was complete. The 2.1 million mtpy expansion of the Alumar alumina refinery and the 2.6 million mtpy Juruti bauxite mine operated at design capacity during early 2010. However the refinery experienced a number of power outages and the failure of a ship loader that curbed refinery production during 2010.

The Brazilian growth project is a strategically important investment. It links a large efficient alumina refinery with a long-term bauxite deposit. The Juruti bauxite deposit has at least a 50 year mine life expectancy. The bauxite deposit provides the opportunity to increase production beyond its current production capacity.

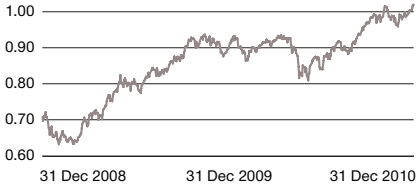
AWAC's next growth project is a joint venture development of a low cost alumina refinery and bauxite mine in the Kingdom of Saudi Arabia. AWAC will have a 25 per cent interest in the alumina refinery joint venture with Ma'aden. The refinery will have access to low cost power and will be supplied bauxite from its own mine. The project will also benefit from access to existing rail and port facilities essential for the effective and efficient transportation of product. Alumina Limited is required to provide equity funding of approximately $140 million between 2010 and 2014. Approximately 60 per cent of the required total project funding will be arranged through project financing and will be finalised in 2011.

ALUMINIUM USD/lb



Source: Thomson Reuters

AUD/USD EXCHANGE RATE



Source: Thomson Reuters

AWAC's next growth project is a joint venture development of a low cost alumina refinery and bauxite mine in the Kingdom of Saudi Arabia.

Outlook

Demand for aluminium grew 13 per cent in 2010 and is forecast to grow 12 per cent in 2011. A forecast reduction in the rate of Chinese growth is predicted to be offset by increased demand for aluminium in the Middle East and the Latin American regions, developing countries and a recovery in the United States. China is forecast to account for over 40 per cent of the total world consumption of aluminium in 2011 and will remain a major influence in the aluminium market due to continuing urbanisation of its population and the growth in demand for transportation. The global alumina market in 2011 is expected to be in balance.

China is forecast to remain a net importer of alumina being slightly deficient in alumina by approximately the same amount that Western countries are in surplus. In the longer term, increased investment in bauxite mining and alumina refining will be necessary to supply increasing non-integrated smelters in the Middle East, India and China. AWAC, the world's largest bauxite miner and alumina manufacturer with long life bauxite deposits and low cost alumina refining facilities, is in a position to benefit from increased demand for alumina.

The alumina supply and demand fundamentals have driven an increase in the sales of spot and index based priced alumina. Since the introduction of the index price there has been an increasing acceptance by customers to move to an index price. The change in pricing is expected to impact our results progressively as new contracts are implemented over the next five years, commencing in 2011.

IN SUMMARY

Alumina Limited's 2010 result was a product of increasing demand and price for aluminium and alumina tempered by the impact of a weak US dollar and some one-off costs. With forecast increases in the demand for aluminium and alumina, Alumina Limited's investment in AWAC with long-life bauxite deposits and 17 million tonnes of alumina production design capacity, is positioned well for the future. The recent strengthening of the Australian dollar to above parity against the US dollar will have a negative impact on AWAC financial performance. The development of alumina price indices in 2010 and the subsequent gradual transitioning from an aluminium linked percentage price for alumina to an index based price, also should contribute to an improving outlook. The Board would like to thank Alumina Limited's staff for their contributions during 2010.

JOHN BEVAN CHIEF EXECUTIVE OFFICER DONALD M MORLEY CHAIRMAN

ALUMINA PRICING

A significant development occurred in the pricing structure for alumina during 2010 Traditionally most alumina outside of China has been sold to third party smelters on a medium to long-term contract basis, with the price calculated as a percentage of the London Metal Exchange (LME) aluminium price. The LME aluminium price is published daily and over time reflects the fundamentals of the supply and demand and operating and capital costs of producing aluminium. After the LME aluminium percentage was linked to the alumina price, the fortunes of alumina refiners therefore rise and fall in line with the aluminium price.

In recent years however there has been a low correlation between the LME aluminium prices and the alumina input costs (principally energy, caustic soda and bauxite/freight).

The alumina input costs have different drivers to those of aluminium and disparities between those costs has led to the way alumina has been traditionally priced becoming disconnected to the underlying economics of producing and selling alumina. This has contributed to a lack of investment in new low cost refining capacity outside of China. In 2010 a number of key commodity information service providers started publishing daily and weekly alumina (spot) pricing assessments or indices. These have given the seller and buyer of alumina a reference point for pricing that better reflects supply and demand and cost of alumina. Also, particularly in China, an increasing amount of alumina has been sold on spot prices assisting the development of the indices.

In August 2010, Platts introduced four new daily spot price assessments called “PAX” for “Platts Alumina Index”. These were the world’s first daily price references for alumina, seeking to address the needs of miners, smelters, refiners, and traders for an independent source of open-market spot prices to better determine pricing for short- and long-term alumina contracts. Platts’ suite of alumina prices captures price dynamics principally relating to Australia and China. Australia is the world’s largest exporter of alumina and China, which is also a large producer, is the world’s largest consumer of alumina.

An additional indice “CMAAX” has been developed publishing a daily Chinese price index focusing on smelter grade alumina in China. In December 2010, Metal Bulletin launched a weekly alumina index based on loaded prices of smelter grade alumina at Australia.

These developments have enabled AWAC to enter contracts with prices based on published spot prices. The contracts written by AWAC during the latter part of 2010, for delivery in 2011 and beyond, referenced a basket of published alumina index prices.

Approximately 20 per cent of AWAC’s third party alumina sales each year are re-negotiated and AWAC intends to continue contract pricing based on index and spot prices.

Demand for aluminium is forecast to grow strongly. This will require extra alumina capacity to be committed within a few years. However, producers require an appropriate incentive price to justify the high capital commitment of building or expanding a refinery. Pricing of alumina by reference to the spot indices should result in a pricing that better reflects the economics of building refineries and producing alumina, and alumina supply and demand, hence providing the incentive price required for new capacity.

PLATTS FOB AUSTRALIA.
DAILY. US$/METRIC TON

Source: Platts

SUSTAINABILITY

Sustainability Scope

Alumina Limited has a 40 per cent interest in AWAC. Alcoa manages the day-to-day activities of AWAC. Its chief sustainability focus is to ensure that AWAC management integrates sound environmental, social and governance processes alongside sustainable financial performance of the business. The Board, senior management and employees at Alumina Limited acknowledge that sustainability is much more than maintaining a viable business, it includes the responsible use and management of resources, providing protection for the environment, ensuring the highest level of health and safety of employees and the communities in which AWAC operates and creating opportunities for people and processes to improve.

Alumina Limited is also committed to sound corporate and social policies within its business activities and strategy.

Alumina Limited fully supports the sustainability objectives and initiatives implemented by Alcoa at AWAC's global operations.

AWAC activities involve mining, alumina refining and selected smelting facilities located in the USA, Spain, Jamaica, Suriname, Guinea, Brazil and Australia. Those facilities operate in diverse geographic, social and economic environments and require unique approaches to sustainability to achieve global common sustainability goals.

Alumina Limited fully supports the sustainability objectives and initiatives implemented by Alcoa at AWAC's global operations.

Sustainability Aspirations

For both the AWAC joint venture, and in Alumina's business dealings, our ambition is to:

- achieve an injury free work environment and promote the health of our employees and of the communities in which we operate
- apply high ethical business standards and best practice principles and methods
- mitigate risks and regularly update business practices to enhance AWAC's impact on the environment, its employees and for the communities where it operates
- ensure AWAC's efficient use of energy and natural resources
- respect the rights and values of the communities where AWAC operates, and strive to achieve challenging targets in social and environmental improvements
- meet or exceed AWAC's emissions and pollution regulation standards, through continuous improvements in technology and operating practices
- ensure that rehabilitation programs for AWAC's mining operations are managed to re-establish the botanical richness and mix of plant species occurring naturally in the local areas
- provide open, timely and clear reporting on our performance against goals and targets
- engage openly with stakeholders

Sustainability Management – Alumina Limited

Alumina Limited's Sustainability Policy that encapsulates the Company's sustainability principles and goals is the direct responsibility of its Board of Directors. The Board is responsible for the oversight of the Company's sustainability policy and performance. Alumina Limited's executive management is responsible for formally reviewing and annually reporting progress on key sustainability initiatives and performance.

In relation to the AWAC joint venture, Alumina Limited's CEO and CFO sit on the Boards of the main holding entities of the AWAC enterprise and are Alumina's representatives on AWAC's governing body, the Strategic Council. In those roles, they receive detailed reporting on AWAC's key sustainability measures on health and safety, energy efficiency, water management and greenhouse gas emissions.

Governance – AWAC

AWAC's sustainability efforts are undertaken by Alumina Limited's partner and manager/operator of AWAC, Alcoa. Alcoa has been at the forefront of global action on sustainable development and ongoing management. AWAC facilities have a set of strategic targets covering a broad range of sustainability actions designed to impact day-to-day operations. AWAC has developed a new model for sustainability that included a restructuring of sustainability reporting. Sustainability is now approached in three interdependent categories: sustainability of products, sustainability of resources, and sustainability of operations. Under each category are subsets of: environment, social and economic matters.

This revised approach to sustainability is applied in all of AWAC's operating locations and is intrinsically linked to the business strategy.

AWAC Business Activities

AWAC, in the course of its business:

- Uses extractive processes to mine bauxite
- Uses energy intensive processes to convert bauxite to alumina at the alumina refineries and also to produce aluminium metal in the smelters
- Uses water resources in all stages of processing
- Produces waste and other residues from the refining and smelting processes
- Conducts the above activities in or near communities
- Is responsible for employee health and safety
- Transports bulk amounts of alumina worldwide to third party smelters

Each of these activities are the subject of global strategic targets of the sustainability model developed by Alcoa. For example: from a 2005 baseline, 20% reduction in total (direct and indirect) carbon dioxide equivalent (CO_2-e) intensity by 2020; 30% by 2030.

The various operating facilities contribute to meeting global targets. However their own business units and regions often employ complementary sustainability indicators around their sustainability challenges. They are also using workshops and other methods to engage customers, management, employees, communities, and other stakeholders in sustainability initiatives, leading to strategies and action plans.

AWAC Sustainability

AWAC personnel have been working to responsibly manage its business activities in a manner that is sustainable environmentally, socially and economically.

Some of the significant objectives relating to AWAC:

- Returning the natural biodiversity of mine areas (achieved over 100 per cent species richness of Jarrah forest species in 2007, Western Australia mine rehabilitation)
- Reducing freshwater consumption to target, 70 per cent reduction from a base year of 2000
- 10 per cent reduction in energy intensity by 2010 compared to 2000
- 25 per cent reduction in greenhouse gas emissions (GHG) by 2010, compared to a base year of 1990 (Western Australian refineries achieved over 21 per cent reduction in direct emissions and the Victorian smelters achieved a 65 per cent reduction in direct emissions)

The Board, senior management and employees at Alumina Limited acknowledge that sustainability is much more than maintaining a viable business, it includes the responsible use and management of resources, providing protection for the environment, ensuring the highest level of health and safety of employees and the communities in which AWAC operates and creating opportunities for people and processes to improve.

AWAC Sustainability Initiatives

A challenge in the alumina refining environment is a solution for the management of residue. As a result of the refining process that extracts alumina (aluminium oxide) from bauxite, approximately 1 tonne of residue is produced for each tonne of alumina. Historically, the residue has been deposited into lined reservoirs to form landfill. AWAC operations in Brazil and Western Australian are pioneering ways in which to alter the nature of the residue to make it useful for other processes. In Brazil AWAC is partnering with the University of Sao Carlos, the University of Sao Paulo and the Agricultural Research Agency in Seropedica, to develop solutions. The re-use of the residue as an agricultural soil amendment (as a result of the alkalinity of the caustic soda present in the residue) and to manufacture materials like bricks and roof tiles are some potential solutions being developed. In Australia studies have developed a carbonation and wash system to process the residue sand to make it environmentally benign. Sand comprises approximately 50 per cent of the residue in Australia. The processed sand is suitable for use in the construction industry and is suitable for use in road base construction. Other applications include use in concrete manufacture, ceramic or plastics manufacturing.

These are examples of the technology and science being employed to create innovative solutions for sustainability challenges. For more examples of achievements in sustainability practices, go to the Company's web site: *www.aluminalimited.com*

AWAC and the Community

AWAC has operational facilities in 7 countries around the World. These are large scale activities that operate within local communities. To build a sustainable business, it is necessary to examine the impact on the sustainability of the communities and examine the needs of the community. In Brazil efforts have successfully been made to partner with the community on matters of sustainability. The remote community of Juruti is the location for AWAC's newest bauxite mine and port facilities. An example of the partnering endeavours is the Juruti School of Sustainability that was created by Alcoa to train local professionals and leaders to develop sustainability initiatives in the region.

Climate Change and Emissions Legislation

One of the most significant challenges for the aluminium industry is climate change and the reduction of emissions.

The aluminium industry, by the processing required to refine alumina and smelt aluminium, is an energy intensive industry. AWAC has initiated a number of process changes to improve energy efficiency and reduce greenhouse gas intensity. At the Australian operations of AWAC, the Victorian smelters at Point Henry and Portland have made significant inroads to reducing their direct emissions which in 2009, were 65 per cent less per tonne than in 1990.

AWAC's operations in Spain may, in the near future, be subject to carbon taxes or emission trading schemes as a catalyst to bring about a reduction in greenhouse gas emissions. The European Union's Emissions Trading Scheme (EU ETS) launched in 2005 operates on the principle of "cap and trade" but initially excluded the aluminium industries. A "cap" or limit is placed on the total amount of certain greenhouse gases that can be emitted by facilities. Companies receive emission allowances which they can sell to or buy from one another (trade). The aluminium industry will be included in the EU ETS from 2013. The impact on AWAC's Spanish alumina refinery at San Ciprian is yet to be determined due to uncertainty regarding the benchmarking of the alumina sector.

In February 2011, the Australian Government announced its intention to pursue a proposal for the introduction of a carbon price mechanism. The proposed mechanism would commence with a fixed carbon price and after a specified period, move to a cap-and-trade emissions trading scheme.

There is insufficient detail relating to how the mechanism will operate, the initial price for carbon, the period over which the fixed carbon price would apply and the subsequent operation of the cap-and-trade component to estimate a financial impact. Also the proposal indicates a yet to be determined level of assistance to Australian industry.

Alumina Limited and AWAC support an economy-wide response to the challenge of climate change that incentivises improvements while preserving the international competitiveness of Australian industries, in particular emission-intensive, trade-exposed industries such as the aluminium industry.

AWAC's Australian assets compete in a global market place in which most producers are subject to a very minimal carbon cost. If a scheme disadvantaged Australian aluminium producers compared to producers in countries that operate under a lesser scheme or no scheme, there is a risk that producers may be forced to close their Australian facilities and production would shift to other countries or regions. Such measures would not result in a reduction in GHG and would result in a loss of jobs and income in Australia.

AWAC's Australian refineries are some of the most cost competitive and efficient in the world. AWAC will continue to focus on improving operational efficiencies and the further pursuit of innovative solutions to reduce greenhouse gases.

For information on Alumina Limited's greenhouse gas emissions and other sustainability information, refer to the Company's website at *www.aluminalimited.com*

BOARD OF DIRECTORS

MR DONALD M MORLEY
BSc MBA Hon. FAusIMM

Chair, Independent Non-Executive Director

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

MR PETER A F HAY
LLB

Independent Non-Executive Director

Mr Hay has been a Director of Alumina Limited since 11 December 2002. He is Chairman of the Advisory Board of Lazard in Australia, and is a director of Australian and New Zealand Banking Group Limited, GUD Holdings Limited, NBN Co Limited and Myer Holdings Limited. He is also a Director of Landcare Australia Limited and Epworth Foundation. He is a former Chief Executive Officer of the law firm Freehills. He is a member of the Audit Committee, and Compensation Committee and Chair of the Nomination Committee. Mr Hay brings to the Board considerable legal experience and advisory skills particularly in relation to public company takeovers, corporate governance matters and risk management.

MR RONALD J MCNEILLY
BCom MBA, FCPA, FAICD

Independent Non-Executive Director (retired 3 March 2011)

Mr McNeilly was elected a Director of Alumina Limited on 11 December 2002 and retired from the Alumina Limited Board on 3 March 2011. During his term as director in 2010 Mr McNeilly was the Deputy Chairman of BlueScope Steel Limited; Chairman of Worley Parsons Limited; past director of BHP Billiton Limited, QCT Resources Limited and Tubemakers of Australia Limited; past executive director Global Markets BHP Billiton Limited from 2001 to 2002; past executive director and President of BHP Minerals from 1999 to 2001. He was a member of the Audit and Nomination Committee and Chair of the Compensation Committee. Mr McNeilly brought substantial practical experience and skills gained from over 30 years working in the resource sector. Mr McNeilly resigned as director of Alumina Limited effective on 3 March 2011.

MR G JOHN PIZZEY

B.E (Chem), Dip. Mgt. FTSE FAICD

Independent Non-Executive Director

Mr Pizzey was elected a director of Alumina Limited on 8 June 2007. He is Chairman of Iluka Resources Ltd, a director of Amcor Limited and St Vincent's Institute of Medical Research. 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 Nomination and Compensation Committees and Chair of the Audit Committee. Mr Pizzey brings extensive knowledge gained in over 33 years in the alumina and aluminium industry.

MS EMMA STEIN

BSc (Physics) Hons, MBA, FAICD

Non-Executive Director

Ms Stein was elected as a director of Alumina Limited on 3 February 2011. Ms Stein is currently Non-Executive Director of Clough Limited, Non-Executive Director for Diversified Utilities Energy Trust and Non-Executive Director for Programmed Maintenance Group and Transfield Services Infrastructure Fund. 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 a member of the Nomination, Compensation and Audit Committee. She has considerable experience with industrial customers, international energy and utilities markets and investments in long life assets and projects.

MR JOHN BEVAN

BCom FAICD

Chief Executive Officer

Mr Bevan was elected as Executive Director and Chief Executive Officer on 16 June 2008. Mr Bevan joined Alumina Limited from BOC Group Plc where he most recently held the position of chief executive of Process Gas Solutions and was elected to the Board of Directors. He has had a long career with the BOC Group Plc including a variety of management roles in Australia, Korea, Thailand and the UK before becoming chief executive of Asia in 2000. He was a director of BOC Plc in London from 2003–2007.

CORPORATE GOVERNANCE

Alumina Limited has set a goal of conducting business with a high level of corporate governance to drive long-term shareholder value by protecting shareholder rights and enhancing investor and market confidence in the Company.

Alumina's corporate governance framework is designed to provide oversight of the Board's and senior management's actions through:

- Establishing responsibilities of the Board and senior management to ensure an appropriate level of control
- Timely and meaningful disclosure to provide transparency of information and processes
- Defining accountability processes

Compliance with Corporate Governance Codes

Alumina Limited has listed securities on the Australian Securities Exchange (ASX) and the New York Stock Exchange (NYSE). Alumina Limited meets each of the requirements of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Second Edition) and the NYSE compliance rules as they apply to foreign listed entities.

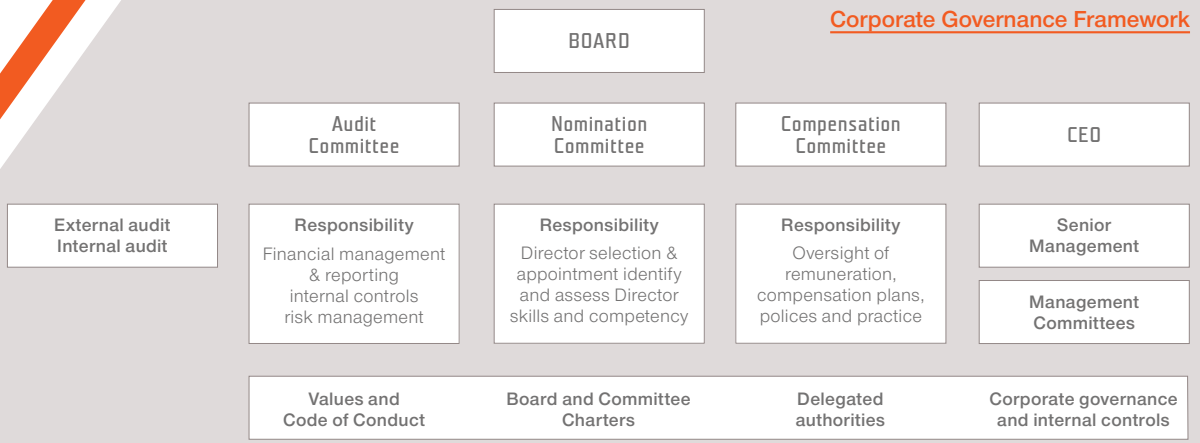
Alumina Limited's corporate governance structure is independently reviewed annually by many of world's leading corporate governance rating agencies. In 2010, GovernanceMetrics International rated Alumina's governance performance 8.5 out of 10 (the average rating of Australian companies was 6.65).

The Role of Alumina Limited's Board of Directors

The role, duties and responsibilities of the Board, and delegation of authority to senior executives, are defined in the Board Charter, which is available on the Company's website *www.aluminalimited.com*

In summary, the Board of Directors is accountable to represent shareholders' interests in the ongoing management and governance of the Company. The Board in executing its responsibilities aims to create sustainable shareholder value through strategic goal setting, establishing required resources and ensuring management processes are effective.

Corporate Governance Framework



The Board has specific roles to fulfill and delegates to the Chief Executive Officer (CEO) and his senior executive team, authority over the day-to-day management of the Company. The Board Charter and Company Policies defines the scope of authority delegated to senior management.

The primary roles of the Board are to:

- Appoint the Chief Executive Officer, and monitor the performance of the Chief Executive Officer and senior executives
- Monitor and optimise business performance
- Formulate Alumina Limited's strategic direction and monitor its execution
- Protect the interests of shareholders
- Approve Alumina Limited's external financial reporting.

Board Membership

The Board had five members during 2010, four Non-executive Directors and an Executive Director – the Chief Executive Officer, Mr John Bevan. The Board is chaired by a Non-executive director, Mr Don Morley. There were no changes to the composition of the Board in 2010 and the Board comprised the following directors:

Mr Donald Morley (Chairman)

Mr Peter Hay

Mr Ronald McNeilly

Mr John Pizzey

Mr John Bevan

On 3 February 2011, Ms Emma Stein joined the Board as a Non-executive director.

On 3 March 2011, Mr Ron McNeilly retired as Non-executive director and Chairman of the Compensation Committee after nine years of service.

A brief biography of each Alumina Limited Director is available on pages 20 and 21 of this report.

Director Skills and Experience

To ensure that Alumina Limited shareholder interests are protected and advanced, it is essential that the Board consists of individuals that collectively have a mix of skills and experience commensurate for the business activities and structure of the Company.

The Nomination Committee is responsible for assessing the suitability of existing and prospective Directors based on their expertise and skills. The Committee identified several key skill sets and experience necessary for the Board and determined that as a group, they are represented on the Board of Directors.

Key requirements are summarised as follows:

- Established management and leadership skills
- International experience
- Industry knowledge and experience
- High level of governance experience
- Proven record of developing and implementing successful strategy
- Financial expertise
- Capital projects experience
- Joint venture experience

Alumina Limited's corporate governance structure is independently reviewed annually by many of world's leading corporate governance rating agencies. In 2010, GovernanceMetrics International rated Alumina's governance performance 8.5 out of 10 (the average rating of Australian companies was 6.65).

Director Independence

Alumina Limited has a policy that requires the Board on an annual basis, and otherwise as it feels warranted, depending on disclosures made by individual directors, to assess director independence. The Board believes that exercising independent judgment, unencumbered by any relationship or interest that could compromise independence is a key governance matter. Directors are considered to be independent if they are independent of management and have no material business or other relationship with the Alumina Limited Group that could materially impede their objectivity or the exercise of independent judgment, or materially influence their ability to act in the best interests of the Group.

In assessing the independence of Directors the following matters are taken into account:

- Any existing relationships with the Alumina Limited Group, including professional affiliations and contractual arrangements, whether directly or indirectly with the Director
- Any past relationships with the Alumina Limited Group, either direct or indirect
- Materiality thresholds
- The definitions of independence embodied in Australian and US corporate governance standards.

The Board has concluded that all Non-executive Directors are independent.

Diversity

The Board is committed to managing and promoting a culture of diversity in the workplace and in 2010 approved the Company's Diversity Policy, details of which are set out on the Company's website.

The Board also approved the following objectives in relation to gender diversity:

- To include in the Charter of the Nomination Committee, responsibility for diversity including an annual review and report on the relative proportion of women and men in the workforce at all levels of the Company.
- To engage consultants that support and promote the Company's diversity policy including assisting to identify additional suitably qualified external female candidates.
- To ensure that candidate lists for permanent employee positions are recognisably diverse by age, sex or ethnicity.
- To ensure that in the interview process for each executive position there is at least one appropriately qualified female candidate and at least one female on the interview panel.
- to consider diversity when reviewing board succession plans with the aim to improve gender representation and diversity.

Should the need arise to make any new Board appointment, recruitment will be drawn from a diverse field of suitably qualified candidates.

In 2010, women represented 36 per cent of all employees in Alumina Limited and 33 per cent of senior management. In 2010, the Company did not have a woman on the Board of Directors. In 2011, there is one woman on the Board or expressed as a percentage, 20 per cent of the Board.

Promoting Ethical Conduct and Behaviour

Alumina Limited has established overarching values that form the ethical framework for the Company's Code of Conduct. The Code of Conduct drives the way in which Alumina Limited conducts its business and behaviour. The Code of Conduct was developed by aligning the Company's agreed core values with best practice corporate governance models. The Code applies to Directors, employees and contractors. The Code of Conduct is reviewed regularly to ensure it is relevant and accurately reflects best practice principles.

Alumina Limited Values and Code of Conduct are detailed in full on the Company's website.

Corporate Reporting and Risk Management

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

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

Managing Business Risk

Alumina Limited's Risk Management Policy sets out its policies and procedures for covering risks such as those relating to markets, credit, price, operating, safety, health, environment, financial reporting and internal control. The Risk Management Policy has been adopted by the Board. Alumina Limited is exposed to risks, both indirectly through its investment in AWAC, and directly as a separately listed public company.

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

Alumina Limited uses internal controls as well as risk management policies that are appropriate to its risks as an independent corporate entity. Alumina Limited has developed a Risk Management Framework that profiles a range of material business risks, both financial and non-financial in nature, which are potentially significant for the current operation and profitability and/or long term value of the Company. Each material business risk identified has an explicit risk strategy and system of internal controls.

Alumina Limited's most significant commercial risk exposures are to alumina and aluminium prices, financing risks, foreign exchange risk, joint venture structure risks, and capital project risk.

Management provides a report to the Alumina Limited Board on the effectiveness of Alumina's Limited's management of its material business risks, and assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

A more detailed description of Alumina Limited's Risk Management Policy and controls and corporate governance practices is available on the Company website or pages 11 to 22 of the 2010 Annual Report.

Alumina Limited's Risk Management Policy sets out its policies and procedures for covering risks such as those relating to markets, credit, price, operating, safety, health, environment, financial reporting and internal control. The Risk Management Policy has been adopted by the Board. Alumina Limited is exposed to risks, both indirectly through its investment in AWAC, and directly as a separately listed public company.

SENIOR MANAGEMENT

MR JOHN BEVAN
BCom

Chief Executive Officer

John Bevan has responsibility for the overall management of Alumina Limited in accordance with the strategy, policies and business processes adopted by the Board. He had a long career with the BOC Group Plc including a variety of management roles in Australia, Korea, Thailand and the UK before becoming chief executive of Asia in 2000. He was a director of BOC Plc in London from 2003–2007. Mr Bevan has strong commercial and operational experience gained through operating in joint ventures in many parts of the world, particularly Asia.

JUDITH DOWNES
BA(Hons), Dip Ed, Grad Dip Accounting, FCPA, FCA

Chief Financial Officer

Judith Downes joined Alumina Limited in January 2009 as Chief Financial Officer. She is responsible for finance, accounting, treasury, investor relations and taxation. Ms Downes is also an alternate director for Mr Pizzey. Ms Downes has extensive financial experience gained during her career at Australia and New Zealand Banking Group Limited, and prior to that in public accounting. She is a member of the IFRS Advisory Council of the International Accounting Standards Board and a past director of ING Australia.

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

General Counsel & Company Secretary

Stephen Foster is responsible for legal, company secretarial, shareholder services, insurance and human resources. Mr Foster has a wide range of legal and commercial experience gained over 25 years, at Village Roadshow, WMC Limited, and the legal firm of Arthur Robinson & Hedderwicks (now Allens Arthur Robinson).

REMUNERATION REPORT

Alumina Limited remuneration policy for 2010 was largely unchanged from the policy as outlined in the 2009 Remuneration Report that was approved at the Annual General Meeting in May 2010.

This Remuneration Report, found in Alumina Limited's Annual Report 2010, sets out the Company's remuneration strategy and practices and incorporates remuneration information for Directors and senior executives in accordance with the Corporations Act.

All contracts for Key Management Personnel are written in Australian dollars and accordingly all figures in the Remuneration Report are in Australian dollars unless otherwise shown.

Remuneration Strategy and Policy

Alumina Limited's remuneration strategy has an objective of attracting and retaining high calibre employees by providing benchmarked market competitive remuneration. It is also structured to align employee remuneration with specific and measurable individual and corporate objectives and targets that are linked to shareholder interests.

The Compensation Committee (the Committee) of the Board is responsible for overseeing the development and implementation of the remuneration strategy and policy and is confident that the existing remuneration policy and practices continue to meet the Company's overall remuneration objectives. The duties and responsibilities delegated to the Committee by the Board are set out in the Committee's Charter, which is available on the Company's website.

In 2010, the Committee took advice from Mercer Human Resources and Ernst & Young.

The Committee met 6 times in 2010 (2009: 7 times), with senior executives attending certain meetings by invitation.

Senior Executive Remuneration Policy

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

1. aligns executive and shareholder interests; and

2. recognises and rewards superior senior executive performance.

Specific and measurable individual objectives and targets are set for executives and employees that are consistent with business objectives.

The performance of individual senior executives against their objectives is assessed half yearly and yearly.

Senior executive remuneration is reviewed annually by the Committee. Key factors that influence the level of executive remuneration are Company performance, individual performance and market relativity.

Remuneration Process

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

Remuneration Structure/Performance Reward Link

Executive Remuneration

Senior executive remuneration comprises:

- fixed remuneration – 'fixed annual reward' ('FAR'), which comprises base salary and superannuation (both Company and salary sacrifice contributions).
- variable (incentive) remuneration – this comprises a component of remuneration linked to both Short-term Cash Incentives (STIs) and Long-term Equity Incentives (LTIs). Policies defining STIs and LTIs are established by the Committee and reviewed annually.

Variable Remuneration

Short Term Incentive Plan

Principles – 2010

The STI Plan consists of two components. One that focuses on key performance indicators (KPIs) that relate to Company performance and one that focuses on KPIs that relate to individual performance. The value of the STI award is up to a maximum of 100% of fixed annual reward (FAR) for the CEO and up to a maximum of 70% of fixed remuneration (FAR) for senior executives. The potential STI reward that an executive can earn in any one year is split 50/50 between Company performance KPIs and individual performance KPIs.

Individual performance measures include promoting and protecting shareholder interests in the AWAC joint venture, influencing AWAC strategy and operating performance, funding and dividend policy of AWAC, overseeing Alumina Limited's capital management and regulatory compliance, all of which ultimately support Alumina Limited's objectives and shareholder interests.

2010

The 2010 STI measures for the Chief Executive Officer and senior executives related to performance against a scorecard of agreed objectives and targets.

These agreed objectives and targets included providing greater understanding to shareholders of the Company as an investment vehicle (including increased predictability of results and understanding of changes to alumina industry pricing) and pursuing risk management and governance structures within the Company and AWAC.

Fifty per cent of the STI for the Chief Executive Officer and senior executives relates to performance against individual objectives and 50 per cent of the STI for the Chief Executive Officer and senior executives relates to return on capital and earnings per share hurdles, normalised for changes in the aluminium price and AUD/USD exchange rate and for other variations to the Operating Plan during the year.

The STI reward attributed to the Company performance for 2010 was 17.5 per cent of FAR for Ms Downes and Mr Foster and 25 per cent for Mr Bevan. This reflected an improved Company performance for 2010.

The financial and individual performance objectives provide an incentive to achieve high levels of personal performance and contribute to high levels of Company performance. The AWAC return on capital and Company earnings per share measures have been used as a performance hurdle in the STI Plan because they are considered an appropriate means of measuring Company performance.

Executive and Shareholder Alignment

To ensure alignment of executive remuneration with shareholder returns, executives are also required to apply 50 per cent of any after tax STI payment to the purchase of Company shares. Those shares must be held by the executive for a period of at least three years, or until the executive ceases employment.

2011

The Company undertook a review of its executive remuneration framework in 2010, including the approach to performance assessment and measurement for variable incentives. As a result of the review, the Company will move in 2011 to a more discretionary approach to measuring and assessing actual performance (as opposed to a formulaic approach), to enable it to apply greater value judgment and consider a variety of internal and external factors contributing to actual performance outcomes. The Company's STI Plan will continue to use a combination of financial and non-financial metrics in determining the size of the STI incentive payments.

The STI Plan for 2011 will measure executives and employees against both corporate and personal performance over the 12 month performance period. Each executive's STI will continue to consist of two components. One component will continue to focus on performance against individual objectives. Individuals are assessed on their actual performance against annual personal objectives agreed to at the beginning of the performance period. These personal objectives relate to key areas of performance over which the individual has accountability and influence.

The second component is a corporate scorecard performance for 2011, which has six key financial and non-financial objectives, reflecting the Company's strategic and value creating activities. Those corporate scorecard objectives include: financial measures such as, return on capital, earnings per share and cash from operations. Non-financial measures include performance in relation to governance matters and interface with shareholders and Alcoa.

At the end of the performance period, the Compensation Committee will make an assessment of the extent of Group achievement against each corporate scorecard objective. In making an assessment, the Committee considers actual performance outcomes as well as internal and external factors that may have contributed to the results.

Following the Committee's assessment, the corporate scorecard performance will be determined based on the overall level of performance achieved across all corporate scorecard objectives.

Long Term Incentive Plan

Principles

Each year senior executives may be granted (at the Board's discretion) a conditional entitlement under the Alumina Employee Share Plan ('ESP') to fully paid ordinary shares in the Company (Performance Rights), which are purchased on market. The Performance Rights vest to senior executives at the end of the performance period if certain performance tests are met at the end of the performance period. The ESP is designed to link Alumina Limited employee rewards with the long-term goals and performance of Alumina Limited, and the generation of shareholder returns.

The Long Term Incentive ("LTI") component of remuneration is a maximum of 50 per cent of FAR for the Chief Executive Officer and a maximum of 40 per cent of FAR for senior executives.

The annual dollar LTI grant value is divided by the prevailing Company share price at the time of the offer to determine the number of Performance Rights offered to senior executives under the ESP.

The performance criteria and testing period for each annual grant under the ESP are determined by the Board at the time the Board determines to offer the Performance Rights (usually in December of each year) and the testing period commences at that time. The implementation of that Board determination, including the period in which employees can consider and accept the offer, normally results in the actual granting of the Performance Rights in January/February. Current Performance Rights are tested against the Total Shareholder Return (TSR) hurdle. In determining whether Performance Rights will vest, Alumina Limited's TSR performance is measured against the TSR performance of an ASX Comparator Group and an International Comparator Group.

For those Performance Rights granted in 2008, 2009 and 2010, if less than 100 per cent vest when tested initially at the end of a three year period, two further tests apply (over a four week period) 6 and 12 months after the initial test. Any Performance Rights which do not vest after the second retest will lapse.

Retesting Rationale

The decision to incorporate 6 months and 12 months retesting was taken due to the potential for unrepresentative outcomes during the four week testing period. A significant change in commodity prices or exchange rates during the four week testing period could materially distort the test result. Potentially positive outcomes built over three years could be damaged by an irregular event occurring in the four week test period. Any Performance Rights that do not vest after the second test will lapse. It is considered that the 6 months and 12 months retesting approach provides a more representative outcome.

Performance Rights will generally lapse on cessation of employment for those rights issued prior to 2011, unless the Board otherwise determines. For Performance Rights issued in 2011, the unvested Performance Rights will lapse unless, in the case of death, total and permanent disablement, redundancy or retirement, the Board exercises a discretion that the Performance Rights will not lapse.

In the event of a change in control, the Board shall determine that any outstanding Performance Rights for which performance hurdles are met at that time shall vest to senior executives. A change of control is, in general terms, 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").

Non-Executive Director Remuneration Policy

Alumina Limited's non-executive Directors received a base fee for fulfilling their Directors duties during 2010 and no additional fees were paid to Directors in 2010 for participating on Board Committees.

Alumina Limited aims to attract directors with appropriate skills and experience to ensure a high level of contribution and support for the Company's activities. Non-executive Directors' fees are reviewed annually and are determined based on comparative analysis and advice from remuneration consultants, and take into account the Directors' responsibilities and time spent on Company business.

The Company seeks to set non-executive Directors' fees in the third quartile.

Directors fees were not increased in 2009. Directors reviewed non-executive Directors' fees in late 2009 and determined, even though business conditions were improving, there would be no increase in non-executive directors' fees for the 2010 year.

The maximum remuneration for non-executive Directors is determined by resolution of shareholders. The maximum aggregate remuneration approved for non-executive Directors is $950,000 per annum. A total of $828,026 was paid in non-executive Director fees in 2010. No performance related remuneration is paid to non executive Directors, nor do they participate in the ESP.

The Company will seek shareholder approval at the Company's 2011 Annual General Meeting to increase the maximum aggregate amount for non executive director remuneration to $1,250,000. The Board obtained independent advice on non executive director remuneration from remuneration consultants, Ernst & Young, which included a review of the current level of non executive director remuneration in Australian companies of comparable size.

The proposed increase in aggregate fees to Non Executive Directors was determined after taking into account:

1. The maximum aggregate amount which may be paid to Non-Executive Directors has not been changed since the Company's demerger in 2002.
2. Non-Executive Director fees have not increased from the beginning of 2008, until the current year.
3. The Company's remuneration policy aims to ensure that the Company can attract Directors with appropriate skills and experience. This in turn requires that the Company be able to provide competitive remuneration for Non-executive Directors.
4. The need to provide for contingencies (such as a temporary increase in the number of Directors for transitional periods, which might arise from sucession planning) or other exceptional circumstances.

Non-Executive Directors' remuneration details are set out in the Remuneration Overview on page 32.

Non-executive Directors receive, in addition to their fees, a superannuation guarantee contribution, which for 2010 was 9 per cent of their fees to a maximum of $14,830 for the Chairman and $12,600 for other Non Executive Directors. Non-Executive Directors do not receive any other retirement benefits.

Non Executive Director fees were last increased 3 years ago at the beginning of 2008. During 2010, a review was undertaken by Ernst & Young of non executive director fee levels of comparable companies.

Having regard to the review and organisations with comparable market position, and taking into account duties and responsibilities, Non Executive Directors' fees were increased in January 2011 for the 2011 year from $140,000 per annum to $150,000 per annum and the Chairman's fees increased from $350,000 to $360,000, plus the superannuation guarantee levy. In addition each Director, (other than the Chairman) will receive fees of:

(i) An aggregate total amount of $10,000 per annum for membership of all Board Committees;

(ii) $10,000 per annum for chairing the Compensation or Nomination Committees and $15,000 for chairing the Audit Committee.

Chief Executive Officer Remuneration

John Bevan

Terms

Mr Bevan's FAR was $1,000,000 per annum effective June 2008 when he was appointed. Mr Bevan's FAR was increased by 2 per cent for the 2010 year and 7.8 per cent for the 2011 year. In 2010, Mr Bevan's maximum STI Award potential was up to 100 per cent of his FAR, and his LTI Performance Rights potential was up to 50 per cent of his FAR.

50 per cent of the STI is determined by reference to performance against individual objectives, and the remaining 50 per cent is determined by reference to return on capital and earnings per share hurdles.

50 per cent of any STI payment is paid in cash, and the remaining 50 per cent of the STI payment, after tax, must be used to purchase Company shares, which must be held for three years, or until employment ceases.

Mr Bevan may be invited to participate in the Long Term Incentive Plan (LTI), which, in each year, may provide Performance Rights under the LTI Plan of up to 50% of FAR. In 2010, Mr Bevan received $1,020,000 in fixed remuneration as per his Contract of Employment and received $724,200 or 71 per cent of his potential Short-term Incentive payment. The STI payment relates to Mr Bevan meeting his personal objectives for the 2010 year and 50 per cent of his STI that related to Company performance. At the 2010 Annual General Meeting, shareholders approved a grant of 312,900 Performance Rights to Mr Bevan. Those Rights may vest at the expiry of the three year vesting period in December 2012 or after two further retests in June 2013 and December 2013 subject to specific TSR performance hurdles being achieved. Mr Bevan was granted 265,800 Performance Rights in February 2011, subject to shareholder approval, which will be sought at the 2011 Annual General Meeting.

Retirement and Termination Benefits

Mr Bevan's employment contract, which was entered into in April 2008, does not have a fixed term. Either party may terminate the contract upon giving 12 months' notice. The Company may make a payment in lieu of some or all of the 12-month notice period by payment of the fixed annual reward plus an amount equivalent to an STI payment at target performance, defined as 'base remuneration'. The base remuneration amount will be reduced pro rata to the extent the notice period is required to be served.

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

- statutory annual leave and long service leave entitlements (with long service leave paid pro rata if there is three years or more continuous service);
- the aggregate of a notice payment of 12 months, a severance payment of 2.5 weeks per completed year of service, and an additional severance payment of 13 weeks.

Comprehensive details of Alumina Limited's remuneration policy, practices and values are available on pages 27 to 42 of the 2010 Annual Report. The 2010 Annual Report is available for viewing on the Company's website: *www.aluminalimited.com*

REMUNERATION OVERVIEW

2010	SHORT-TERM $	POST-EMPLOYMENT $	SHARE BASED $	TERMINATION $	TOTAL $
NON-EXECUTIVE DIRECTORS[1]					
D M Morley	355,396	14,830	–	–	370,226
P A F Hay	140,000	12,600	–	–	152,600
R J McNeilly	140,000	12,600	–	–	152,600
G J Pizzey	140,000	12,600	–	–	152,600
Non-executive Total	775,396	52,630			828,026

2010	SHORT-TERM $	POST-EMPLOYMENT $	SHARE BASED[3] $	TOTAL $
EXECUTIVE DIRECTOR – CEO				
J Bevan	1,748,627	14,830	190,973	1,954,430
SENIOR EXECUTIVES[2]				
J S Downes	919,492	14,830	54,467	988,789
S C Foster	612,202	14,830	106,432	733,464
Executive Total	3,280,321	44,490	351,872	3,676,683

1 Non-executive directors were required to sacrifice a minimum of 10 per cent of their fixed remuneration in Company shares. As a result of new Australian Government legislation in 2009 that affected the treatment of non executive director share plans, a decision was made to terminate the plan for Alumina Limited in 2009. Non executive directors are now required to hold shares in the Company having a value approximately equal to their annual fees at the expiry of their first term.

2 Short-term includes cash bonuses for Mr Bevan ($724,200), Ms Downes ($299,970), and Mr Foster ($194,922).

3 The value of Performance Rights is calculated in accordance with AASB2.

CONDENSED CONSOLIDATED BALANCE SHEET

	31 DECEMBER 2010 US$ MILLION	31 DECEMBER 2009 US$ MILLION
CURRENT ASSETS		
Cash and cash equivalents	112.1	305.6
Derivative financial instruments	5.0	–
Receivables – other	0.2	0.1
Other assets	9.4	8.6
Total current assets	126.7	314.3
NON-CURRENT ASSETS		
Investments in associates	3,415.6	3,189.7
Property, plant and equipment	0.2	0.2
Total non-current assets	3,415.8	3,189.9
Total assets	3,542.5	3,504.2
CURRENT LIABILITIES		
Payables	5.9	5.3
Interest bearing liabilities	217.7	–
Derivative financial instruments	–	1.4
Provisions /other	0.8	1.0
Total current liabilities	224.4	7.7
NON-CURRENT LIABILITIES		
Interest bearing liabilities	246.2	577.9
Provisions	0.4	0.3
Total non-current liabilities	246.6	578.2
Total liabilities	471.0	585.9
Net assets	3,071.5	2,918.3
EQUITY		
Parent entity interest:		
Contributed equity	2,154.1	2,154.1 *
Treasury shares	(1.5)	(1.0)
Reserves:		
– Group	(19.6)	(229.5)
– Associates	2.5	1.7
Retained profits:		
– Group	903.6	803.0
– Associates	32.4	190.0
Total equity	3,071.5	2,918.3

* Restated at closing AUD/USD rates on change in presentation currency.

FINANCIAL HISTORY – ALUMINA LIMITED AND CONTROLLED ENTITIES

AS AT 31 DECEMBER	2010[1] $US MILLION	2009 $US MILLION	2008 $A MILLION	2007 $A MILLION	2006 $A MILLION
Revenue from continuing operations	1.4	4.4	3.5	2.6	1.4
Other income	2.1	11.5	0.4	0.2	–
Share of net profits of associates accounted for using the equity method	84.5	1.6	242.6	494.6	546.6
Finance costs	(38.7)	(31.0)	(48.8)	(45.7)	(25.1)
Change in fair value of derivatives	–	–	(7.9)	–	–
General and administrative expenses	(14.7)	(10.5)	(19.2)	(13.8)	(10.7)
Income tax credit/(expense) from continuing operations	–	0.3	(2.6)	(1.5)	(1.1)
Net profit attributable to owners of Alumina Limited	34.6	(23.7)	168.0	436.4	511.1
Non-operating non-cash items[1]	2.1	24.0	33.6	(30.8)	58.3
Underlying earnings[2]	36.7	0.3	201.6	405.6	569.4
Total assets	3,542.5	3,504.2	3,898.6	2,688.6	2,357.6
Total liabilities	471.0	585.9	1,105.8	1,024.7	603.0
Net assets	3,071.5	2.918.3	2,792.8	1,663.9	1,754.6
Shareholders' funds	3,071.5	2,918.3	2,792.8	1,663.9	1,754.6
Dividends provided for or paid	91.6	–	273.8	275.6	233.2
Dividends received from AWAC	234.4	135.6	356.0	444.9	521.1
STATISTICS					
Dividends declared per ordinary share	US 6c	US1.8c	12c	24c	22c
Dividend payout ratio (cash dividends)	271%	–	146%	63%	46%
Earnings per ordinary share	1.4	(1.1c)	11.3c	38.2c	43.8c
Return on equity[3]	1.2%	Negative 0.9%	8.5%	25.5%	31.1%
Gearing (net debt to equity)	10%	8.7%	27%	36%	20%
Net tangible assets backing per share	$1.15	$1.09	$1.71	$1.21	$1.25

1 Alumina Limited's functional and presentation currency is now US dollars. 2009 results have been restated to present them in US dollars. Prior years are disclosed in Australian dollars.

2 Underlying earnings has been calculated by adjusting reported net profit amounts relating to non-cash entries which do not reflect the operations of the Company. These non-cash entries related to mark-to market valuations of AWAC embedded derivatives, and adjustments resulting from actuarial assessment of market value of assets held in AWAC employee benefit plans.

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

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Some statements in this report are forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements also include those containing such words as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual outcomes to be different from the forward-looking statements. Important factors that could cause actual results to differ from the forward-looking statements include: (a) material adverse changes in global economic, alumina or aluminium industry conditions and the markets served by AWAC; (b) changes in production and development costs and production levels or to sales agreements; (c) changes in laws or regulations or policies; (d) changes in alumina and aluminium prices and currency exchange rates; and (e) the other risk factors summarised in Alumina's Form 20-F for the year ended 31 December 2009.

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