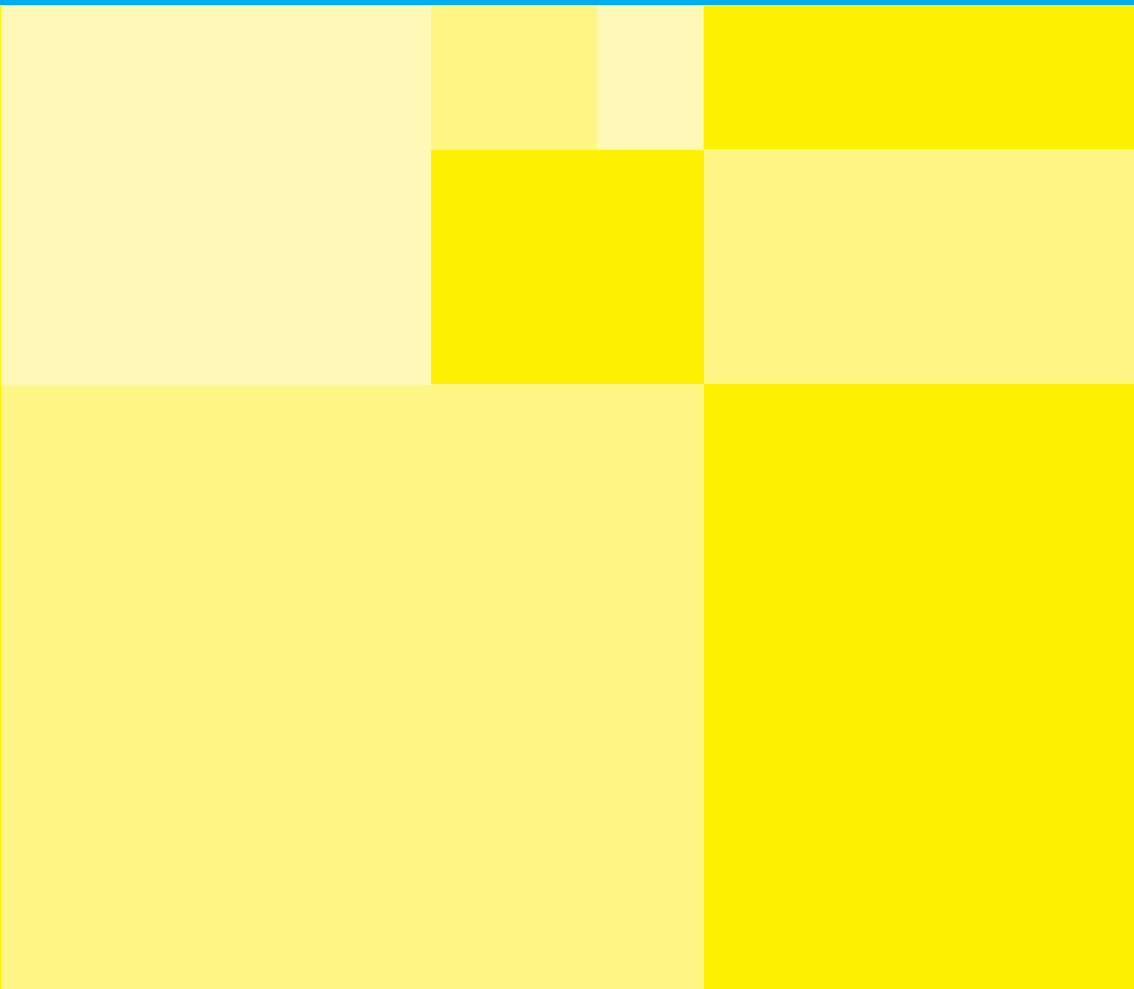


ALUMINA LIMITED  
ANNUAL REVIEW 2009



ALUMINA LIMITED  
ANNUAL REVIEW 2009

# A POSITIVE OUTLOOK





03	AT A GLANCE
04	CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT
13	SUSTAINABILITY
18	BOARD OF DIRECTORS
20	CORPORATE GOVERNANCE
23	SENIOR MANAGEMENT
24	REMUNERATION SUMMARY
27	REMUNERATION OVERVIEW
28	BALANCE SHEET
31	FINANCIAL HISTORY

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 partnership with Alcoa dates back to 1961.

# A POSITIVE OUTLOOK


HIGH  
QUALITY  
ASSETS



LOW COST  
PRODUCTION



GROWING  
GLOBAL  
DEMAND



The 2009 results have reflected the worst of the financial crisis. The AWAC business responded well and adjusted to the changing markets. The outlook is positive for growth in demand for aluminium.



# AT A GLANCE



The Company enters 2010 having returned to paying dividends to shareholders with a strong balance sheet and an outlook for improved returns for shareholders.

## ALUMINA RESULTS

- Net loss \$26 million
- Underlying loss of \$2.2 million
- Final dividend of 2 cents per share
- Restructured balance sheet
  - Net debt \$342 million (2008: \$1,044 million)
  - Gearing reduced to 9 per cent (2008: 27 per cent)
- AWAC dividends of \$176 million received
- Net borrowing costs down 25 per cent
- Corporate costs down 32 per cent

AWAC is well positioned in the alumina and aluminium industry with long life high quality bauxite resources, a sustainable low cost production position and a 17 per cent share of global refining capacity.

## AWAC RESULTS

- AWAC net profit after tax US\$106.4 million
- Successful commissioning of:
  - the 2.6 million metric tonne per year (mtpy) Juruti bauxite mine in Brazil, and
  - the 2.1 million mtpy expansion of the jointly owned Alumar alumina refinery in Brazil
- Alumina production capacity increased by 15 per cent to over 17 million mtpy
- Record alumina production achieved in the fourth quarter
- Participate in a joint venture with Ma'aden, the Saudi Arabian Mining Company to develop a bauxite mine with an initial capacity of 4 million metric tons per year (mtpy) and an alumina refinery with an initial capacity of 1.8 million mtpy

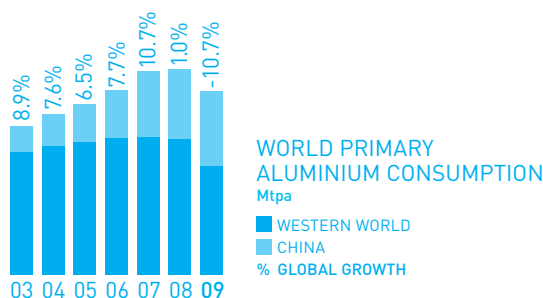
# CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT 2009

2009 proved to be a challenging year for aluminium and alumina producers. The substantial reduction in demand and poor world economic fundamentals made industry conditions very difficult.

Late in 2008, Alcoa World Alumina and Chemicals (AWAC), in which Alumina Limited has a 40 per cent investment, responded early and decisively to the adverse market conditions and outlook by curtailing production and initiating significant cash conservation measures. However, they were not sufficient to counter reduced earnings from the slump in alumina and aluminium demand and prices. The aluminium price reached a low of US 62 cents per pound in February 2009 but recovered later in the year. AWAC's global bauxite and alumina business was profitable in 2009 despite these difficult market conditions. The two AWAC aluminium smelters in Australia incurred losses in the first three quarters of 2009 before then returning to profitability.

The difficult market conditions had a direct impact on Alumina Limited's share of AWAC's earnings resulting in Alumina Limited incurring a loss in underlying earnings of \$2.2 million in 2009. However, demand and pricing for the alumina and aluminium markets has improved from early 2009 with aluminium prices exceeding US \$1.00 per pound in early 2010.

During the year AWAC successfully commissioned the Brazilian alumina refinery and bauxite projects, which are significant additions to AWAC's global network of refineries and bauxite mines. The major capital expenditure program in Brazil is now largely complete and the Company has a strong balance sheet and no debt maturing in 2010.





## Alumina Limited 2009 Result Highlights

In 2009 Alumina Limited made a loss of \$26 million, compared to a profit of \$168 million in the previous year.

Underlying earnings after tax was a loss of \$2.2 million (2008: \$201 million).

Underlying earnings for the year decreased as a result of the reduction of equity accounted profit from Alumina Limited's 40% share of the Alcoa World Alumina and Chemicals (AWAC) joint venture, which was negatively impacted by lower global prices and lower demand for alumina and aluminium. Earnings in the first half of 2009 were particularly impacted by a significant deterioration in aluminium and alumina prices.

Underlying earnings are calculated by deducting from the reported net loss for the period an amount of \$24 million (2008: \$33 million) relating to the net value of non-cash items which do not reflect the year's operations. These non-cash items relate to mark-to-market valuations of AWAC embedded derivatives in energy purchase contracts, which reflect future aluminium prices based on the forward market at the end of the period, and adjustments resulting from the actuarial assessment of the future costs of retirement benefit obligations, net of investment returns, of AWAC employee benefit plans.

Directors declared a final dividend of 2 cents per ordinary share, fully franked. In 2009, Alumina Limited received dividends from AWAC of \$176 million (2008: \$356 million) and the outlook for 2010 creates an environment for Alumina Limited to expect to receive an improved dividend flow from AWAC. AWAC operations established and maintained a strong cash focus throughout 2009. Cash conservation programs included curtailment of production at higher cost facilities, deferral of non-critical capital and maintenance expenditure, wage freezes and reduced use of contractors and active working capital management.

Cash from AWAC's operations (excluding net movements in non-current assets and liabilities) remained positive despite the rapid downturn in market conditions and this enabled the continued payment of dividends from AWAC to the joint venture partners.

In 2008 Alumina Limited transacted a series of currency options to provide a partial cap to its Real/USD currency exposure in relation to funding of the Brazilian growth projects. In 2009, Alumina Limited realised a gain of \$15 million, principally on those options. All those options have now expired.

Net borrowing costs were down 25% mainly due to lower debt levels and lower interest rates. Corporate costs reduced 32%, mainly as a result of the additional one-off costs in the prior year, including legal and tax fees associated with corporate restructuring and retirement benefits.

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

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

## Alumina Limited Capital Management

Global capital markets had deteriorated significantly by early 2009 with credit markets particularly tight. Together with the decline in alumina and aluminium prices and economic uncertainty and volatility, Directors determined in April 2009 that the prudent action was to raise new equity to secure the value of Alumina's business for shareholders. The Company announced a 7 for 10 accelerated non-renounceable entitlement offer at an Offer Price of \$1.00, representing a 32.9 per cent discount to the closing price of Alumina Shares. The Offer was successfully completed on 25 May 2009 and raised \$980 million, \$239 million via the retail component of the Offer and \$644 million through the institutional component.

The rights issue was used to pay down outstanding bank debt and strengthen the balance sheet. The Company finished 2009 with low gearing and a strong balance sheet.

Debt maturities have been extended and diversified. The average maturity of funding facilities has been extended and a six and a half year amortising loan from the Brazil National Development Bank (BNDES) was arranged. During the year US\$262 million was borrowed from BNDES to fund the cost of the Juruti bauxite mine and expansion of the Alumar alumina refinery in Brazil.

Alumina's net debt was \$342 million at 31 December 2009, compared with \$981 million at the beginning of 2009.

Cash held at 31 December 2009 was \$341 million. No debt matures in 2010. The Company has available US\$187 million of committed undrawn debt facilities, due to expire in 2011, and a further US\$300 million due to expire in 2012. The convertible bond of US\$350 million converts in May 2013 or can be put to the Company in May 2011.

## Alumina Limited Governance and Sustainability

At Alumina Limited corporate governance is a commitment established in core values. Alumina has developed core values and Code of Conduct that are designed to set in place a culture and a governance system that is aimed at channeling work effort to create long-term shareholder value.

Alumina Limited has established policies and practices that reflect industry best practice. In 2009, Alumina Limited's governance practices are reviewed by rating agencies expert in the assessment of corporate governance processes. GovernanceMetrics International, a world renowned leader in the review and reporting of corporate governance matters recently rated Alumina Limited practices 9.5 out of a possible 10. Over the same period, Australian companies average global rating was 7.32.

Risk management is an integral component in the Company's corporate governance regime. Alumina Limited has developed a comprehensive Risk Management Framework that provides strategies and actions to be taken to manage identified risks. The Risk Management Framework is regularly reviewed by the board and management and revised to recognise the legislative requirements and business environment in which the company is operating.

Management assesses the status of actions under each of the risk categories. Management is satisfied that the monitoring and management of the identified risks is adequate and appropriate for the agreed probability and potential impact of each of the types of risk.

Alumina Limited is listed on the Australian Securities Exchange and the New York Stock Exchange (NYSE) and is regulated by the Australian Corporations Act 2000 and the applicable rules of the US Securities Exchange Commission. Alumina Limited is also required to meet the applicable Sarbanes-Oxley (SOX) Act rules as they apply to a Foreign Private Issuers. A SOX audit was conducted during the year

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that assessed Alumina's internal controls and compliance with the rules. Any differences in practices to the NYSE Rules are detailed on Alumina's website.

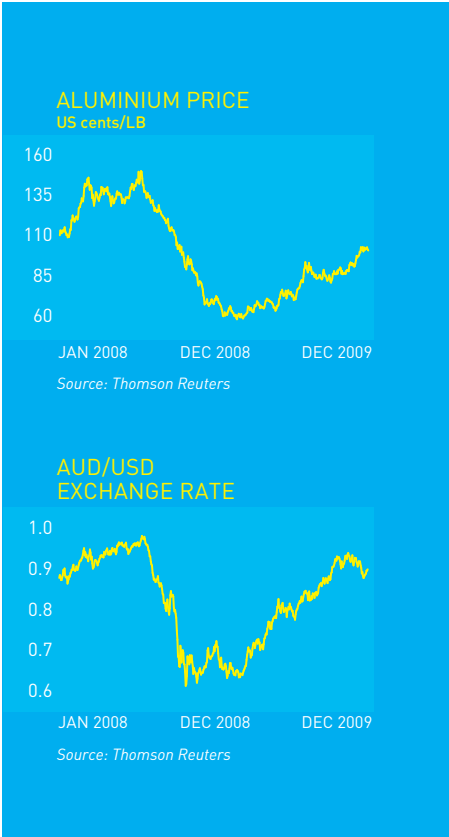
Alumina Limited complies with the Principles of Good Corporate Practice published by the ASX Corporate Governance Council.

Alumina Limited's annual results are reported on the basis of Australian equivalents to International Financial Reporting Standards (A-IFRS). In addition to reporting net profit, the Company also reports its underlying earnings as the Directors believe this provides a better understanding of the Company's performance. As stated before, the Company will change its functional currency.

Alumina Limited and Alcoa are strong supporters of sustainable development. Alumina's Sustainability Policy is available on the Company website [www.aluminalimited.com](http://www.aluminalimited.com) and a separate sustainability review is located on page 13 of this report.

Alcoa, as operating manager, is responsible for ongoing governance and sustainability matters at AWAC's operational facilities. Alcoa has highly developed and proven governance and business systems that are globally acknowledged by business leaders. Alcoa is included in the 2009 list of the world's top 100 most sustainable companies and is included in the Dow Jones Sustainability Index.

Alumina Limited's position on climate change and proposed Australian emissions trading scheme are expanded on in the sustainability section of this report (page 17).



## AWAC Financial Performance

AWAC's 2009 net profit after tax was US\$106 million compared to US\$592 million in 2008. AWAC revenue declined by 35 per cent in 2009 mainly due to a 35 per cent decline in average 3 month LME prices. The impact of lower aluminium prices was partially offset by an improvement in alumina prices relative to aluminium prices. The linkage percentage improved as a result of a higher proportion of contracts with shorter repricing intervals. The Australian/US exchange rate averaged US\$0.79 in 2009 compared with US\$0.85 in 2008.

The alumina cost reduction target of US\$50 per tonne for the year was substantially met, when the negative impacts of currency and energy movements in the second half are taken into account. The overall improvement reflects a changing production mix (greater percent of production from lower cost refineries), lower energy and freight costs, and cost restructuring programs to reduce overhead costs.

Caustic soda costs declined approximately 11% in the second half of 2009 following a significant decline in global prices and contract renegotiations in the first half. Energy prices declined by more than US\$20 per tonne of alumina in the first half of 2009 but some of this improvement was lost in the second half as global energy prices increased. The overall impact of lower revenue and costs in 2009 was a reduction in AWAC's operating margins compared with 2008. AWAC cash savings were achieved in part by cancelling non-essential capital

expenditure and deferring expenditure on medium and longer-term growth projects.

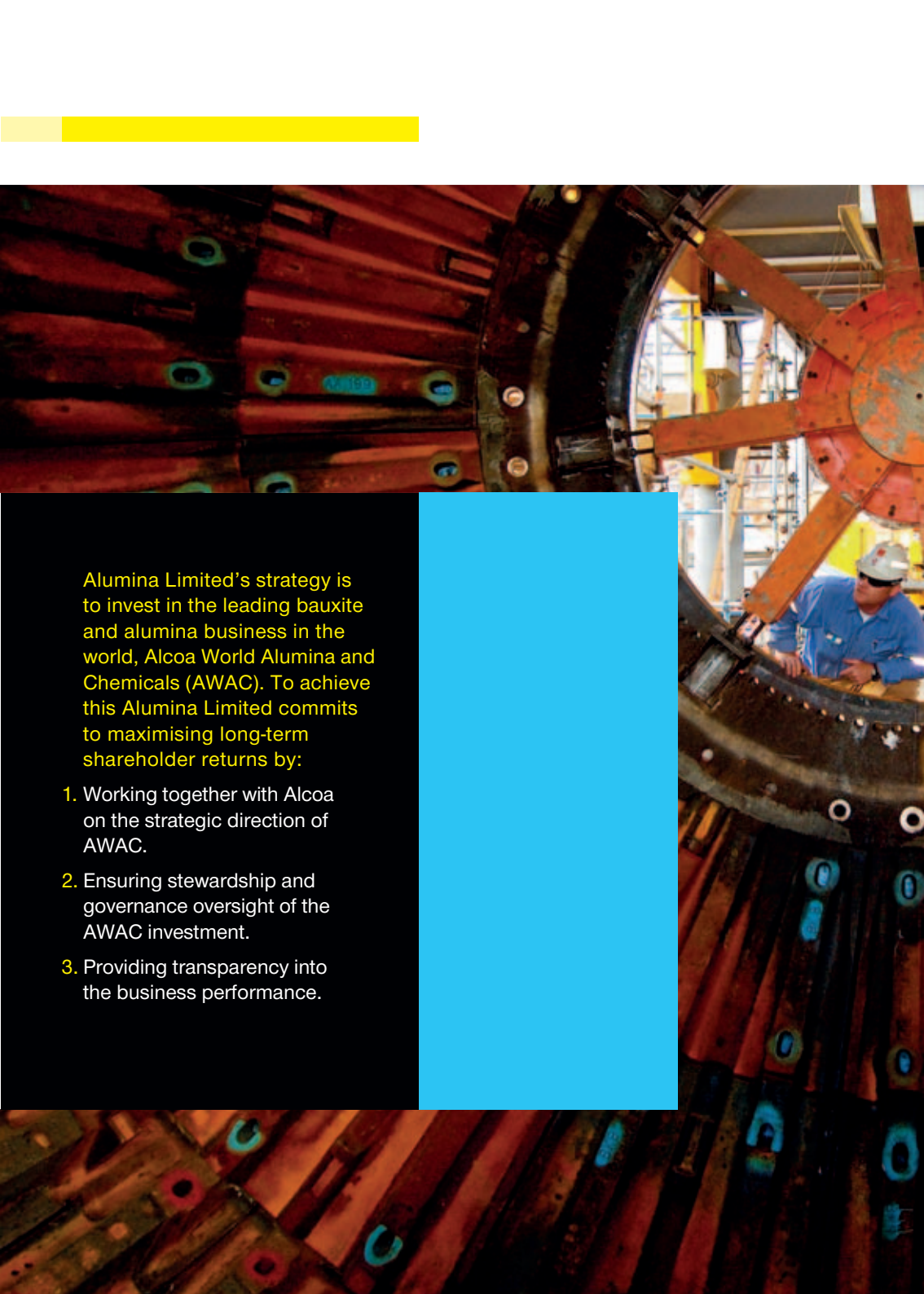
AWAC net profit after tax for 2009 includes a profit on acquisition of the 45% interest in the Suriname refinery of US\$89 million (Alumina's share of the gain being A\$25 million after tax), Brazilian project start up costs of US\$33 million, expenses relating to a taxation settlement of US\$16 million,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

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

The LME aluminium price averaged US\$0.77 per pound in 2009 (2008: US\$1.19), a 35 per cent decrease on the corresponding period. During the first half of 2009 aluminium consumption continued to fall across the majority of the end-user sectors. This was reflected in the average LME aluminium price for the first half of US\$0.66 per pound. During this period of declining end-user consumption, manufacturers reverted to destocking inventories. The average LME aluminium price in the second half of 2009 was US\$0.88 per pound, a 33 per cent increase over the first half. The second half improvement in the aluminium price was evidence of a gradual recovery in the demand for aluminium.

The Australian dollar averaged US\$0.68 in January 2009 and moved to a December average and closing value of US\$0.90.

AWAC took early action to curtail 1.5 million mtpy of alumina production and initiate cost reduction programs that contributed to minimizing the negative impact of the global financial crisis. Approximately 67 per cent of 2009 total alumina production came from the low cost Australian refineries. The flexibility to vary production between alumina refineries in AWAC's global network also enabled the curtailment of production at higher cost operations while focusing on optimal production from the lower cost facilities. In the second half of 2009, some curtailed capacity at the Point Comfort and San Ciprian refineries was brought back on line to meet customer demand.



Alumina Limited's strategy is to invest in the leading bauxite and alumina business in the world, Alcoa World Alumina and Chemicals (AWAC). To achieve this Alumina Limited commits to maximising long-term shareholder returns by:

1. Working together with Alcoa on the strategic direction of AWAC.
2. Ensuring stewardship and governance oversight of the AWAC investment.
3. Providing transparency into the business performance.

With the commissioning of production at the Juruti mine and the Alumar refinery in Brazil, Alumina Limited is reaching the end of the investment program in Brazil. Greater production and cash flows to shareholders are expected from these assets in the future.



AWAC's alumina production in 2009 was 13.5 million mtpy (2008: 14.4 million mtpy). The Australian refineries operated above nameplate capacity and production records were established at Pinjarra, Wagerup and Jamalco. AWAC alumina production capacity is now 17 million mtpy. However, AWAC expects to produce and sell 15.8 million mtpy in 2010, subject to market conditions. Record annual production levels were achieved at the Sao Luis alumina refinery in Brasil resulting from the progressive ramp-up of the 1.1 million mtpy of additional production capacity of the expanded facility. AWAC also acquired BHP Billiton's 45 per cent interest (1.0 million mtpy) in the Suralco alumina refinery in July 2009.

Approximately 40 per cent or 870,000 mtpy of alumina production at the Suralco refinery was curtailed in May 2009.

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

In late 2009, AWAC entered into forward contracts to hedge revenues, freight and energy costs associated with smelter grade alumina production from its San Ciprian and Point Comfort refineries for the 2010 year. The USD/Euro currency exposure has also been hedged for the San Ciprian refinery. This decision was made to lock in a cash positive outcome for these operations in 2010 and is expected to improve AWAC's earnings before interest, taxation, depreciation and amortisation from these two refineries by over US\$100 million in 2010 compared to 2009, based on market conditions at the time of preparing this report.



## AWAC Growth Projects

In the second half of 2009, commissioning began on the 2.1 million mtpy expansion of the Alumar alumina refinery (AWAC 54 per cent share) and the 2.6 million mtpy Juruti bauxite mine. The projects are being completed in line within the previously advised budget of US\$1.4 billion for capital expenditure (Alumina's share). Certain aspects of mine capital expenditure not essential to initial commissioning were deferred to 2010, and Alumina will invest a further US\$80 million in 2010 to finalise the project.

The AWAC share of the Alumar refinery expansion will be supplied by the recently commissioned AWAC Juruti bauxite mine. The Juruti mine and associated rail and port infrastructure is 100 per cent owned by AWAC. Shipments of bauxite from the Juruti bauxite mine to the expanded Alumar refinery commenced in September 2009. The Juruti development has been constructed with the necessary infrastructure to accommodate increasing production beyond the initial 2.6m mtpy.

The Sao Luis refinery is expected to achieve nameplate capacity production rates in the first half of 2010. The Juruti mine reached nameplate production capacity in early 2010.

In December 2009 it was announced that AWAC would participate in the development of a low cash operating cost alumina refinery and bauxite mine in the Kingdom of Saudi Arabia. The alumina refinery with an initial capacity of 1.8 million mtpy and the 4.0 million mtpy bauxite mine will be developed in the second phase of the overall project, that will form a fully integrated industrial complex including an aluminium smelter and a rolling mill.

AWAC's participation is limited to the alumina refinery and the bauxite mine. The refinery and the mine are expected to be operational in 2014 and will utilize critical infrastructure, including low-cost and clean power generation, as well as port and rail facilities, developed by the Kingdom's government. AWAC will be the initial supplier of alumina to the project's smelter which will be developed in the first phase of the project and come on line in 2013. The equity contribution of Alumina Limited to the project is estimated at US\$120 million, to be advanced progressively between 2010 and 2014. The joint venture is expected to utilize project financing for approximately 60 per cent of the required capital.

## Outlook

In the second half of 2009 the aluminium and alumina markets returned to growth but consumption in 2009 remained below 2008 levels. In 2008, established end-user markets such as the automotive and construction sectors experienced drops in consumer demand exceeding 20 per cent and that continued through the first half of 2009. Demand for aluminium rose in the second half of 2009, albeit at a gradual pace and in absolute terms, is well below historical levels of demand.

In China much of the idled aluminium capacity is back on line. Stocks of aluminium have been stable since late 2009 but are still at historically high levels. However much of the stock is not readily available due to financing arrangements.

In the second half of 2009 the LME aluminium price rose to above US\$1.00 per pound, a threshold not passed since September 2008.

The improvement in demand for aluminium has seen spot prices for alumina rise quickly. AWAC's alumina prices rose 15 per cent in the fourth quarter of 2009, due not only to higher aluminium pricing, but also due to a higher proportion of short-term and spot sales.

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

Alumina demand and supply are expected to be balanced overall, principally with Chinese capacity being added to world production to meet demand. China is expected to remain a net importer of alumina. Increases in bauxite and freight costs, as well as energy, are underpinning the alumina price within China. The outlook for alumina pricing remains positive and China is an important influence on demand and pricing.

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

The outlook for improved returns for shareholders has strengthened. Aluminium prices in January 2010 were approximately 55% above what they were at the beginning of 2009.

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

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

## IN SUMMARY

The 2009 results have reflected the worst of the financial crisis. The AWAC business responded well and adjusted to the changing markets. The outlook is positive for growth in demand for aluminium. AWAC is well positioned in the alumina and aluminium industry with long life high quality bauxite resources, a sustainable low cost production position and a 17 per cent share of global refining capacity. The Company enters 2010 having returned to paying dividends to shareholders with a strong balance sheet and an outlook for improved returns for shareholders.

The Board would like to thank all the staff of Alumina Limited for their contributions during a very challenging year.

A blue ink signature, likely of John Bevan, written on a white rectangular background.

JOHN BEVAN CHIEF EXECUTIVE OFFICER

A blue ink signature, likely of Donald M Morley, written on a white rectangular background.

DONALD M MORLEY CHAIRMAN



# SUSTAINABILITY

The principal sustainability context for Alumina Limited is to ensure that AWAC management integrates sound environmental, social and governance processes alongside sustainable financial performance of the business. Alumina Limited is also committed to sound corporate and social policies within our business activities and strategy.

## ALUMINA LIMITED

Alumina Limited joins AWAC management in recognising that good environmental stewardship is necessary to ensure minimal impact on the environment and local communities, realise the best outcomes for our employees and shareholders and the regional economies in which AWAC conducts business.

The principal sustainability context for Alumina Limited is to ensure that AWAC management integrates sound environmental, social and governance processes alongside sustainable financial performance of the business. Alumina Limited is also committed to sound corporate and social policies within our 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 7 different countries. Those facilities operate in diverse geographic, social and economic environments and require unique approaches to sustainability to achieve global common sustainability goals.

## Governance

Alumina Limited's Board of Directors is responsible for the oversight of the Company's sustainability policy and performance. Alumina Limited's executive management are responsible for formally reviewing and annually reporting Alumina's progress on key sustainability initiatives and performance.

In relation to the AWAC partnership, Alumina Limited's Chief Executive Officer and Chief Financial Officer 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.

## AWAC

### Governance

AWAC's sustainability efforts are undertaken by Alumina Limited's partner and manager/operator of AWAC, Alcoa. Alcoa is recognised as a global leader in sustainability matters and in 2009 was listed among the top 10 Most Sustainable Companies in the World and is a member of the Dow Jones Sustainability Index. Alcoa has developed a Sustainability Framework out to 2020 that has defined objectives and initiatives.

Alcoa has integrated its sustainability goals into its overall business strategy. Alcoa's 2020 Strategic Framework for Sustainability has since evolved into a comprehensive roadmap for the businesses and locations to integrate all aspects of sustainability into their day-to-day operations.

Supporting that framework is a variety of systems and processes that collect data from the global operations and make them available to those who need the information to evaluate performance and drive continuous improvement.

### AWAC Business activities

AWAC, in the course of its business:

- Uses extractive processes to mine bauxite
- Uses significant energy to convert bauxite to alumina at the alumina refineries and also to produce aluminium metal in the smelters
- Uses significant water resources in the processing
- Produces waste in the form of greenhouse gases (GHG) and other residues from the refining and smelting processes
- Conducts the above activities in or near communities
- Is responsible for employee health and safety.

### AWAC SUSTAINABILITY


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

Some of AWAC's significant objectives are:

- 25 per cent reduction in GHG emission by 2010, compared to a base year of 1990
- returning the natural biodiversity of mine areas
- 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.

### AWAC Preservation actions

AWAC conducts bauxite mining operations in Australia, Brazil, Suriname, Jamaica and has an interest in a mine in Guinea. Mining involves clearing tracts of land in some eco-sensitive environments such as the Jarrah forests of Western Australia and the Amazon forest in Brazil. AWAC's goal is to restore mined areas to their original biodiversity of species. This has been achieved in the Western Australian operations where in 2008, 108 per cent of the species richness of the mined area of the Jarrah forest had been restored. A similar forest restoration program is now being implemented at the new mine in Brazil.



Alumina Limited's interest in AWAC involves mining, alumina refining and selected smelting facilities located in 7 different countries. Those facilities operate in diverse geographic, social and economic environments and require unique approaches to sustainability to achieve global common sustainability goals.

AWAC conducted extensive mapping of the entire Juruti region and its native species of flora and fauna and identified their role in the biodiversity of the area. AWAC works with and supports local and government initiatives such as the Amazon Biodiversity Corridor that seeks to educate and engage population on stewardship plans. Also, AWAC was involved in the formation of the innovative Sustainable Juruti Council project that empowers local people to rule their own future. The Sustainable Juruti project involves the interaction of representatives from the government, the business community and civil society. This entity is focused on the sustainable development of the Juruti region in the long run.

At the regional level Alcoa is encouraging the maintenance of conservation units, with its Program for Supporting Biodiversity Conservation in the Amazon, which since 2004 has collaborated with the setting up of units in the region. The Program will last for 5 years and receive Brazilian Real \$2 million from the partner institutions: Alcoa, Alcoa Foundation and environmental organization, Conservation International.

## AWAC and the Community

AWAC's activities have social impacts on the communities in which they operate. For the Juruti mine project, to bring about improvements in the quality of life by investing in infrastructure, AWAC, in partnership with the Municipal Administration of Juruti and in agreement with the community, prepared and introduced the Positive Agenda. The Juruti region is home to almost 35,000 people, with 65 per cent of them living in about 150 rural communities. The concept of the Positive Agenda is voluntary, directed by the community and its actions are more focused on infrastructure works.

With investments of Brazilian Real \$50 million (US\$27 million) the package of actions includes rural and urban infrastructure, health, education, culture, the environment, public security and social assistance. It is a set of voluntary actions on the part of the Company that has been agreed directly with the community.

Construction is also currently underway on the Juruti Community Hospital; this will be a benchmark for medium and high complexity medical care. Prior to this, many people in Juruti had to travel by boat for 12 hours to get medical attention. Four years ago there was only one doctor in Juruti. Today, there are seven all hired by the municipal government.

Funds are earmarked for a host of community projects including construction of the Legal Complex together with an extension and adaptation of the Juruti Civil Police Station, urban infrastructure such as drainage and airport works. Three deep water wells for fresh water needs were also established. These wells provide cleaner water to the city residents and will likely improve overall health conditions in the city. Also the creation of two new technical schools will teach residents skills to improve their career opportunities for generations to come.

AWAC have helped pay for the paving of the roads in Juruti where once there were only dirt roads.

The climate change implications for the aluminium industry should be viewed from a holistic perspective. While energy is expended in producing aluminium, energy is saved by the use of aluminium in light weighting in the transport and construction industries.

## CLIMATE CHANGE AND EMISSIONS LEGISLATION

Alumina Limited and AWAC acknowledge that climate change is a challenge for the aluminium industry. The processes to produce of alumina and aluminium require significant energy that is responsible for emission of Carbon Dioxide CO<sub>2</sub> and other Greenhouse gases.

The challenges for the aluminium industry are reducing GHG emissions, improving energy efficiency or utilising alternative, less greenhouse intensive energy sources.

The climate change implications for the aluminium industry should be viewed from a holistic perspective. While energy is expended in producing aluminium, energy is saved by the use of aluminium in light weighting in the transport and construction industries. In the transport industry it is estimated that by 2030, the increased use of aluminium will have the potential to save enough fuel to offset the entire greenhouse gases produced by the aluminium industry globally. Also, aluminium can be repeatedly recycled using only 5 per cent of the energy required to produce the original metal thereby saving up to 95 per cent of the GHG emissions.

A number of governments or governmental bodies have introduced or are contemplating regulatory change in response to the potential impacts of climate change. As part of the Australian environmental strategy, the Australian Federal Government set out the details of the proposed Carbon Pollution Reduction Scheme (CPRS) in a White Paper released in December 2008.

The White Paper provided that Emission intensive trade-exposed (EITE) industries, which would include the aluminium industry, would receive free permits to at least partly cover the additional costs of complying with the CPRS. Whilst the proposed legislation did not pass the Senate in 2009, it remains Australian Government policy to implement the CPRS.

Due to the considerable uncertainty as to the details of the scheme the assistance to be provided and its implementation, it is not possible to forecast the financial impact on Alcoa of Australia or Alumina Limited. However, if implemented, it may have a material impact on Alumina's underlying earnings.

It is difficult to assess the potential impact of future climate change regulation given the wide scope of potential regulatory change in countries in which Alumina and AWAC operate.

The potential physical impacts of climate change on AWAC's operations are highly uncertain and will be particular to the geographic circumstances. These may include changes in rainfall patterns, water shortages, changing sea levels, changing storm patterns and intensities and changing temperature levels. These effects may adversely impact the cost, production and financial performance of AWAC's operations.

For information on Alumina Limited's greenhouse gas emissions and other sustainability information, refer to the Company website at [www.aluminalimited.com](http://www.aluminalimited.com)

# BOARD OF DIRECTORS

ALUMINA LIMITED  
DIRECTORS IN OFFICE AS AT  
31 DECEMBER 2009 WERE:



## 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 Landcare Australia Limited, Australian and New Zealand Banking Group Limited, GUD Holdings Limited, NBN Co Limited and Epworth Foundation and was appointed a director of Myer Holdings Limited in February 2010.

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

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



## MR 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 a Director of Iluka Resources Ltd, Amcor Limited, St Vincent's Institute of Medical Research and Ivanhoe Grammar School. Mr Pizzey is also formerly a director and chairman 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.



## MR JOHN BEVAN

BSc 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 a framework of corporate governance principles and processes that direct, drive and control the Company and are structured with the goal of creating long-term shareholder value. Alumina's corporate governance principles encompass corporate fairness, transparency and accountability, stewardship and leadership. At the core of our governance program are a fundamental set of values that define our Code of Conduct and drive our behaviours and activities. We believe that a strong value focused governance regime over time generates confidence and sustainable corporate and economic performance.

Alumina Limited's corporate governance structure and practices are scrutinised and benchmarked annually against best practice activities by local and international corporate governance rating agencies. In its most recent review, GovernanceMetrics International, a leading global corporate governance rating agency rated Alumina Limited's governance regime 9.5 out of 10. This compares favourably with the overall Australian company (113 companies) average global rating of 7.32.

Alumina Limited meets each of the requirements of the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations (Second Edition). Governance implies accountability and transparency and in practice that is managed within Alumina Limited through its comprehensive reporting structure. Regular senior management meetings track progress on business activities.

## The Role of Alumina Limited's Board of Directors

The primary focus of Alumina Limited's Board of Directors is representing shareholder interests in the ongoing management, guidance and success of the Company. The Board in executing its responsibilities aims to create sustainable shareholder value through strategic goal setting, establishing resources and ensuring its management processes are effective. The Board defines the roles and responsibility of management thereby establishing a structure of accountability and delegates the day to day management of the Company to the Chief Executive Officer and the executive team.

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.

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 our website [www.aluminalimited.com](http://www.aluminalimited.com)



## Board Membership

The Board consists of four non-executive Directors including the Chairman, and an executive Director – the Chief Executive Officer, Mr John Bevan.

In 2009 Alumina Limited's shareholders approved the adoption of a new Constitution that, among other changes, requires that Directors (excluding the Chief Executive Officer) retire at the third annual general meeting since they were last elected or re-elected. A retiring Director seeking re-election is subject to an appraisal and recommendation by the Nomination Committee whether to support the Director's re-election. The Board reviews the Nomination Committee recommendation in determining whether to recommend that shareholders vote in favour of the re-election. Mr Hay is the non-executive director standing for re-election at the 2010 AGM.

A brief biography of each Alumina Limited director is available on pages 18–19 of this report.

## Board Meetings

Alumina Limited's full Board meets regularly to fulfil its duties. The Board held 10 scheduled meetings during 2009. In addition four Board meetings were called to deal with matters relating to the Company's 2009 Entitlement Offer, five unscheduled Board meetings and two ad hoc Board committee meetings were convened to consider specific matters.

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

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

## Board, Senior Executive and Board Committee Performance Evaluation

The Board undertakes annual evaluations of both the combined performance of the Board and performance of individual members. Annual performance evaluations are also conducted for each Board committee.

In 2009, the Directors conducted a self-assessment process involving the completion and evaluation of detailed questionnaires covering knowledge, satisfaction, reporting and performance in relation to relevant business, management and governance matters. The results were collated and analysed by the Board on a topic-by-topic basis. Initiatives to improve issues identified in the performance evaluation are discussed and approved.

The Chairman of the Board reviews each Director's individual performance annually and that of the Chief Executive Officer semi-annually. The Chairman of the Nomination Committee reviews, with other Directors, the Chairman's performance. The Chief Executive Officer undertakes a semi-annual review of the performance of each Senior Executive against individual tasks and objectives.

Performance evaluations of the Board, its committees, the individual Directors and key executives, were undertaken in accordance with the processes described above in 2009. Further information about those processes can be obtained from our website.

## Promoting Ethical Conduct and Behaviour

Alumina Limited has adopted a Code of Conduct that establishes the ethical basis by 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's Code of Conduct and more information about Alumina Limited's values are available on our website.

## 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 the AUD/USD exchange rate, aluminium prices, operating costs, liquidity risk and capital expenditures.

Alumina Limited's Board has received a report from management as to 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 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.

Alumina Limited's Risk Management Policy and controls are covered in more detail in the Governance section of our website.

## Exchange Rate and Aluminium Price Risk

AWAC's operations are well placed on the global cost curve. AWAC's revenues are underpinned by medium and long-term sales contracts with high quality industry participants with which, in most cases, AWAC has longstanding relationships.

Given this underlying business position, shareholders' interests are best served by Alumina Limited and AWAC remaining exposed to aluminium price and exchange rate risk, and generally not seeking to manage that risk through the use of derivative instruments. However, in 2009 the AWAC joint venture entered into forward contracts to hedge revenues and freight and energy costs associated with smelter grade alumina production from its San Ciprian and Point Comfort refineries for the 2010 year. The USD/Euro currency has also been hedged for the San Ciprian refinery.

## SENIOR MANAGEMENT



### 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 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. 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

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 Standards 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 SUMMARY

Alumina Limited remuneration policy for 2009 has remained largely unchanged from the policy as outlined in the 2008 Remuneration Report that was approved at the Annual General Meeting in May 2009.

This Remuneration Report, found in Alumina Limited's Annual Report 2009, sets out the Company's remuneration strategy and practices and incorporates remuneration information for Directors and senior executives in accordance with the Corporations Act.

## 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 2009, the Committee took advice from Egan Associates and Mercer Human Resources.

The Committee met 7 times in 2009 (2008: 8 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 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.

## Short Term Incentive Plan

### *Principles*

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 remuneration (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. Company performance is measured using the AWAC Operating Plan return on capital for the 12-month performance period (normalised for changes in the LME aluminium price) and an earnings per share (EPS) target for Alumina Limited.

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, funding and fiscal compliance, all of which ultimately support Alumina Limited's objectives and shareholder interests.

In 2009, the Board decided at the start of the year that in view of the poor industry conditions and the Company's outlook for 2009, there would be no consideration for an STI award relating to Company performance and that only an STI reward relating to achievement of individual KPIs would be considered.

The 2009 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, the protection and promotion of shareholder interests in the AWAC joint venture, effective strategy review of AWAC, maximizing dividend flow to the Company, evaluating the impact of future emissions trading on business sustainability and restructuring of the Company's balance sheet and debt structure.

## 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 achieved over that 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 of issue of each grant of Performance Rights. With the exception of Performance Rights issued in 2007, 100 per cent of the Performance Rights are tested against the Total Shareholder Return (TSR) hurdle. For Performance Rights issued in 2007, 50 per cent of the Performance Rights are tested against the TSR hurdle and 50 per cent are tested against the earnings per share 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 and 2009, if less than 100 per cent vest when tested initially at the end of a 3 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.

## Non-Executive Director Remuneration Policy

Alumina Limited's non-executive Directors receive a base fee for fulfilling their Directors duties and no additional fees are paid to Directors 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 reviewed non-executive Directors' fees and determined in the context of business conditions that there would be no increase for the 2009 year. Directors have also decided that, even though business conditions were improving, there will 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 \$821,903 was paid in non-executive Director fees in 2009. No performance related remuneration is paid to non executive Directors, nor do they participate in the ESP.

Non-executive Directors receive, in addition to their fees, a superannuation guarantee contribution, which for 2009 was 9 per cent of their fees to

a maximum of \$14,103 for the Chairman and \$12,600 for other Non-executive Directors. Non-executive Directors do not receive any other retirement benefits.

As a result of pending 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 required to hold shares in the Company having a value at least equal to their annual fees at the expiry of their first term as directors. The requirement can be satisfied when shares are acquired during the director's first term or at the expiry of the first term.

## 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 unchanged for the 2009 year and was increased by 2 per cent for the 2010 year. In 2009, 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 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 per cent of FAR.

In 2009, Mr Bevan received \$1,000,000 in fixed remuneration as per his Contract of Employment and received \$500,000 or 50 per cent of his potential Short-term Incentive payment. For 2009, there was no allocation of the remaining 50 per cent of his STI that related to Company performance. At the 2009 Annual General Meeting, shareholders approved a grant of 191,600 Performance Rights to Mr Bevan. Those Rights may vest at the expiry of the 3 year vesting period in December 2011 subject to specific TSR performance hurdles being achieved. Mr Bevan was granted 312,900 Performance Rights in February 2010, subject to shareholder approval, which will be sought at the 2010 Annual General Meeting.

A more detailed review of remuneration is included in the Remuneration Report in the 2009 Annual Report that is available on the Company's website.

# REMUNERATION OVERVIEW

2009	SHORT-TERM <sup>5</sup> \$	POST- EMPLOYMENT \$	SHARE BASED \$	TERMINATION \$	TOTAL \$
<b>NON-EXECUTIVE DIRECTORS<sup>1</sup></b>					
D M Morley	354,905	14,103	–	–	369,008
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	774,905	51,903			826,808

2009	SHORT-TERM <sup>6</sup> \$	POST- EMPLOYMENT \$	SHARE BASED <sup>3</sup> \$	TERMINATION \$	TOTAL \$
<b>EXECUTIVE DIRECTOR – CEO</b>					
J Bevan	1,567,021	14,103	64,812	–	1,645,936
<b>SENIOR EXECUTIVES<sup>2</sup></b>					
J S Downes <sup>7</sup>	726,744	14,103	–		740,847
S C Foster	579,549	9,521	120,869	–	709,939
K A Dean <sup>4</sup>	192,547	6,452	(338,980)	234,679	94,698
Non-executive Total	3,065,861	44,179	(153,299)	234,679	3,191,420

<sup>1</sup> 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 as directors. The requirement can be satisfied when shares are acquired or at the expiry of the first term.

<sup>2</sup> Short-term includes cash bonuses for Mr Bevan (\$500,000), Ms Downes (\$176,000), Mr Dean (\$85,520) and Mr Foster (\$134,400).

<sup>3</sup> The value of Performance Rights is calculated in accordance with AASB2. On retirement Mr Dean forfeited all unvested Performance Rights.

<sup>4</sup> Mr Dean was Chief Financial Officer from 31 October 2005 until 12 January 2009. Mr Dean retired from the Company on 28 February 2009. Mr Dean received a Payment in lieu of Notice of \$238,840 comprising of 78 days service (\$196,927), accrued annual leave (\$41,913) and an STI payment of \$85,520.

<sup>5</sup> Included in short-term benefits is a value for car parking, only applicable to Mr Morley.

<sup>6</sup> Included in short-term benefits are values for: annual leave, long service leave and car parking.

<sup>7</sup> Performance Rights shown above were issued based on 2008 employment. As Ms Downes was not employed by Alumina Limited during 2008, no Performance Rights were issued to her.

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER	2009 \$A MILLION	2008 \$A MILLION
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	340.6	66.8
Derivative financial instruments	–	6.6
Receivables – other	0.1	72.7
Other assets	9.6	1.6
<b>Total current assets</b>	<b>350.3</b>	<b>147.7</b>
<b>NON-CURRENT ASSETS</b>		
Investments accounted for using the equity method	3,555.2	3,748.6
Other financial assets	–	–
Property, plant and equipment	0.2	0.2
Deferred tax assets	–	2.1
<b>Total non-current assets</b>	<b>3,555.4</b>	<b>3,750.9</b>
<b>Total assets</b>	<b>3,905.7</b>	<b>3,898.6</b>
<b>CURRENT LIABILITIES</b>		
Payables	5.9	55.6
Interest bearing liabilities	–	360.9
Derivative financial instruments	1.6	–
Current tax liabilities	–	0.4
Provisions	0.2	0.1
Other	0.9	1.6
<b>Total current liabilities</b>	<b>8.6</b>	<b>418.6</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing liabilities	644.1	686.9
Provisions	0.3	0.3
<b>Total non-current liabilities</b>	<b>644.4</b>	<b>687.2</b>
<b>Total liabilities</b>	<b>653.0</b>	<b>1,105.8</b>
<b>Net assets</b>	<b>3,252.7</b>	<b>2,792.8</b>
<b>EQUITY</b>		
Contributed equity	2,400.9	1,444.4
Treasury shares	(1.1)	(0.7)
Reserves:		
– Group	(255.9)	214.3
– Associates	1.9	1.9
Retained profits:		
– Group	895.2	743.6
– Associates	211.7	389.3
<b>Total equity</b>	<b>3,252.7</b>	<b>2,792.8</b>







# FINANCIAL HISTORY

## ALUMINA LIMITED AND CONTROLLED ENTITIES

AS AT 31 DECEMBER	2009 \$A MILLION	2008 \$A MILLION	2007 \$A MILLION	2006 \$A MILLION	2005 \$A MILLION
Revenue from continuing operations	5.4	3.9	2.8	1.4	4.0
Other income	–	–	–	–	–
Share of net profits of associates accounted for using the equity method	4.6	242.6	494.6	546.6	337.1
Finance costs	(38.9)	(48.8)	(45.7)	(25.1)	(15.3)
Net gains on Reals financial instruments	15.0	(7.9)	–	–	–
General and administrative expenses	(13.1)	(19.2)	(13.8)	(10.7)	(10.2)
Income tax credit/(expense)	1.0	(2.6)	(1.5)	(1.1)	–
Net profit attributable to members of Alumina Limited	(26.0)	168.0	436.4	511.1	315.6
Non-operating non-cash items <sup>1</sup>	23.8	33.6	(30.8)	58.3	15.7
Underlying earnings <sup>1</sup>	(2.2)	201.6	405.6	569.4	331.3
Total assets	3,905.7	3,898.6	2,688.6	2,357.6	2,013.5
Total liabilities	653.0	1,105.8	1,024.7	603.0	483.3
Net assets	3,252.7	2,792.8	1,663.9	1,754.6	1,530.2
Shareholders' funds	3,252.7	2,792.8	1,663.9	1,754.6	1,530.2
Dividends provided for or paid	–	273.8	275.6	233.2	232.8
Dividends received from AWAC	176.0	356.0	444.9	521.1	95.9

### STATISTICS

Dividends declared per ordinary share	2c	12c	24c	22c	20c
Dividend payout ratio (cash dividends)	–	146%	63%	46%	74%
Earnings per ordinary share	(1.2c)	12.9c	35.7c	43.8c	27.1c
Return on equity <sup>2</sup>	Negative 0.8%	8.5%	25.5%	31.1%	21.5%
Gearing (net debt to equity)	9%	27%	36%	20%	24%
Net tangible assets backing per share	\$1.21	\$1.71	\$1.21	\$1.25	\$1.06

<sup>1</sup> 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.

<sup>2</sup> Based on net profit attributable to members of Alumina Limited.

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 2008.

## ALUMINA LIMITED

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## SHARE REGISTRY

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## AMERICAN DEPOSITARY RECEIPTS

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