To: The Manager
Announcements
Company Announcements Office
Australian Securities Exchange

ALUMINA LIMITED

Public Announcement 2013 – 13AWC

Attached, is a copy of Alumina Limited's Annual Report 2012 that will be sent to shareholders shortly.

Stephen Foster
Company Secretary

14 March 2013

Alumina Limited

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BUILT ON BAUXITE
ANNUAL REPORT 2012

ALUMINA LIMITED

CONTENTS

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 2 – 6 and in the Directors' report on page 22.

The financial report was authorised for issue by the Directors on 8 March 2013. The Company has the power to amend and reissue the financial report.

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

AT A GLANCE

Profits declined in 2012 as low aluminium and alumina prices impacted profitability. Realised alumina prices were 13 per cent lower than 2011 and were the prime reason for a 13 per cent decline in revenue. Also, the weakness in the US dollar throughout the year created pressure on margins for most producers. However, productivity gains, production creep at AWAC's low cost refineries and planned curtailments at the higher cost refineries partially offset the weaker realised prices.

ALUMINA LIMITED RESULTS

$-62.1M

Net loss US$62.1 million
(2011: net profit US$126.6 million)

$-4.4M

Share of AWAC underlying loss US$4.4 million (2011: underlying profit US$174.5 million)

$95M

AWAC dividends and distribution of US$95 million received
(2011: US$240 million)

$-52.5M

Underlying earnings was a loss of US$52.5 million (2011: underlying profit US$128.0 million)

20%

Gearing 20 per cent
(2011: 14 per cent)

-2.2%

Return on Equity negative 2.2%
(2011: positive 4.1%)

2013 has commenced on a positive note with the prices for spot or index priced alumina increasing. However we remain cautious on the outlook for 2013. London Metal Exchange (LME) aluminium pricing is expected to continue to be volatile reflecting uncertainty with global macro-economic conditions, especially in Europe. The medium term outlook for demand is positive with the global demand for aluminium expected to increase by between 5 and 8 per cent over the course of 2013. AWAC remains the largest and a low cost alumina producer, and so in the medium term it is expected to benefit as the alumina market grows to meet the demand for aluminium. It should also benefit from an increasing percentage of alumina sales being priced off alumina indices. Alumina Limited is well positioned to benefit from AWAC's market position with its long-life bauxite position and over 17 million tonnes of alumina production design capacity.

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.

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

AWAC RESULTS

$-91.9M AWAC net loss after tax US$91.9 million (2011 net profit after tax: US$469.7 million)

15.6M Alumina production of 15.6 million tonnes (2011: 15.7 million tonnes)

$241.9M AWAC cash from operations US$241.9 million (2011: US$690 million)

CHAIRMAN & CEO REPORT 2012

The global alumina and aluminium industries experienced difficult trading conditions during 2012. Global demand for aluminium remained robust, with growth of approximately 4 per cent over 2012, yet the industry struggled with persistently low prices.

INDUSTRY OVERVIEW

Average industry aluminium and alumina prices were down approximately 15 per cent on 2011 levels, resulting in historically low returns across the industry, including Alumina Limited.

China continued to increase its share of world production of both aluminium and alumina, adding new low cost smelting capacity whilst also curtailing higher cost capacity as a consequence of lower prices. Production curtailments also occurred outside of China to return the alumina market to balance. AWAC curtailed 390,000 tonnes of alumina production in response to market conditions.

While China increased alumina production capacity during the year, it continued to rely on alumina and bauxite imports to support its growing aluminium production. China imported approximately 41 per cent of its alumina requirements in the form of either bauxite or alumina in 2012. Increases in global bauxite prices flowed through the cost structure of the Chinese industry, placing upward pressure on alumina prices.

The US dollar remained weak throughout the year, creating pressure on margins for producers who incur production costs in currencies that remain strong against the US dollar, including the Australian dollar.

A number of producers continued to move toward a pricing methodology for alumina that sets prices on the basis of alumina market fundamentals rather than as a percentage of the aluminium price. This change delivered a valuable premium to alumina producers during 2012 and is an important step in improving returns for the alumina industry.

ALUMINA LIMITED 2012 RESULT OVERVIEW

Alumina Limited recorded a loss of US$62.1million for 2012, reversing the improvement of prior years.

The underlying earnings loss after tax was US$52.5 million (2011 earnings: US$128.0 million). Underlying earnings exclude non-cash revaluations of certain energy contracts and retirement benefit obligations which do not relate to operations during the current reporting period.

Fully franked dividends received from AWAC declined to US$86 million (2011: US$232 million) largely due to the impact of declining global prices on AWAC cash flows and profitability.

Given the difficult environment and lower cash flows, Alumina Limited did not declare a dividend to shareholders for 2012. The decision to not pay a dividend also takes into consideration factors including the capital structure of Alumina Limited, capital requirements for AWAC and market conditions.

Funding costs increased slightly to US$29.4 million (2011: US$28.5 million) due to a higher average balance of drawn facilities and an increase in amortisation of prepaid commitment fees as bank facilities with pending maturities were replaced by longer term facilities.

Corporate costs of US$19 million (2011: US$17.3 million) included some one-off items and plans are in place to return them to 2011 levels in 2013.

Alumina Limited's net debt at 31 December 2012 was US$664 million compared with US$472 million at the start of 2012. Alumina Limited's gearing at year end was 20.1 per cent.

During the year, Alumina Limited added US$200 million in new committed debt facilities, with terms of two and five years, and refinanced the US$107 million committed bank facility, due for maturity in November 2013, to December 2017.

Excluding amortization of the debt facility from the Brazil National Development Bank, there are no debt maturities in 2013. At year end there were US$255 million in available debt facilities.

In February 2013, Alumina Limited announced a placement of approximately 366 million shares with CITIC entities raising approximately 452 million Australian dollars. The proceeds were primarily used to repay drawn debt. The CITIC placement introduces a financially strong long-term strategic investor with industry expertise.

The Alumina board of directors intends to expand its board by appointing Mr Chen Zeng as a director. Mr Zeng is the Vice Chairman and CEO of CITIC Resources Holdings Limited, a company listed on the Hong Kong Stock Exchange.

AWAC FINANCIAL PERFORMANCE

AWAC recorded a net loss after tax of US$91.9 million (2011: US$469.7 million profit), largely reflecting the decrease in alumina prices.

Notwithstanding the significant decline in profit, AWAC generated cash from operations of US$242 million, a result that reflects good cost control and the resilience of a portfolio of assets with a globally competitive cost of production.

AWAC revenues decreased by 13 per cent compared to 2011 due largely to a fall in realised prices and planned production curtailments.

Alumina production was 15.6 million tonnes, down 0.6% on 2011, with production curtailed by approximately 390,000 tonnes in the higher unit cost refineries, offset by production creep in the lower unit cost Australian refineries that continued to operate at near or above nameplate capacity during 2012.

Over the 2012 year, average LME aluminium prices declined by 15 per cent, which also affected LME-linked alumina prices. Aluminium prices in 2012 were affected by the outlook for world economic growth and sovereign debt concerns. AWAC's transition to spot or index based contracts provided some relief from the full decline in LME aluminium prices, with AWAC's average realised alumina prices declining 13 per cent from 2011. At the end of 2012 approximately 40 per cent of AWAC's smelter grade alumina sales were priced on a spot or index basis and this is expected to continue to increase as long term contracts expire. Spot or index priced alumina traded within a range of $303 to $325 per tonne during 2012.

A strong focus on cost control and productivity, and the benefits of increasing production at lower-cost refineries, ensured AWAC maintained positive operating margins and operating cash flows. The earnings before interest, tax, depreciation and amortisation (EBITDA) margin for 2012 was approximately US$31 per tonne, primarily as a result of weaker prices partly offset by productivity improvements.

The average cash cost of alumina production was well controlled, increasing only 1% from 2011. The increase reflected a rise in caustic soda and labour costs, offset by reductions in indirect costs. The Point Comfort refinery in Texas, USA had an improved performance for the year as it benefitted from lower gas prices in USA.

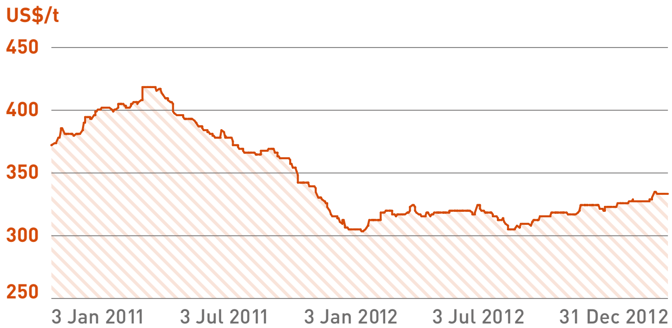
AWAC's aluminium smelters incurred operating losses for the year, mainly due to the lower aluminium prices. In the first half of 2012, Alcoa of Australia undertook a review of the future viability of the Point Henry aluminium smelter in Geelong, Victoria. The review was needed because of continuing difficult global economic conditions, including low metal prices and higher Australian dollar and input costs for the smelting industry. The outcome of the review in June 2012 was that, with costs savings being identified, the smelter is expected to operate until at least mid-2014.

The 2012 AWAC profit pre-tax included several one-off items, including a US$85 million charge relating to the Aluminium Bahrain BSC lawsuit, a US$9 million increase in long service leave adjustments due to lower discount rates and a US$18 million loss due to assets write offs.

AUD/USD EXCHANGE RATE

Source: Thompson Reuters

PLATTS ALUMINA SPOT INDEX



Source: Platts

AWAC CAPITAL PROJECTS

There was approximately US$347 million of expenditure on sustaining capital in 2012, with the majority of this in Australia. The Australian sustaining capital expenditure includes construction of residue storage areas and the relocation of the crusher facilities at the Huntly mine, which reduces haul road distance and improves mine productivity. This is a significant project to improve Huntly's productivity that occurs every eight to ten years.

Alumina Limited is facing challenging industry conditions that require a disciplined and strategic approach to deliver improvements in returns to shareholders. An important element of the company's strategy relates to maximising the productivity of AWAC's current assets.

Progress on improving returns at the newly expanded Alumar alumina refinery in Brazil is progressing well. The plant generally operated at its capacity of 3.5 million mtpy throughout the year and this alone has delivered financial economies of scale that have improved AWAC's operating costs. AWAC continues to focus on identifying and delivering further productivity improvements over the coming year.

The Juruti bauxite mine in Brazil, which has an initial design capacity of 2.6 million tonnes, has been operating well, with production at levels as high as 4.0 million tonnes on an annualised basis.

AWAC is planning to convert the energy supply at the San Ciprian refinery in Spain from oil to gas in order to make a step change to operating costs and improve the competitiveness of this facility. Options are also currently being explored to reduce energy costs at AWAC's Jamaican facility.

In addition to lifting returns at its existing operations, AWAC is also investing in greenfield growth with a view to ensuring that AWAC's cost position remains globally competitive. The joint venture between AWAC and Ma'aden for the construction of a greenfield mine at Al Bàitha and a refinery at Ras Al Khair in Saudi Arabia (AWAC interest of 25.1%) is AWAC's major growth project and is due to come on stream in 2014.

The project construction continues to be on time and on budget. To date Alumina Limited has contributed US$103 million of the expected US$140 million of equity capital required. The Ma'aden refinery investment will assist AWAC in reducing its low cash cost position.

SUSTAINABILITY

Alumina Limited believes that sustainability is about working more effectively and efficiently to improve environmental outcomes, improve the quality of life of people impacted by AWAC operations including the safety and health of AWAC employees and driving business performance and long-term stakeholder value. Sustainability goals are incorporated into business strategy and processes and are measurable and accountable. Sustainability is crucial in maintaining AWAC's competitive edge and safeguarding its licence to operate and grow. Alumina Limited released it's 2011 Global Reporting Initiative (GRI) based sustainability updates on Alumina Limited's and AWAC's sustainability practices. The update has been expanded to include additional information on a variety of sustainability issues. The update is available for viewing on the Company website and highlights are included in the sustainability section of the report.

CARBON EMISSIONS REDUCTION

The Australian Government legislated for a carbon tax from 1 July 2012. After the first 3 years, the scheme is scheduled to become a market priced emissions trading scheme. The result of the legislation is that both the AWAC refineries, and smelters, will receive 94 and a half per cent issuance of free permits in the first year.

SUMMARY AND OUTLOOK

The Company's 2012 result was a disappointment, after improvements in prior years. Despite the very difficult market conditions that led to this outcome, we are heartened by the progress made on important initiatives that will ultimately strengthen the Company's position and improve returns for shareholders.

In the short term, the most important of these was the continued focus on cost control and productivity across all of our existing operations. This was achieved through production creep at our low cost assets, planned curtailments at higher cost refineries, and hard-won productivity improvements across the board.

Of particular note were the significant improvements achieved in the financial performance of the Brazilian operations, and the step-change improvements in energy costs that are underway at the higher cost refineries to improve their competitiveness.

The pricing system for alumina, has moved towards spot or index pricing which de-links the price for alumina from the aluminium price. This has delivered a lift in prices received relative to the historic pricing mechanism and will ultimately shift alumina pricing to better reflect alumina's supply and demand fundamentals and other alumina fundamentals.

The greenfield development through the AWAC joint venture with Ma'aden is a longer term investment in further reducing AWAC's average costs of production.

At an industry level, the 2013 year has started with a more positive tone, with aluminium prices recovering somewhat from their lows in 2012. However, Alumina Limited remains cautious on the outlook for 2013 with prices expected to remain uncertain.

Chinese alumina refineries use domestic and imported bauxite. Historically, significant volumes of bauxite have been imported from Indonesia. In May, Indonesia introduced new export taxes and restricted exports of bauxite. Chinese production of alumina using imported bauxite is increasing. The cost of supplying bauxite to China is also rising and this is expected to impact Chinese alumina costs.

AWAC remains the largest and a low cost alumina producer, and so in the medium term should benefit as the alumina market grows. It will also benefit from the trend of alumina pricing based on indices. As a higher percentage of alumina sales contracts are priced off alumina spot indices, this will better reflect the fundamentals of the industry and should see the share of the supply chain value moving upstream. In a continuing weak price and strong Australian exchange rate environment, the focus of AWAC is to continue to drive productivity and supply chain improvements. The Board would like to thank the staff of Alumina Limited for their contributions during 2012.

John Pizzey
Chairman

John Bevan
Chief Executive Officer

SUSTAINABILITY AND ALUMINA LIMITED

Alumina Limited's commitment to sustainability is a commitment to operating responsibly. Employing strategies now, that generate a positive legacy for our numerous stakeholders.

SUSTAINABILITY STRATEGY

We believe that sustainability is about working more effectively and efficiently to improve environmental outcomes and limit the impact on the environment, improve the quality of life of people impacted by AWAC operations including the safety and health of AWAC employees and drive business performance and long-term stakeholder value.

To be effective, we believe that sustainability goals need to be incorporated into business strategy and processes rather than a subordinate effort that risks being diluted. Also, sustainability goals must be measureable, accountable and impact performance indicators.

As a non-operating partner in AWAC, we turn to, and support, AWAC's operating manager Alcoa, in its sustainability program. Alcoa, the operator/manager of AWAC's business is a world leader of best-practice sustainability, recognised by sustainability benchmarks such as the Dow Jones Sustainability Index.

Alumina Limited supports Alcoa's sustainability vision and also seeks to protect its own stakeholder interests by engaging in a process with Alcoa that includes participation in:

- AWAC's Strategic Council (the formal governing body of AWAC),
- The Board of Alcoa of Australia Limited,
- The AWA of Brazil SA Advisory Board.

Representation on the above bodies enables Alumina Limited access to consider, amongst other matters:

- detailed reporting of sustainability performance against targets and key indicators
- occupational health, safety and environmental performance.

In addition, Alumina Limited's management holds regular discussions with AWAC management to keep informed on operational matters. Alumina Limited's Board and management also visit AWAC operational sites to gain first-hand insight into operational matters.

Alumina Limited has a Risk Management Framework to assess sustainability risk levels and identify strategies to minimise impact and maximise opportunity.

Regarding the AWAC joint venture, Alcoa Inc. is the manager and has a key risk management role over the operations, administration and marketing functions. Alcoa have, as a result of their assessments, established group wide sustainability goals that have implications for AWAC operations.

Separately Alumina Limited conducted an internal assessment to identify the key AWAC sustainability matters that can affect Alumina's stakeholders.

AWAC SUSTAINABILITY MANAGEMENT

Alcoa has been setting sustainability targets, and reporting against them since the early 1990's. Commencing in 2011, Alcoa redefined it's sustainability process by introducing Sustainability Roadmaps for their Global Primary Products business, the business that incorporates AWAC's alumina refineries and two aluminium smelters. The Sustainability Roadmap provides the direction, process steps, business decisions and technical improvements that are required to deliver long-term sustainability objectives.

Sustainability Scorecards were also introduced for every site. The Scorecard is designed to facilitate the integration of sustainability targets with business strategy. It also aids sustainability reporting by providing a means to measure progress against short-term sustainability objectives.

Performance is reported quarterly against targets and key indicators. Within AWAC's operational workforce, sustainability objectives have been integrated into its remuneration performance appraisal process to reinforce the importance of those objectives.

Alumina Limited fully supports this approach, which embeds sustainability deeper into AWAC and its everyday activities.

SUSTAINABILITY MATERIAL RISKS AND LONGER-TERM OBJECTIVES

AWAC AREAS OF KEY MATERIALITY	POTENTIAL IMPACT ON SUSTAINABILITY OF AWAC	LONG-TERM GLOBAL OBJECTIVES ESTABLISHED BY ALCOA[1]
Energy usage and security	Energy is an essential component in alumina and aluminium production. As both processes are energy intensive, it represents approximately 29% of all alumina costs and 36% of all aluminium costs. Energy efficiency is a key factor in sustainable business and environmental performance.	From a 2005 baseline, a 10% reduction in the energy intensity of Global Primary Products (that includes AWAC operations) by 2020 and 15% by 2030.
Water management and security	Water is an essential raw material, used at every point of AWAC's mining, refining and smelting operations. Water scarcity has the potential to impact AWAC's costs, production volume and financial performance.	From a 2005 baseline, a 25% reduction in average freshwater-use intensity by 2020 and 30% by 2030.[2]
Emissions	Aluminium production is an energy-intensive operation. The carbon footprint is significantly affected by the electricity energy provider. Greenhouse gas emissions (GHG) are the natural corollary to AWAC'S energy-intensive operations. High energy use results in high emission levels, especially when much of that energy is sourced from fossil fuel products such as fuel oil, coal and electricity generated from coal-fired power stations.	From a 2005 baseline, a 30% reduction in total (direct and indirect) carbon dioxide equivalent intensity in Global Primary Products (which includes AWAC operations) by 2020, and 35% by 2030.[2]
Land management and rehabilitation	Bauxite mining accounts for most of the land that is disturbed as a result of AWAC's operations. AWAC is committed to minimising the disturbance of the original habitat. It works closely with community and regulatory stakeholders to restore those lands affected to the most productive use possible, including, where feasible, re-establishing pre-operating conditions.	Achieve a rolling five-year corporate-wide ratio of 0.75:1 for new active mining disturbance to rehabilitation; maintain a ratio of 1:1 by 2030 to ensure no net expansion in new disturbance.
Waste	Alumina and aluminium processing creates waste products, the most significant being bauxite residue (approximately 1.5 tonne of residue results per tonne of alumina produced). Minimising waste through innovative processes and alternative uses for waste products is a priority that will reduce AWAC's environmental footprint.	Rehabilitate 30% of total bauxite residue storage area by 2020; 40% by 2030. Recycle or reuse 15% of bauxite residue generated by 2020 and 30% by 2030.
Workforce health and safety	Managing safety in AWAC's complex mining and manufacturing environment requires strong systems as well as a focused safety culture committed to continuous improvement. As the operator, Alcoa has invested substantial intellectual, financial and system resources over several decades to understand the key drivers behind safety behaviour. The sole aim is to eliminate fatalities and serious injuries from AWAC's operations.	Zero fatalities A total recordable injury rate of 0.68 by 2020 and 0.19 by 2030.
Relationships with neighbouring local communities where AWAC conducts business	AWAC is a global enterprise that conducts business in diverse markets and different communities, each with their own values and customs. It is important that interactions are conducted in a way that respects local communities and human rights fostering positive long-term relationships for mutual benefit.	

[1] Alcoa, through their sustainability management processes, developed global sustainability objectives that are measured from a global business perspective. The AWAC assets form a substantial part of Alcoa's Global Primary Products business. However, that business also includes Alcoa's global smelting operations. The AWAC assets contribute to meeting Alcoa's total business sustainability goals.

[2] In 2012 Alcoa amended their 2020 and 2030 sustainability targets for greenhouse gas intensity improvement and freshwater use intensity after successfully exceeding, on a global operations basis, their original 2020 goals. The previous goals for freshwater-use intensity were 10 per cent reduction by 2020 and 25 per cent by 2030 and the previous goals for total emission intensity were, 20 per cent by 2020 and 30 per cent by 2030.

For a more detailed account of Alumina Limited's Sustainability policy and approach, please refer to Sustainability on the Company's website at *www.aluminalimited.com/Sustainability-Policies/*

CORPORATE GOVERNANCE

We believe that adherence to a culture of strong corporate governance and business ethics ultimately supports long-term shareholder value and a sustainable business.

APPROACH TO CORPORATE GOVERNANCE

Alumina Limited's approach to corporate governance focuses on:

- analysing and pursuing best practice governance principles and practices
- promoting ethical values and principles throughout the Company
- prudent delegation of responsibilities
- appropriate internal controls and accountability.

For more in-depth information on Alumina Limited's Board and Committee Charters and corporate governance policies and practices, please refer to our website at *www.aluminalimited.com/governance/*

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

Alumina Limited is a listed company 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 with 2010 Amendments (2nd Edition) and the NYSE compliance rules as they apply to foreign-listed entities.

GOVERNANCE FRAMEWORK

GOVERNANCE GUIDELINES

VALUES AND CODE OF CONDUCT

BOARD AND COMMITTEE CHARTERS

GOVERNANCE OVERSIGHT

BOARD OF DIRECTORS

AUDIT COMMITTEE	NOMINATION COMMITTEE	COMPENSATION COMMITTEE
Responsibilities Financial management & reporting Internal controls Risk management framework Audit strategy & performance	**Responsibilities** Director selection & appointment Identify necessary Board & committee competencies Assess director skills and competency	**Responsibilities** Oversight of remuneration, compensation plans, policies and practice

DELEGATION AND CONTROLS

DELEGATED AUTHORITIES

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

CHIEF EXECUTIVE OFFICER

Senior Management – Management Committee

ETHICAL & ACCOUNTABLE WORK PRACTICES

SHAREHOLDER VALUE

GOVERNANCE GUIDELINES - PROMOTING ETHICAL CONDUCT AND BEHAVIOUR

Alumina Limited's governance framework is driven by its Values and Code of Conduct. These set the standards that all directors, employees and contractors are required to meet in conducting business on behalf of the Company. The Code of Conduct was developed by aligning the Company's agreed core values with best-practice corporate governance models. Annually, the Company conducts training on the Code of Conduct and its employees are required to demonstrate their commitment to the Code by signing a pledge.

Alumina Limited also has a Sustainability Policy that outlines its commitment and goals towards sustainable business practices in relation to the Company, AWAC and stakeholders.

Alumina Limited's Values and Code of Conduct are detailed in full on the Company website at *www.aluminalimited.com/values-and-code-of-conduct/*

The Board and Board Committee Charters also regulate Alumina Limited's governance management by specifying the scope of the Board or Committee, roles and responsibilities, and delegation of authority.

GOVERNANCE OVERSIGHT

ROLE OF THE BOARD OF DIRECTORS AND DELEGATION OF AUTHORITY

Alumina Limited's Board of Directors is responsible for overseeing the strategic direction of the Company. The Board performs its duties by reference to its governing Charter and in accordance with the ethical guidelines of the Company's overarching Values and Code of Conduct.

The Board recognises that its principal role is to represent shareholders' interests. It fulfils its mandate by:

- appointing the Chief Executive Officer (CEO)
- monitoring the performance of the CEO and senior executives
- formulating Alumina Limited's strategic direction and monitoring its execution
- monitoring and optimising business performance
- approving Alumina Limited's external financial reporting.

The Board operates within its distinct roles and responsibilities as defined in the Board Charter. The Charter also identifies responsibilities that are delegated to the CEO and the senior management team regarding managing the day-to-day affairs of the Company.

The Board has specific roles to fulfil and delegates authority over the Company's day-to-day management to the CEO and the senior executive team. The Board Charter and Company Policies define the scope of authority delegated to senior management. The Charter expressly states matters that cannot be delegated by the Board or its committees. Separate from the delineation of roles described in the Board Charter, Alumina Limited also operates with a Group Authorities Schedule that provides greater clarity about the level and scope of management's delegated authority from the Board.

During 2012 Alumina's Senior Management team consisted of John Bevan, CEO; Chris Thiris, Chief Financial Officer (CFO); and Stephen Foster, General Counsel/Company Secretary.

Alumina Limited's Board Charter is included in full in the Governance section of our website at *www.aluminalimited.com/charter-of-the-board*

BOARD AND COMMITTEE MEMBERSHIP

As at 31 December 2012 the Board of Alumina Limited consisted of five directors: an Executive Director – the CEO, Mr John Bevan – and four Non-executive Directors. Board members at the date of this report and their participation on Board committees are:

DIRECTOR	BOARD STATUS	DATE OF APPOINTMENT	AUDIT COMMITTEE	NOMINATION COMMITTEE	COMPENSATION COMMITTEE
Mr John Pizzey	Chairman, Independent Non-executive Director	8 June 2007	Member	Member	Member
Mr Peter Hay	Independent Non-executive Director	11 December 2002	Member	Member	Member and Chair
Ms Emma Stein	Independent Non-executive Director	3 February 2011	Member	Member and Chair	Member
Mr Peter Wasow	Independent Non-executive Director	26 August 2011	Member and Chair	Member	Member
Mr John Bevan	Executive Director (CEO)	16 June 2008	Not applicable	Not applicable	Not applicable

In December 2011 Mr Hay completed nine years of continuous service as a Director of the Company and under the Nomination Committee Charter guidelines, he was due to retire. Taking into account the retirement of two long-serving directors and the resultant diminution of direct Company knowledge and experience, the Directors, according to the discretion granted to them under the Nomination Committee Charter, requested Mr Hay to remain beyond the stated nine-year retirement threshold. Mr Hay consented to continue as a Non-executive Director.

A brief biography of each Alumina Limited Director, summarising their skills, experience and expertise relevant to their role as Director and the period they have held office, is included elsewhere in this annual report (see pages 22 and 23). This disclosure includes the qualifications of the Audit Committee members.

BOARD COMMITTEES

Alumina Limited has three primary Board committees: Audit Committee, Nomination Committee and Compensation Committee. The scope and responsibilities of each committee are governed by a specific Charter. Each committee is formed solely of the Board's Non-executive Directors. Committee membership and the record of attendance are detailed in the table on page 18. During 2012, and in accordance with Company Policy, the Chairman of the Board, Mr Pizzey, did not chair any of the Board committees.

AUDIT COMMITTEE ROLE

The primary role of the Audit Committee is to assist the Board in fulfilling its responsibilities for Alumina Limited's financial statements and external reporting. In supporting the Board, the Audit Committee assesses the processes relating to:

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

The Audit Committee is also responsible for assessing the Company's exposure to business risks including the strategies in place for managing key risks, and for determining whether there is appropriate coverage in the internal audit plans. The Committee reviews other issues as requested by the Board or the CEO.

The Audit Committee is chaired by Mr Peter Wasow, whom the Board regards as a financial expert.

A copy of the Audit Committee Charter is available at *www.aluminalimited.com/audit-committee-charter*

ACTIVITIES UNDERTAKEN IN 2012

In 2012 the Audit Committee met nine times and reviewed:

- changes to accounting policy
- external and internal auditor plans and the auditors performance against those plans
- disclosure controls and procedures
- the Company's International Business Conduct Policy
- non-audit services
- the auditors' reports
- risk management
- internal control policies.

The Chairman of the Audit Committee consults from time to time with the Company's external and internal auditors without the presence of Alumina Limited's management.

COMPENSATION COMMITTEE ROLE

The Compensation Committee is responsible for making recommendations to the Board in relation to the Company's remuneration strategy, policies and practices. It is accountable for ensuring that, in setting remuneration rewards, employee and shareholder interests are aligned and that remuneration structure and rewards are competitive and will attract and retain motivated and talented employees.

The Committee's brief includes overseeing the Company's Short-term and Long-term incentive Incentive plans, remuneration for Non-executive Directors, CEO succession planning and transparent disclosure of the Company's remuneration practices.

A copy of the Compensation Committee Charter is available at *www.aluminalimited.com/compensation-committee*

ACTIVITIES UNDERTAKEN IN 2012

The Compensation Committee met five times during 2012 to consider:

- assessing and recommending changes to the Long-term Incentive Plan Comparator Groups
- Non-executive Director remuneration
- executive and staff remuneration review and personal performance assessment
- performance reviews for Short-term and Long-term Incentive Plans
- appointment of remuneration consultants
- approval of Alumina Limited corporate objectives against which the CEO's compensation is to be measured.

NOMINATION COMMITTEE ROLE

The Nomination Committee assists and provides recommendations to the Board on succession planning for Directors and the CEO. In preparing recommendations to the Board, the Committee considers the following matters:

- identifying the necessary and desirable competencies of Board members
- regularly assessing competencies necessary to be represented by Board members
- selection and appointment process for Directors
- regularly reviewing the size and composition of the Board, including succession plans
- determining which Non-executive Directors are to retire in accordance with the provisions of Alumina Limited's Constitution.

A function of the Committee is to ensure that the Board has the right balance of skills and experience to discharge its responsibilities. The Committee will consider individuals for Board membership who have demonstrated high levels of integrity, the ability to create value for shareholders, motivation for the task and who can apply such skills and experience to the benefit of the Company.

A copy of the Nomination Committee Charter is available at *www.aluminalimited.com/nomination-committee*

ACTIVITIES UNDERTAKEN IN 2012

The Nomination Committee met three times during 2012.

Activities undertaken included:

- succession planning
- review of Mr Wasow's performance for endorsement for election to the Board
- review of the Company's Diversity Policy and objectives
- performance evaluation.

BOARD MEETINGS

The Board scheduled 10 formal meetings in 2012, one of which was reserved to review the Company's strategic plan. It was necessary to convene seven additional meetings to address specific business matters.

Scheduled Board meetings typically involve:

- approving previous minutes and considering outstanding items arising from minutes
- a review of the CEO's Business Performance Report
- reports on finance and treasury matters
- reports on capital works projects and special projects
- review of industry and global market trends and analysis
- deliberation on internal policy matters
- review of risk management framework
- review of corporate strategy and plans
- consideration of AWAC business matters
- review of CEO performance.

Board meetings are generally attended by the executive management team of the CFO and the General Counsel/Company Secretary. Other senior managers and expert consultants participate in meetings as required.

Non-executive Directors conduct meetings from time to time without the presence of executives. The Chairman of the Board presides over 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 handling all direct communications for Non-executive Directors are detailed on the Company's website.

Directors' attendance at Board and Committee meetings is detailed on page 18 of this report.

BOARD AND COMMITTEES PERFORMANCE MEASUREMENT

In 2012 the Board and each of its committees conducted a self-assessment of outcomes versus key performance criteria that are described in the relevant Charters. The assessment was conducted in accordance with the processes outlined and disclosed in the relevant Charters. Directors/Committee members are required to complete a detailed questionnaire to rank performance in relation to relevant business, management and governance matters.

The results of the questionnaire responses were collated and evaluated by the Board on a topic-by-topic basis. Initiatives to improve issues identified in the performance evaluation were discussed and approved.

The Directors and Committee members concluded that the Board and its committees conducted their duties in accordance with their relevant Charters and key performance criteria.

BOARD ELECTION

A Director seeking re-election at an Annual General Meeting is subject to a peer review to determine if their performance meets the performance criteria prior to receiving endorsement for re-election.

Alumina Limited's Constitution requires Directors (excluding the CEO) to 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 to determine whether to recommend that shareholders vote in favour of the re-election. Mr Peter Hay, who was last re-elected to the Board at the 2010 Annual General Meeting, together with Ms Emma Stein, who was last re-elected to the Board at the 2011, will stand for re-election at the 2013 Annual General Meeting in accordance with the Company's Constitution.

BOARD SUCCESSION PLANNING AND DIRECTOR APPOINTMENT

The Nomination Committee regularly reviews the size and composition of the Board and whether its members possess the necessary competencies and expertise for the role. The Nomination Committee is also responsible for the Board's succession planning and, as necessary, nomination of candidates to fill any vacancy on the Board.

The procedure for selection and appointment is detailed in the Nomination Committee Charter, available in the Governance section of the Company's website.

DIRECTOR SKILLS AND EXPERIENCE

The Board recognises that a key to successfully overseeing Alumina Limited and its interest in AWAC, is the complementary representation on the Board of skills, background and experience in order to bring diversity of thought and robustness in decision-making. Responsibility for assessing the appropriateness of experience and mix of skills of existing and prospective Directors rests with the Nomination Committee. The Nomination Committee uses a Skills Matrix to assess whether the right mix of skills and experience exists among the Board and Committee members and to identify key attributes required for future candidates.

The Committee established several key requirements for Board members and determined that the Directors have the necessary skills and experience.

Key requirements are:

- 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.

DIRECTOR INDEPENDENCE

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

Alumina Limited's guidelines for director independence are formalised in a policy that, among other things, requires the Board to assess director independence on an annual basis and otherwise as it feels is warranted.

In assessing the independence of Directors, the following matters are considered:

- any existing relationships with the Alumina Limited Group, either direct or indirect, including professional affiliations and contractual arrangements
- 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.

In forming a decision on director independence, the materiality thresholds used by Alumina Limited include:

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

The Board has concluded that all Non-executive Directors who held office during 2012 are (or were during their period of office) independent. In reaching this conclusion the Board has considered the following relationships and associations:

- Mr Pizzey was, until December 2003, Group President of the Alcoa World Alumina and Chemicals joint venture. He previously held options in Alcoa Inc. However, as reported in the 2011 Annual Report, he ceased to and continues to not hold any options in, or shares in, Alcoa Inc. Mr Pizzey's previous employment with Alcoa Inc and AWAC does not materially impede his objectivity, exercise of independent judgement, or ability to act in the best interests of the Company. Mr Pizzey's employment with Alcoa Inc ceased in December 2003, over nine years ago.
- Mr Hay is a Non-executive Director of Australia and New Zealand Banking Group Limited (ANZ), a company that has a contractual relationship with Alumina Limited. Mr Hay declared his interest and has not participated in any decision-making matter that relates to Alumina Limited's dealings with ANZ. The Board concluded that Mr Hay's directorship of ANZ does not prejudice his independence.
- Ms Stein is a Director of DUET, a majority owner of the Dampier to Bunbury Natural Gas Pipeline (DBNGP) in which Alcoa of Australia Limited has a 20 per cent interest and is a user. Alumina Limited has a 40 per cent interest in Alcoa of Australia Limited. Ms Stein declared her interest and has not participated in any decision-making matter that relates to Alcoa of Australia Limited's dealings with the DBNGP. The Board concluded that Ms Stein's directorship of DUET does not prejudice her independence.
- Mr Wasow has no previous association with the Company or any other relationships that are relevant to his independence.
- Mr Bevan is not considered independent due to his executive responsibilities.

For further information on materiality thresholds and director independence, please refer to the Company's Director Independence Policy, available on the Company's *www.aluminalimited.com/director-independence/*

DIVERSITY

It is Alumina Limited's stated goal to contribute positively to the success of the Company by promoting a high-performance culture that draws on the diverse and relevant experience, skills, expertise, perspectives and unique personal attributes of its Board members and employees.

Our Diversity Policy applies to all Alumina Limited employees, including contractors and consultants acting on the Company's behalf, and includes the recruitment and selection process, terms and conditions of employment including pay, promotion, work assignment, and training as well as any other aspect of employment. Details of the policy are set out under the policies section of the Company's website at *www.aluminalimited.com/diversity-policy/*

The Diversity Policy includes a commitment to establishing measurable objectives for gender diversity. Alumina Limited's diversity objectives since their introduction in 2011 are:

OBJECTIVES	RESULT
To include in the Nomination Committee Charter 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	Completed in 2011
To engage consultants who support and promote the Company's diversity policy, including assisting to identify additional suitably qualified external female candidates	Achieved throughout 2012
To ensure that candidate lists for permanent employee positions are recognisably diverse by age, sex or ethnicity	Achieved throughout 2012
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	Achieved throughout 2012
To consider diversity when reviewing board succession plans with the aim to improve gender representation and diversity	Achieved throughout 2012
OBJECTIVE FOR 2012	**RESULT**
That the Company has at least one female Non-executive Director	Achieved throughout 2012

During 2012 Ms Stein was the only female Non-executive Director representing 25 per cent of the Board's Non-executive Directors and 20 per cent of total directors. As at 31 December 2012, 31 per cent of Alumina Limited's employees were women. No women were represented on the three-person senior management team.

DIRECTORS' AND EXECUTIVES' REMUNERATION

Details of the remuneration policies and practices of Alumina Limited are set out in the Remuneration Report on pages 26 to 48 of this report. Shareholders will have the opportunity to vote on a non-binding resolution to adopt the Remuneration Report at the 2013 AGM.

DIRECTORS' SHARE OWNERSHIP

Alumina Limited's Board policy requires Directors to hold shares equal to, or greater than, one year's annual fees by the expiry of their first term as a Director. Once attained, that level of share ownership must be maintained throughout their term of office.

Details of the Non-executive Director share acquisition policy and number of shares held by each Non-executive Director are disclosed on pages 26 and 48 of the Remuneration Report.

CHIEF EXECUTIVE OFFICER

The CEO is responsible for the day-to-day management of the Company and operates under delegated authority from the Board. The CEO's responsibilities include:

- recommending strategic initiatives to the Board and, where approved, ensuring their implementation
- managing the day-to-day operation of the Company according to the Values and Code of Conduct
- preparing and presenting the Company's business plans
- appointing and reviewing the performance of senior management.

DIRECTOR EDUCATION

Alumina Limited believes that Director education is vital to maintaining an ongoing knowledge of the aluminium and alumina industry fundamentals and what impacts AWAC's and ultimately Alumina Limited's performance. Throughout the year our Directors receive industry briefings including addresses by independent industry specialists. This is supplemented by visits to operating sites for business reviews and by presentations to the Board from AWAC executives.

Directors are also updated on corporate governance and regulatory changes as they apply to corporate governance, accounting standards and relevant industry matters.

New Non-executive Directors undertake an induction program on their appointment that provides them with copies of the Company's key policies, Values and Code of Conduct and information pertaining to the risk management and governance frameworks.

PERFORMANCE EVALUATION

CHAIRMAN, NON-EXECUTIVE DIRECTORS AND CHIEF EXECUTIVE OFFICER

The performance of the Chairman of the Board is assessed annually by the Chairman of the Nomination Committee in consultation with the other Non-executive Directors. In 2012 the performance review of the Chairman of the Board was in accordance with the disclosed process.

The Chairman of the Board reviews each Director's individual performance annually and that of the CEO on a semi-annual basis. Those performance reviews were conducted in 2012 in accordance with the disclosed process.

SENIOR EXECUTIVES

The CEO undertakes a semi-annual review of the performance of each senior executive against individual tasks and objectives that were 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 performance reviews of the senior executives were conducted in 2012 in accordance with the disclosed process.

The Compensation Committee also obtains independent remuneration information for comparative purposes. Salary reviews and short-term incentives are determined by assessing performance against both individual performance and Company performance targets. Long-term incentives are assessed against the Company's total shareholder return compared with that of the Australian and industry peer group. In 2012 the Committee conducted those reviews in accordance with the disclosed process.

DIRECTORS' ACCESS TO INDEPENDENT ADVICE

To fulfil their duties and responsibilities, the Board, its committees and individual Directors equally are entitled to seek independent expert advice on any matter as considered necessary, with the consent of the Chairman or the Board. The Chairman requires the Board's approval to seek independent advice. Independent advice might be sought in relation to technical or specialised matters and the Company will meet any expense incurred.

COMPANY SECRETARY

Mr Stephen Foster is the Company Secretary/General Counsel. A profile of his qualifications and experience is set out on page 17. The role of Company Secretary/General Counsel in Alumina Limited includes:

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

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

CORPORATE REPORTING AND RISK MANAGEMENT

The CEO and the CFO have made the following certifications to the Board:

1. In their opinion:

- Alumina Limited's financial records for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*
- the financial statements and the notes comply with the accounting standards
- the financial statements and the notes give a true and fair view, in accordance with section 297 of the *Corporations Act 2001*
- the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2. The above certification is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.

SHARE TRADING POLICY

Alumina Limited has a policy on the trading of Alumina Limited shares by its Directors and employees. The Board believes it is in all shareholders' interests for Directors and employees to own shares in the Company, and so encourages shareholding subject to prudent controls and guidelines on share trading. The policy prohibits Directors and employees from engaging in short-term trading of any Alumina Limited securities; buying or selling Alumina Limited shares if they possess unpublished, price-sensitive information; trading in derivative products over the Company's securities or entering into transactions in products that limit the economic risk of their security holdings in the Company.

In addition, Directors and senior management must not buy or sell Alumina Limited shares in the period between the end of the half or full financial year and the release of the results for the relevant period. Directors and senior management must also receive approval from the Chairman or CEO before buying or selling Company shares. A copy of Alumina Limited's Share Trading Policy can be found on our website at: *www.aluminalimited.com/share-trading-policy/*

CONTINUOUS DISCLOSURE

Alumina Limited has a Continuous Disclosure Policy that defines the legal and regulatory obligations, materiality guidelines and reporting process, and is designed to ensure compliance with the continuous and periodic disclosure obligations under the *Corporations Act 2001* and ASX Listing Rules and to ensure accountability at a senior executive level for that compliance. Responsibility for meeting ASX disclosure requirements rests primarily with the Company Secretary. Training is conducted annually with all staff to ensure they understand the Company's obligations, and their role in fulfilling them, under the continuous disclosure provisions. A review of continuous disclosure matters, if any, is conducted at each Board meeting.

Copies of Alumina Limited's releases to ASX, investor presentations and Annual Reports are available on the Company's website at *www.aluminalimited.com/announcements/* Alumina Limited's Continuous Disclosure Policy is available on the Company's website at: *www.aluminalimited.com/continuous-disclosure-policy/*

CONFLICTS OF INTEREST

Each Director has an ongoing responsibility to determine if they have a conflict of interest, whether direct, indirect, real or potential, that may impede their impartial decision-making. Directors are required to disclose to the Board details of any transactions or interests that may create a conflict of interest. Alumina Limited's Constitution expressly forbids a Director voting on a matter in which they have a direct or indirect material personal interest as defined in section 195 of the *Corporations Act 2001* to the extent that it is prohibited by the *Corporations Act 2001* or ASX Listing Rules.

AUDIT GOVERNANCE

EXTERNAL AUDIT

PricewaterhouseCoopers is Alumina Limited's external audit services provider and reports to the Audit Committee. The Audit Committee has responsibility for managing the relationship with the external auditor including their appointment, compensation and agreeing on the scope and monitoring the performance and effectiveness of the annual internal and external audit plans and approval of non-audit related work. The Committee also reviews, at least annually, the assessment of the Company's exposure to business risks and the strategies in place for managing key risks, and determines whether there is appropriate coverage in the internal audit plans.

All reports issued by the auditor to the Committee are prepared in accordance with Australian Accounting Standards. In accordance with the applicable provisions of the *Corporations Act 2001*, the external auditor provides an annual declaration of its independence to the Audit Committee. Alumina Limited's External Auditor Selection and Rotation Policy requires that the lead Partner involved in the external audit of the Company should not remain beyond five years. During 2012 a new lead partner was assigned following the expiration of the preceding partner's five-year term.

Further information on the relationship with the external auditor is covered in the Audit Committee Charter, which is available on the Company's *www.aluminalimited.com/audit-committee-charter/*

NON-AUDIT SERVICES

Alumina Limited and PricewaterhouseCoopers have adopted the following policy in relation to any work undertaken by PricewaterhouseCoopers that does not directly relate to the audit of the Company's Australian or US statutory accounts:

- PricewaterhouseCoopers services that have fees of up to $100,000 require the prior approval of the Audit Committee Chairman. Such approval shall include the scope of the services and the approximate amount of fees, and shall be reported at the next Audit Committee meeting
- for PricewaterhouseCoopers' services of more than $100,000 and less than $250,000, the provision of such services requires the prior approval of the Audit Committee
- for services of more than $250,000, unless PricewaterhouseCoopers' skills and experience are integral to the services (in which case the provision of such services requires the prior approval of the Audit Committee), the proposed services are to be put to competitive tender with the requirement for CFO, CEO and Audit Committee Chairman's approval of the inclusion of PricewaterhouseCoopers in the tender list. The awarding of a contract, following a competitive tender, to PricewaterhouseCoopers for the provision of these services also requires the prior approval of the Audit Committee

Details of non-audit services are described in the Directors' Report on pages 24 and 25.

ATTENDANCE AT THE ANNUAL GENERAL MEETING

The Partner representing the external auditor attends Alumina Limited's AGM and is available at the meeting to respond to shareholder questions relating to content and conduct of the audit and accounting policies adopted by the Company regarding preparation of the financial statements. Alumina Limited will accept written questions for the auditor up to five days before the AGM.

INTERNAL AUDIT

Alumina Limited's internal audit function is conducted by independent accounting firm Deloitte Touche Tohmatsu. It is the internal auditor's role to act independent of management and external audit to evaluate whether the Company's processes and controls provide an effective risk management and control framework, and to report their findings to the Audit Committee. The internal auditor has open access to the Chairman of the Audit Committee. The Audit Committee approves the annual internal audit plan and reviews reports on internal audit findings at least annually.

MANAGING BUSINESS RISK

Alumina Limited's Risk Management Policy sets out the policies and procedures for covering risks such as those relating to markets, credit, price, operating, safety, health, environment, financial reporting and internal control. The Board has adopted the Risk Management Policy. 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 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 our risks as an independent corporate entity. We have 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, political risks and capital project risk.

Management has provided a report to the Alumina Limited Board on the effectiveness of Alumina Limited's management of material business risks. Included is assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the *Corporations Act 2001* (refer to Corporate Reporting and Risk Management on page 15) 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.

Our Risk Management Policy and controls are covered in more detail in the Governance section of our website at: *www.aluminalimited.com/risk-management/*

EXCHANGE RATE AND ALUMINIUM PRICE RISK

AWAC's operations are well placed on the global cost curve. Its revenues are underpinned by sales contracts with high-quality industry participants – mainly customers with whom it has longstanding commercial arrangements.

Given this underlying business position, shareholders' interests are best served by Alumina Limited and AWAC remaining exposed to alumina price and exchange rate risk, and generally not seeking to manage that risk through the use of derivative instruments. However, business circumstances sometimes dictate that it is prudent for the AWAC joint venture and Alumina Limited to manage such risks through derivative instruments.

WHISTLEBLOWING

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

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

An independent Whistleblower hotline is available to employees who wish to make an anonymous or confidential complaint, or a formal complaint process can be initiated to designated officers within the Company. A copy of the Whistleblower Policy can be found on the Company's *www.aluminalimited.com/whistleblower-policy-serious-complaints/*

Alumina Limited makes donations each year to non-profit and charitable organisations in the areas of health, education, welfare and the arts. In 2012 the beneficiaries were in the field of children's health and cancer research. We do not make donations to political parties.

SENIOR MANAGEMENT

Alumina Limited is managed by an experienced management team focusing on maximising returns, growing the Company, and ensuring shareholders benefit fully from Alumina Limited's interest in the AWAC joint venture. Our executive management team comprises:

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 to 2007. In 2012 Mr Bevan was appointed as a Non-Executive Director of Ansell Limited. Mr Bevan has strong commercial and operational experience gained through operating in joint ventures in many parts of the world, particularly Asia.

CHRIS THIRIS - BA (ACC) MBA
CHIEF FINANCIAL OFFICER

Chris Thiris joined Alumina Limited in September 2011 as Interim Chief Financial Officer and became Chief Financial Officer in December 2011. He is responsible for accounting, treasury, investor relations and taxation. Mr Thiris has extensive experience in finance and other management functions gained through senior roles he has held in Orchard Funds Limited and Coles Group Limited.

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. He has a wide range of legal and commercial experience gained over 25 years, at Village Roadshow and WMC Limited.

ALUMINA LIMITED DIRECTORS' ATTENDANCE AT MEETINGS

ALUMINA LIMITED DIRECTORS' ATTENDANCE AT MEETINGS JANUARY TO DECEMBER 2012

	Board Meeting		Board Committee meetings		Audit Committee meetings		Compensation Committee meetings		Nominations Committee meetings	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
G J Pizzey	17	17	2	2	9	9	5	5	3	3
P A F Hay	17	17	13	12	9	9	5	5	3	3
E R Stein	17	15	13	13	9	9	5	5	3	3
P Wasow	17	17	14	14	9	9	5	5	3	3
J A Bevan	17	17	16	16	–	–	–	–	–	–

SHAREHOLDERS

Alumina Limited has approximately 72,000 shareholders, with the 20 largest holding 74 per cent of the approximately 2.44 billion shares on issue. Approximately 95 per cent of all registered shareholders have registered addresses in Australia. Alumina Limited's shares are listed on the ASX and NYSE.

The level of beneficial ownership of the Company's shares by US persons is approximately 21 per cent. No single beneficial holder holds in excess of 10 per cent as at 31 December 2012.

SHAREHOLDER COMMUNICATION

Effective and timely communication with Alumina Limited shareholders and the market is a critical objective of the Company. We also recognise that communication is two-way.

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

Alumina Limited is a member of eTree, an incentive scheme to encourage shareholders of Australian companies to receive their shareholder communications electronically. For every shareholder who registers their email address via eTree, we donate $2 to Landcare Australia to support reforestation projects.

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

For further information on shareholder communications, including our Continuous Disclosure Policy, refer to the Shareholder Communication Strategy located on our website at *www.aluminalimited.com/shareholder-communication-strategy/*

PRACTICES WITH THE NYSE LISTING RULES

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

More detail about the ways in which Alumina Limited's corporate governance practices differ from those stipulated by the NYSE Listing Rules can be found in the Governance section of our website at *www.aluminalimited.com/nyse-corporate governance-standards/*

SHARE ENQUIRIES

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

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne, Victoria 3001 Australia
Telephone
1300 556 050 (for callers within Australia)
+61 (0) 3 9415 4027 (for international callers)
Facsimile
(03) 9473 2500 (for callers within Australia)
+61 (0) 3 9473 2500 (for international callers)

Email web.queries@computershare.com.au

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

AMERICAN DEPOSITARY RECEIPTS

Alumina Limited shares are traded on the NYSE as ADRs.

This facility enables American investors to conveniently hold and trade Alumina Limited securities. Each ADR represents four Alumina Limited shares. Investors seeking information about Alumina Limited's ADRs should contact the Company's depositary, The Bank of New York Mellon:

BNY Mellon Shareowner Services
BNY Mellon Depositary Receipts
PO Box 43006
Providence, RI 02940-3006
Toll free number (for callers within the USA)
1-888-BNY-ADRS (1-888-269-2377)
Telephone (for non-US callers)
+1 201-680-6825

Website: *www.bnymellon.com/shareowner*
Email: shrrelations@bnymellon.com

COMPARISON TO ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS WITH 2010 AMENDMENTS (2ND EDITION)

	RECOMMENDATION	COMPLIANCE	REFERENCE
PRINCIPLE 1	**LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply	Page 10
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Comply	Page 15
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Comply	n/a
PRINCIPLE 2	**STRUCTURE THE BOARD TO ADD VALUE**		
2.1	A majority of the board should be independent directors.	Comply	Page 13
2.2	The chair should be an independent director.	Comply	Page 13
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Comply	Page 10
2.4	The board should establish a nomination committee.	Comply	Page 12
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply	Page 12
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply	n/a
PRINCIPLE 3	**PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the company's integrity; – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply	Page 10
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Comply	Page 14
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Comply	Page 14
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Comply	Page 14
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Comply	n/a

	RECOMMENDATION	COMPLIANCE	REFERENCE
PRINCIPLE 4	SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
4.1	The board should establish an audit committee.	Comply	Page 11
4.2	The audit committee should be structured so that it: – consists only of non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the board; and – has at least three members.	Comply	Page 10
4.3	The audit committee should have a formal charter.	Comply	Page 11
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Comply	n/a
PRINCIPLE 5	MAKE TIMELY AND BALANCED DISCLOSURE		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply	Page 15
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Comply	n/a
PRINCIPLE 6	RESPECT THE RIGHTS OF SHAREHOLDERS		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Comply	Page 18
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Comply	n/a
PRINCIPLE 7	RECOGNISE AND MANAGE RISK		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply	Page 16
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply	Page 17
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) 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.	Comply	Page 17
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Comply	n/a
PRINCIPLE 8	REMUNERATE FAIRLY AND RESPONSIBLY		
8.1	The board should establish a remuneration committee.	Comply	Page 11
8.2	The remuneration committee should be structured so that it: – consists of a majority of independent directors; – is chaired by an independent chair; and – has at least three members.	Comply	Page 10
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Comply	Pages 26-48
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Comply	n/a

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Alumina Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2012 (the "Group").

DIRECTORS

The following persons were Directors of Alumina Limited during the whole of the financial year and up to the date of this report:

- G J Pizzey (Chairman)
- J Bevan (Chief Executive Officer)
- P A F Hay
- E R Stein
- P C Wasow

BOARD OF DIRECTORS

Alumina Limited Directors in office as at 31 December 2012 were:

MR G JOHN PIZZEY - B.E (CHEM), DIP. MGT. FTSE FAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIRMAN

Mr Pizzey was elected a director of Alumina Limited on 8 June 2007. He is Chairman of Iluka Resources Ltd (appointed November 2005) and a director of Amcor Limited (September 2003). Mr Pizzey is a life governor of Ivanhoe Grammar School and a former chairman and director of the London Metal Exchange. He is a member of the Audit, Nomination and Compensation Committees and was Chair of the Audit Committee to 30 November 2011. Mr Pizzey brings extensive knowledge gained in over 33 years in the alumina and aluminium industry.

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 (appointed November 2009), GUD Holdings Limited (May 2009), and Myer Holdings Limited (February 2010). He is also a Director of Landcare Australia Limited, Epworth Foundation and a former director of NBN Co Limited (resigned August 2012). He is a former Chief Executive Officer of the law firm Freehills. He is a member of the Audit Committee, and Nomination Committee and Chair of the Compensation 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.

MS EMMA R STEIN - BSC (PHYSICS) HONS, MBA, FAICD

INDEPENDENT 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 (appointed July 2008), Non-executive Director for Diversified Utilities Energy Trust (June 2004), Non-executive Director for Programmed Maintenance Group (June 2010), Transpacific Industries Group Ltd (August 2011) and Transfield Services Infrastructure Fund (appointed October 2010 and resigned July 2011). 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 Audit Committee, Compensation Committee and Chair of the Nomination Committee since 3 March 2011. She has considerable experience with industrial customers, international energy and utilities markets and investments in long life assets and projects.

MR PETER C WASOW - BCOM, GRADDIPMGMT, FCPA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Wasow was appointed a director of Alumina Limited on 26 August 2011. He is a member of the Nomination Committee, Compensation Committee and Chair of the Audit Committee from 30 November 2011. He is also a former Non-executive Director of Murchison Metals Limited (appointed May 2011 and resigned February 2012). Mr Wasow served 8 years at major Australian oil and gas producer Santos Limited from 2002 to 2010. Initially appointed as Chief Financial Officer, he assumed the additional role of Executive Vice President from 2008.

Prior to joining Santos in 2002, Mr Wasow held several senior roles over a 23-year career at BHP including Vice President of Finance. Mr Wasow brings to the Board extensive financial skills and experience in the resource and energy industries.

MR JOHN BEVAN - BCOM

EXECUTIVE DIRECTOR – CHIEF EXECUTIVE OFFICER

Mr Bevan was elected as Executive Director and Chief Executive Officer on 16 June 2008. He is currently a Non-executive director of Ansell Limited (appointed August 2012). Prior to commencing at Alumina Limited, Mr Bevan most recently held the position of chief executive of Process Gas Solutions at BOC Group Plc and was elected to the Board of Directors. 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.

COMPANY SECRETARY

STEPHEN FOSTER - BCOM LLB(HONS) GDIPAPPFIN (SEC INST)GRADDIP CSP, ACIS

GENERAL COUNSEL/COMPANY SECRETARY

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

Details of the Company Secretary role are contained on page 15.

Particulars of the numbers of meetings of the Company's Directors (including meetings of committees of Directors) and the number of meetings attended by each Director are detailed on page 18.

Particulars of relevant interests of shares held by the Directors of the Company in the Company or in any related body corporate as at the date of this report are set out on page 42.

INSURANCE OF OFFICERS

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

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

DIVIDENDS

Details of the dividends paid during the financial year are referred to in Note 9 of the Financial Report found on page 67.

PRINCIPAL ACTIVITIES

The principal activities of the Group relate to its 40 per cent interest in the series of operating entities forming Alcoa World Alumina and Chemicals (AWAC). AWAC has interests in bauxite mining, alumina refining, and aluminium smelting. There have been no significant changes in the nature of these activities.

REVIEW OF OPERATIONS AND RESULTS

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

The Group's net loss attributable to members of Alumina Limited was US$62 million (2011: US$127 million profit).

The Group's underlying earnings for 2012 were a loss of US$53 million (2011: US$128 million profit). For further information on the operations of the Group during the financial year and the results of these operations (including the calculation of underlying earnings), refer to page 3.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as reported in Note 33 of the Financial Report, refer to page 91, there are no significant events occurring after the balance sheet date.

LIKELY DEVELOPMENTS

In the opinion of the Directors it would prejudice the interests of the Group to provide additional information, except as reported in this Directors' Report, relating to likely developments in the operations of the Group and expected results of those operations in the financial years subsequent to the financial year ended 31 December 2012.

ENVIRONMENTAL REGULATION

AWAC's Australian operations are subject to various Commonwealth and state laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation, and access to and use of ground water.

In particular, most operations are required to be licensed to conduct certain activities under the environmental protection legislation of the state in which they operate, and such licences include requirements specific to the subject site.

ROUNDING OF AMOUNTS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

AUDITOR

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

NON-AUDIT SERVICES

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

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

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44 of this Report.

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

	CONSOLIDATED ENTITY US$ THOUSAND	
	2012	2011
Amounts received or due and receivable by PricewaterhouseCoopers Australia:		
Audit and review of the financial reports	865	867
Other assurance services	4	4
Amounts received or due and receivable by related practices of PricewaterhouseCoopers Australia		
Overseas taxation services	16	65
Total	**885**	**936**

REMUNERATION REPORT

OVERVIEW

This Remuneration Report outlines Alumina Limited's approach to remunerating its Directors and Senior Executives. The information provided is given in accordance with the requirements of the Corporations Act and has been audited. This report forms part of the Directors' Report for the year ended 31 December 2012.

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

KEY MANAGEMENT PERSONNEL

This report covers remuneration arrangements and outcomes for the following Key Management Personnel of Alumina Limited:

NON-EXECUTIVE DIRECTORS

- Mr John Pizzey – Non-Executive Director since 8 June 2007, Chair of the Audit Committee from 1 May 2008 to 30 November 2011, and Chair of the Board of Directors from 1 December 2011;
- Mr Peter Hay – Non-Executive Director, Chair of the Nomination Committee from 11 December 2002 to 3 March 2011 and Chair of the Compensation Committee from 3 March 2011;
- Ms Emma Stein – Non-Executive Director since 3 February 2011 and Chair of the Nomination Committee from 3 March 2011;
- Mr Peter Wasow – Non-Executive Director since 26 August 2011 and Chair of the Audit Committee from 30 November 2011;

SENIOR EXECUTIVES

- Mr John Bevan – Executive Director and Chief Executive Officer of Alumina Limited since 16 June 2008;
- Mr Chris Thiris – Interim Chief Financial Officer, a position he held from 15 September 2011 to 13 December 2011, and Chief Financial Officer from 13 December 2011;
- Mr Stephen Foster – General Counsel/Company Secretary, a position he has held since 4 December 2002.

REMUNERATION STRATEGY AND POLICY

Alumina Limited's remuneration strategy seeks to recognise the unique nature of the Company as an investor and joint venturer with Alcoa in AWAC.

The role of the Company's executives is to protect and enhance the Company's investment in AWAC. While Alcoa is the manager and has operational control, the executives closely monitor the performance of the operations and actively contribute to AWAC's thinking on strategy, capital deployment and significant decisions. To be effective in this, the executives must demonstrate a meaningful insight to the bauxite, alumina and aluminium industry.

At the Alumina Limited level, the executives ensure that an effective capital structure is maintained and appropriate governance structures, systems and processes are in place to protect and enhance the interests of shareholders.

The remuneration strategy also seeks to recognize that major factors in AWAC's financial performance cannot be controlled, in particular energy costs, metal prices and currency exchange rates.

Against this backdrop Alumina Limited's remuneration strategy is twofold. Firstly, it is designed to attract and retain motivated and high quality employees. Also, remuneration is structured to link reward to performance based on a mix of definitive and measurable, corporate and personal objectives. Purposely, those objectives are interconnected with the interests of shareholders to ensure that management's energies are directed to achieving favourable outcomes for shareholders.

REMUNERATION GOVERNANCE AND PROCESS

INTERNAL GOVERNANCE

Alumina Limited's Board of Directors has delegated responsibility to the Compensation Committee (the "Committee") to:

- devise a remuneration strategy and policy,
- establish appropriate performance objectives and measures,
- provide the Board with remuneration recommendations to consider,
- oversee the implementation of the remuneration strategy and policy.

In developing and maintaining the Company's remuneration strategy and structures, the Committee evaluates the relevance of the strategy and structure against industry standards and community yardsticks. To ensure that, where possible, it verifies the appropriateness of the strategy and structure by reference to information and advice external to the Company.

The Committee believes that the outcome of the remuneration strategy and associated structures continue to meet the Company's overall business and remuneration objectives.

The remuneration objectives are structured so that;

- shareholders' interests and employee interests are in alignment;
- the Company is able to attract, develop and retain superior talent; and
- rewards are linked to performance.

The Committee met five times in 2012 (2011: six times), with senior executives attending certain meetings by invitation.

In seeking to achieve the objective of attracting and retaining motivated and high-quality talent, the Compensation Committee conducts an annual review of the senior executive remuneration to ensure that it is competitive in the talent marketplace. The review determines if the quantum of fixed and variable remuneration for each senior executive is appropriately competitive in comparison to remuneration levels of executives in similar-sized companies and with approximate job responsibilities. The operation of Alumina Limited as a non-operating partner in AWAC requires only a small senior executive team. Team members need strong business skills, acumen and experience to deal with complex business, industry and market matters relevant to the AWAC enterprise, the world's largest alumina business. They are required to act on matters that affect the interests of AWAC yet also have the underlying responsibility to protect the interests of and grow value for Alumina Limited's stakeholders.

REMUNERATION CONSULTANTS

In considering Director and executive remuneration strategies, quantum of remuneration and associated statutory obligations; the Compensation Committee may seek advice from independent remuneration consultants.

Alumina Limited has developed procedures that apply to the engagement of remuneration consultants and the processes to be followed regarding recommendations and the protocols that apply to the consultants. Training is conducted on an annual basis to ensure the relevant executives understand the procedures.

Where advice is obtained from a consultancy, the Committee will ensure appropriate independence and quality by:

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

During 2012 the Compensation Committee received remuneration-related advice from Ernst & Young and Mercer Consulting (Australia).

Ernst & Young provided guidance relating to:

- local and international remuneration trends and regulations;
- market remuneration analysis on Board and executive remuneration,
- the Remuneration Report,
- ad hoc advice as requested,
- remuneration recommendations regarding design and implementation of executive remuneration strategy or components of the executive remuneration framework.

Ernst & Young provided the Committee with a declaration that remuneration recommendations were prepared free of any undue influence from Key Management Personnel. The Board was satisfied that the recommendations were prepared free of any undue influence based on the close interaction between the Compensation Committee and Ernst & Young representatives on remuneration related recommendations.

Mercer Consulting (Australia) provided Alumina Limited with technical services, data provision and calculations advice in relation to the Employee Share Plan (ESP) and did not provide remuneration recommendations.

In 2012, Ernst & Young was paid approximately $125,000 (in cash) for their services of which $49,000 related to remuneration recommendations. Mercer Consulting (Australia) was paid $13,000 (in cash) for services provided during 2012.

Remuneration consultants attended some Compensation Committee meetings to deal with remuneration matters.

NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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.

Alumina Limited's Non-Executive Directors, excluding the Chairman, received a base fee of $150,000 for fulfilling their duties as Directors during 2012. In 2012 the Chairman received a base fee of $360,000. The base fees applicable in 2012 did not change from the fee level of 2011. In addition to the base fee, each Director, other than the Chairman, receives Committee fees of:

- an aggregate total amount of $10,000 per annum for membership of Board Committees;
- $10,000 per annum for chairing Board Committees and $15,000 for chairing the Audit Committee.

The maximum remuneration for Non-Executive Directors is determined by resolution of shareholders. The maximum aggregate remuneration approved for Non-Executive Directors is $1,250,000 per annum. A total of $937,473 was paid in Non-Executive Director fees in 2012. No performance-related remuneration is paid to Non-Executive Directors, nor do they participate in the ESP.

During 2012 a review was undertaken by Ernst & Young of Non-Executive Director fee levels of comparable companies.

The Board reviewed Non-Executive Directors' fees and determined in the context of business conditions that there would be no increase for the 2013 year.

TABLE 1.0 - NON-EXECUTIVE DIRECTORS - REMUNERATION

	JOHN PIZZEY[1]		PETER HAY		EMMA STEIN[1]		PETER WASOW[1]		DON MORLEY[1]		RON MCNEILLY[1]	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Short-term Benefits												
Fees – Cash[1]	360,000	190,417	170,000	170,000	170,000	153,971	175,000	57,045	–	330,000	–	30,295
Value of shares acquired in lieu of fees	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
Non-monetary benefits	–	n/a	–	n/a	–	n/a	–	n/a	–	4,946	–	n/a
Post Employment												
Superannuation Guarantee	16,123	15,477	15,300	15,250	15,300	13,831	15,750	5,134	–	14,173	–	2,710
Retirement Benefit accrued	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
Total Remuneration	**376,123**	**205,894**	**185,300**	**185,250**	**185,300**	**167,802**	**190,750**	**62,179**	**–**	**349,119**	**–**	**33,005**

[1] Directors' receive a base fee for participation on the Board as well as additional Committee fees for Committee chairmanship or membership.

NON-EXECUTIVE DIRECTOR SHARE ACQUISITIONS

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.

Non-Executive Directors shareholdings details are set out in Table 6.

EXECUTIVE REMUNERATION

POLICY

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

- aligns executive and shareholder interests,
- recognises and rewards superior senior executive performance.

POLICY FOR SETTING THE NATURE AND AMOUNT OF REMUNERATION

In determining the nature and amount of senior executive's remuneration, the Company takes into account:

- requirements of the executive's role,
- level of influence of the executive over Alumina Limited's performance,
- geographic spread of the executive's role,
- skills and experience required and those of the executive,
- the executive's individual performance,
- similarities to and differences from other roles in the Comparator Group.

SUPERANNUATION

All Alumina Limited employees are members of a fund of their choice. Contributions are funded at the Superannuation Guarantee Contributions rate, currently 9 per cent of an employee's fixed annual remuneration. Alumina Limited contributes 9 per cent of employees' salary up to the maximum superannuation contributions base, which is linked to each individual's earnings. The maximum contributions base is an annual income of approximately $179,000.

SENIOR EXECUTIVE REMUNERATION STRUCTURE

The Chief Executive Officer, senior executives and professional employees all share the same remuneration structure comprising of fixed remuneration and 'at risk', short-term and long-term incentive components. Also considered in the remuneration structure, is the balance between reward payments made in cash and deferred equity. The following table indicates the structure of senior executive remuneration and manner in which their remuneration is paid.

FIXED

FIXED ANNUAL REMUNERATION (FAR)
INCLUDING SUPERANNUATION

↓

VARIABLE (AT RISK)

SHORT-TERM INCENTIVE (STI)	LONG-TERM INCENTIVE (LTI)
50% of reward based on meeting corporate financial and non-financial objectives 50% of reward based on meeting individual objectives	Reward based on Company Total Shareholder Return tested over a 3 year performance period against (1) ASX Comparator Group and (2) Comparator Group of alumina and aluminium companies
– 50% of total applicable STI paid in cash and, – 50% in shares (that must be held for 3 years)	– Performance Rights that vest proportionately to ordinary shares based on the extent that the performance criteria is met. Two potential retests apply at 6 and 12 months after the 3 year test period.

The remuneration structure provides for specific and measurable individual objectives and targets 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. The Committee also obtains independent remuneration information for comparative purposes. Salary reviews and short-term incentives ("STIs") are determined by assessing performance against both individual performance objectives and Company earnings per share, cash from operations and return on capital targets. Long-term incentives ("LTIs") are assessed against the Company's total shareholder return ("TSR") compared with that of Australian and international peer group companies.

SNAPSHOT OF THE SENIOR EXECUTIVE REMUNERATION STRUCTURE

Key elements of Alumina Limited's remuneration structure for 2012 are outlined in the following table: Further detail in relation to each remuneration element is provided in subsequent sections.

ELEMENT	POLICY	SHAREHOLDER INTERESTS
Fixed remuneration – 'fixed annual reward' ("FAR")	– Fixed remuneration and superannuation contributions as specified in an executive's contract of employment – Reviewed annually against the market – Chief Executive Officer FAR reviewed and determined by the Committee – Senior executive FARs reviewed and recommended by the Chief Executive Officer and approved by the Committee – Superannuation contributions funded at Superannuation Guarantee Contributions rate Options available: – Alumina Superannuation Fund, an accumulation fund, or – Employee's fund of their choice	Market positioned
Variable – Short-term Incentive ("STI")	– Included in contracts for executive and professional employees – 'At risk' remuneration that is contingent upon the satisfaction of the following annual performance based tests – Test 1 – corporate scorecard performance of financial and corporate objectives (50% of STI) – Test 2 – performance against individual objectives (50% of STI) – The Board approaches the assessment of Company and individual performance having consideration of a range of factors that impact final outcomes. Performance under the STI is therefore not determined with reference to a formulaic calculation – Policies defining variable incentives are established by the Committee and reviewed annually – Chief Executive Officer – STI up to 100% of FAR – Senior executives – STI up to 70% of FAR – 50% of any after-tax STI award must be applied towards the purchase of Company shares which must be held for a minimum of at least 3 years (assuming continuing employment)	Incentive to achieve high Company and individual performance Objectives align with shareholder interests Retained shares reinforce alignment with shareholders
Variable – Long-term Incentive ("LTI")	– Potential offer (at the Board's discretion) of a conditional entitlement under the Alumina Limited ESP to fully paid ordinary shares in the Company (Performance Rights), with the shares being purchased on market – Vesting dependent on results of performance testing – Performance hurdles measure Alumina Limited's TSR relative to comparator companies in the ASX 100 less the top 20 companies by market capitalisation and property trusts (50% of Offer) and 8 direct competitors in the aluminium/alumina industry (50% of Offer) – Performance Right testing period of 3 years – Testing independently conducted in accordance with a standard methodology – Zero vesting below the median result of the Comparator Group – If less than 100% vests, a second and third tests is conducted 6 months and 12 months (respectively) after the initial test – LTI component represents a maximum of 50% of FAR for the Chief Executive Officer and 40% for the Senior Executives	Clear, comparative measure that most directly aligns with returns to shareholders Linked to long-term business strategy Promotes retention of staff

VARIABLE REMUNERATION STRUCTURE – SHORT-TERM INCENTIVE PLAN

The STI Plan for 2012 measured executives and employees against two components, namely personal and corporate performance over the 12 month performance period.

Performance against corporate objectives: The corporate scorecard performance for 2012 included six key financial and corporate objectives, reflecting the Company's strategic and value creating activities. The Company applies an approach of measuring actual corporate performance that utilises greater value judgment and considers a variety of internal and external factors contributing to actual performance outcomes (as opposed to a formulaic approach). The corporate scorecard objectives include:

CORPORATE SCORECARD	
AWAC Return on capital	This target measures achievement against a set return on capital target at the AWAC level.
Earnings per share	This target measures achievement against absolute earnings per share target to the Alumina Limited level.
Cash from operations	This target measures achievement against a set operating cash flow target relating at the Alumina Limited Business Plan level.
Maximisation of shareholder return	This objective measures Alumina Limited's performance against value creation options for the Company and organisational effectiveness and performance.
AWAC relationship	This objective measures Alumina Limited's performance against set objectives relating to its strategic interface with AWAC stakeholders.
Shareholder relationship	This objective measures Alumina Limited's performance against set objectives relating to its interface with Alumina Limited's shareholders

Linking the performance of the Company's financial and corporate objectives to an executive's performance assessment creates an incentive for the executive to achieve high levels of personal performance and contribute to high levels of Company performance. The AWAC return on capital, cash flow from operations 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. These measures are referenced to the stretched targets under the Company's Business Plan.

PERFORMANCE AGAINST INDIVIDUAL OBJECTIVES:

Individuals were assessed on their actual performance against annual individual objectives agreed to at the beginning of the performance period. These personal objectives related to key areas of performance over which the individual had accountability and influence and are linked to corporate objectives.

Alumina has always had an aspect of the STI that uniquely aligns the STI award to the long-term performance of the Company. This is achieved by requiring 50 per cent of any STI award, on an after tax basis, to be used on the purchase of shares of the Company, providing the acquisition of those shares does not breach the Company's Share Trading Policy. These shares must be held by Senior executives for at least 3 years from date of purchase, or until the executive ceases employment. The senior executives applied 50 per cent of the 2012 year's STI payments in 2013 towards acquiring shares due to restrictions on trading under the Company's Share Trading Policy.

VARIABLE REMUNERATION STRUCTURE
LONG-TERM INCENTIVE PLAN

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. Each year senior executives may be granted (at the Board's discretion) a conditional entitlement under the ESP to fully paid ordinary shares in the Company (Performance Rights), with the shares being purchased on market. The Performance Rights vest to senior executives if certain performance tests are met at the end of the performance period.

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. One hundred per cent of the Performance Rights are tested against the Total Shareholder Return (TSR) hurdle. Prior to 2012, Alumina Limited's TSR performance was measured against the TSR performance of an ASX Comparator Group and an International Comparator Group.

In 2012 the Compensation Committee undertook a review of the composition of each Comparator Group to ensure that they were most appropriate for an objective measurement against Alumina Limited's TSR performance. The Committee commissioned and received advice from two independent consultants. After consideration of the advice it was agreed to amend both Comparator Groups.

CHANGES TO THE ASX 100 COMPARATOR GROUP:

The top 20 companies by market capitalisation and property trusts have been excluded from the ASX 100 Comparator Group. The exclusion of the top 20 companies allows the Comparator Group to better reflect companies which are alternative investments (in the Australian context) for the Company's shareholders whilst still reflecting companies of a comparable size.

CHANGES TO THE INTERNATIONAL COMPARATOR GROUP:

The International Comparator Group utilised in prior years consisted of 30 of the world's largest metals and mining companies from the S&P Global 1200 Metals and Mining Index. Many of the constituents of this group were diversified miners or involved in non-aluminium/alumina activities and were impacted by different external factors. These companies have been removed to better reflect Alumina Limited's direct competitors (i.e., companies operating in the aluminium and/or alumina industry only).

This has resulted in a Comparator Group comprising eight selected aluminium and/or alumina companies listed on stock exchanges in Australia and overseas. The new Comparator Groups are listed in Appendix 1 and Appendix 2 on pages 45 to 48 of this Report.

TABLE 2.0

2012 KEY FEATURES OF THE EMPLOYEE SHARE PLAN	
Purpose	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.
LTI value	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 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.
Duration of performance period	3 years
What is the value of a Performance Right?	On vesting, each Performance Right results in delivery to the holder of an ordinary share in Alumina Limited.
Performance hurdle	Involves two tests comparing Alumina Limited's TSR relative to the TSR of the following Comparator Group (refer to pages 45 to 48 for the listing): For grants prior to 2012: (Test 1) ASX100 companies (50% of the award); and (Test 2) 30 international metals and mining entities (50% of the award). For grants from 2012: (Test 1) ASX100 Comparator Group excluding the top 20 companies by market capitalization and property trusts (50% of the award); and (Test 2) 8 selected aluminium and/or alumina companies listed in Australia and overseas (50% of the award). Testing is conducted at the end of the performance period.
Rationale for the selection of each Comparator Group	It was determined the International Comparator Group should comprise companies that reflect Alumina Limited's direct competitors in the market and operate in the aluminium and/or alumina industry rather than the original broad index of resource companies to provide measurement against similar industries. The ASX Comparator Group was developed in order to measure Alumina's performance with reference to companies which are alternative investments (in the Australian context) for the Company's shareholders.
Why use TSR?	TSR was chosen as a performance measure as an appropriate means of measuring Company performance as it incorporates both capital growth and dividends.
How is TSR calculated?	Under the performance tests, the TSR for each entity in the Comparator Groups and for Alumina Limited is calculated according to a prescribed methodology determined by remuneration consultants Mercer Consulting (Australia), engaged for this purpose. The entities (or securities, as appropriate) in the Comparator Group are then ranked by TSR performance.

2012 KEY FEATURES OF THE EMPLOYEE SHARE PLAN	
Vesting arrangements	Performance hurdles are independently measured at the conclusion of the performance period. Alumina Limited's TSR is ranked against the TSR of companies in each of the Comparator Groups (refer pages 45 to 48) If Alumina Limited's TSR is below the TSR of the company at the 50th percentile of the Comparator Group, ranked by TSR performance, there is zero vesting. If Alumina Limited's TSR is equal to the TSR of the company at the 50th percentile of the Comparator Group, ranked by TSR performance, there is a 50 per cent vesting of Performance Rights.* If Alumina Limited's TSR is equal to or greater than the TSR of the company sitting at the 75th percentile of the Comparator Group, ranked by TSR performance, there is a 100 per cent vesting of Performance Rights.* * If Alumina Limited's TSR performance is between that of the entities (or securities, as appropriate) at the median (i.e. the 50th percentile) and the 75th percentile of the Comparator Group ranked by TSR performance, the number of Performance Rights in a tranche that vest will increase by 2 per cent for each 1 per cent by which Alumina Limited's percentile ranking is higher than the 50th percentile.
Retesting	If less than 100 per cent of Performance Rights vest when initially tested at the end of the 3 year performance period, two further retests apply, 6 months and 12 months after the initial test. Any Performance Rights that do not vest after the second test will lapse. The volatility of global commodity prices and exchange rates, and the resulting volatility in the Company's share price has the potential to materially impact Alumina Limited's TSR performance at the initial date which may therefore not give rise to a representative assessment of long-term performance. Potentially positive outcomes built over three years could be damaged by an irregular event occurring at the time of the initial test. Therefore, it is considered that the 6 months and 12 months retesting approach mitigates the impact of short-term volatility on the assessment of long-term performance.
Cessation of employment	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 2012, the unvested Performance Rights will lapse unless, in the case of death, total and permanent disablement, redundancy or retirement, or any other circumstance deemed appropriate by the Board occurs. 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").

OTHER REMUNERATION MATTERS

SHARE TRADING AND HEDGING PROHIBITIONS

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

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

PERFORMANCE OUTCOMES FOR 2012

COMPANY PERFORMANCE

RELATING REWARDS TO PERFORMANCE

The essential and driving force underpinning Alumina Limited's variable remuneration plans is that senior executive remuneration must be tied to Company performance and the creation of shareholder value. Table 3.0 provides details of the historical performance of Alumina Limited since 2008.

TABLE 3.0 - HISTORICAL PERFORMANCE OF ALUMINA LIMITED

	2012	2011	2010	2009	2008
Dividends declared per share	0	US 6 cents	US 6 cents	2	12
Percentage change in share price	(21)	(55)	32	32	(78)
Net Profit/(Loss) After Tax	US$(62)	US$127m	US$35m	$26m	$168m
Percentile ranking of TSR against ASX 100 and International 30 Comparator Groups	27[1] 33[2]	46 43	4 10	4	4
Per cent increase in fixed remuneration	3	6	4	3	3
Percentage of total remuneration relating to short-term incentive	41	38	33[3]	36	31
Percentage of total remuneration relating to vested long-term incentive[4]	Nil	Nil	Nil	Nil	Nil

[1] TSR ranking of 27 is applicable to Performance Rights granted in February 2010 of the ESP against the ASX Comparator Group, performance period 21 December 2009 to 20 December 2012, calculated on the actual closing share price at the start of the performance period, and on the average closing share price over the 20 trading days up to and including the end of the performance period.

[2] TSR ranking of 33 is applicable to tranche 10 of the ESP against the International Comparator Group, performance period 21 December 2009 to 20 December 2012, calculated on the actual closing share price at the start of the performance period, and on the average closing share price over the 20 trading days up to and including the end of the performance period.

[3] Percentage is calculated by reference to FAR as at 31 December 2012.

[4] Represents the average applicable to senior executives.

Alumina Limited's functional and presentation currency is now US dollars. Results for 2010 onwards are expressed in US dollars; prior years are expressed in Australian dollars.

The performance of the Company is measured by TSR and growth in the Company's profit. Over the period from 2008 to 2012, LTI awards for senior executives have been aligned to a three year TSR performance by the Company. The LTI awards are aligned solely to TSR performance, which directly reflects changes in shareholder wealth.

Alumina Limited's share price from 2007 to 2012 moved through the following ranges.

ALUMINA LIMITED SHARE PRICE 2007 - 2012

Source: Thomson Reuters

PERFORMANCE UNDER THE STI PLAN

STI PERFORMANCE AGAINST OBJECTIVES FOR THE 2012 FINANCIAL YEAR

For each individual, the Compensation Committee reviews the performance against objectives at the end of each year to determine what, if any, STI rewards are applicable. The Committee's decision is usually made early in the new financial year. In making its assessment, the Committee considers actual performance results as well as internal and external factors that may have contributed to the results. The Committee receives:

- financial targets and underlying definitions
- key activities underpinning each non-financial objective
- actual performance outcomes
- management commentary around key factors and management decisions leading to performance outcomes
- individual performance objectives and indicative performance.

The Committee measures performance against objectives using the following five point scale:

- Did not meet objectives,
- Partially met objectives,
- Met all objectives,
- Exceeded objectives and
- Significantly exceeded objectives.

INFLUENCE OF PERFORMANCE OUTCOMES ON STI PAYMENTS

At the end of the performance period, the Committee made an assessment of the extent of achievement against each corporate scorecard objective. The Company's performance measured against AWAC return on capital and Alumina Limited's earnings per share were below expectation.

Alumina Limited's cash flow from operations of US49 million was considered satisfactory, after factoring in lower than expected aluminium and alumina prices during 2012. AWAC return on capital of 2.1 per cent, was also a decline from 6 per cent in 2011, which also reflected the lower sales prices. Earnings per share of 0.9 US cents did not meet the performance criteria. Alumina production of 15.6 million tonnes in 2012 was in line with 2011 production.

Also in 2012, Alumina Limited developed and provided market analysts and investors with Company and industry-specific material to enable more consistent and informed assessments of the Company.

Following the Committee's assessment, the corporate scorecard performance was determined based on the overall level of performance achieved across all corporate scorecard objectives. The Committee assessed the financial objectives of the scorecard and determined that despite partial achievement of the corporate objectives, no STI payment would be made for corporate objectives due to the net loss incurred for 2012 and no dividends being declared for the 2012. For senior executive personal objectives, approximately 41 per cent of FAR was awarded.

PERFORMANCE UNDER THE LTI PLAN

LTI PERFORMANCE TESTING

Following testing, the number of Performance Rights senior executives will receive is determined according to the scale outlined under Vesting arrangements in Table 2.0 on page 32.

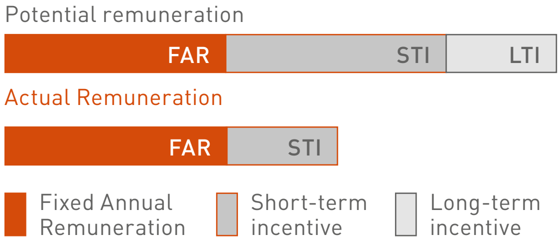
The Performance Rights granted in February 2010 were tested against the TSR hurdles at the end of the three-year performance period in December 2012. The two TSR hurdles for those Performance Rights were not met and as a result, there was no vesting. There are two further tests of these Performance Rights, 6 and 12 months after the initial test. The Performance Rights granted in January 2009 were retested twice in 2012 against the TSR hurdles. The TSR hurdles were not met on the two retests and none of the 2009 Performance Rights vested.

REMUNERATION OUTCOMES FOR 2012

CHIEF EXECUTIVE OFFICER

COMPARISON OF ACTUAL 2012 REMUNERATION TO POTENTIAL REMUNERATION.

JOHN BEVAN



FIXED ANNUAL REWARD

In 2012, Mr Bevan received $1,146,800 in fixed remuneration (including superannuation) as per his Contract of Employment, an increase of $46,800 from 2011.

SHORT-TERM INCENTIVE

Mr Bevan also received $573,400 or 50 per cent of his potential short-term incentive payment.

LONG-TERM INCENTIVE

The 2008 tranche of Performance Rights granted in January 2009 under the Alumina Limited's Employee Share Plan lapsed in 2012 with no vesting. Also, in 2012 there was no vesting of the Performance Rights granted in February 2010. However, those Performance Rights are subject to retesting in June 2013 and December 2013. Following approval at the 2012 Annual General Meeting, Mr Bevan was granted additional Performance Rights. However, the earliest date on which those Performance Rights can vest is at the expiry of the three year vesting period, in December 2014.

TABLE 4.0 - CHIEF EXECUTIVE OFFICER'S 2012 REMUNERATION

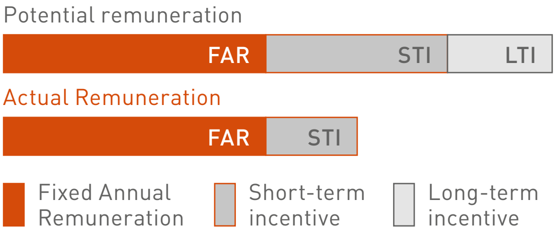
	JOHN BEVAN 2012 $	JOHN BEVAN 2011 $
SHORT-TERM BENEFITS		
Fixed remuneration – cash[1]	1,130,677	1,084,513
Short–term incentive[2]	573,400	847,000
Non–monetary benefits[3]	60,848	23,413
POST-EMPLOYMENT		
Superannuation – Company contributions[4]	16,123	15,487
Retirement benefits	n/a	n/a
Termination pay	n/a	n/a
EQUITY		
Performance Rights[5]	423,149	374,335
TOTAL REMUNERATION	**2,204,197**	**2,344,748**

[1] Fixed remuneration is the total cost of salary, exclusive of superannuation.
[2] Short–term incentive for Mr Bevan reflects the cash value paid for the year ended 31 December 2012.
[3] Non–monetary benefits comprise accrued annual leave and long service leave.
[4] Superannuation contributions reflect the SGC payment.
[5] In accordance with AASB 2, the value attributed to Performance Rights represents the amortisation for the reporting period of the value at grant date of all previously granted Performance Rights that have neither vested nor lapsed. The value at grant date is amortised over a 3 year period.

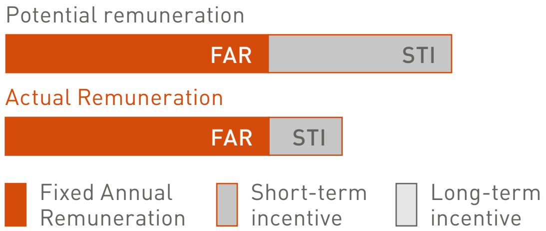
SENIOR EXECUTIVES

COMPARISON OF ACTUAL 2012 REMUNERATION TO POTENTIAL REMUNERATION

STEPHEN FOSTER



CHRIS THIRIS*



* Mr Thiris Commenced in September 2011 as Interim Chief Financial Officer. He was appointed Chief Financial Officer in December 2011. Long-term incentives were not applicable for his service in 2011.

TABLE 4.1 - SENIOR EXECUTIVES

	CHRIS THIRIS CHIEF FINANCIAL OFFICER		JUDITH DOWNES CHIEF FINANCIAL OFFICER		STEPHEN FOSTER GENERAL COUNSEL/ COMPANY SECRETARY	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
SHORT-TERM BENEFITS						
Fixed remuneration – cash[1]	608,877	171,019	n/a	441,990	450,677	432,213
Short-term incentive[2]	175,000	–	n/a	253,976	163,400	235,050
Non-monetary benefits[3]	57,013	10,713	n/a	26,297	31,020	39,355
POST-EMPLOYMENT						
Superannuation – Company contributions[4]	16,123	5,258	n/a	11,543	16,123	15,487
Payment in lieu of notice						
(FAR and STI)[5]	–	–	–	530,634	–	–
EQUITY						
Performance Rights[6]	n/a[7]	n/a	–	–	139,241	141,371
Total remuneration	857,013	186,990	n/a	1,264,440	800,461	863 ,476
TOTAL FOR MOST HIGHLY REMUNERATED EXECUTIVES	**2012**	**2011**				
Total short-term benefits	1,485,987	1,610,613				
Total post employment	32,246	562,922				
Total share-based payment	139,241	141,371				
Total remuneration	**1,657,474**	**2,314,906**				

[1] Fixed remuneration is the total cost of salary exclusive of superannuation. Mr Foster's FAR, including superannuation; from 1 January 2013 is $484,400 per annum. Mr Thiris' FAR, including superannuation from 1 January 2013, is $648,500 per annum.

[2] Short-term Incentive (STI) reflects the cash value paid for the year ended 31 December 2012 .

[3] Non-monetary benefits comprise accrued annual leave, long service leave and a value for car parking.

[4] Superannuation contributions reflect the Superannuation Guarantee payment.

[5] Employee benefits payable as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept voluntary redundancy in exchange for those benefits. Ms Downes was previously party to a service contract with Alumina Limited on identical terms to those (described below) applicable to Mr Thiris and Mr Foster (other than to the extent of applicable differences in remuneration, powers and duties). That service contract ended when Ms Downes departed from the position of Chief Financial Officer on 24 August 2011. Under the terms of her contract of employment, Ms Downes was entitled to receive a payment in lieu of six months' notice, being the fixed annual reward ($340,150) and STI payment at target performance ($190,484) together with pro-rated STI payment from January 2011 to August 2011 ($253,976) and entitlements of unused annual leave ($22,700) and car parking ($3,597).

[6] In accordance with AASB 2, the value attributed to Performance Rights represents the amortisation for the reporting period of the value at grant date of all previously granted Performance Rights that have neither vested nor lapsed. The value at grant date is amortised over a 3 year period.

[7] Performance Rights for 2012 are issued based on 2011 employment.

TABLE 4.2 - 2012 INCENTIVES - MOST HIGHLY REMUNERATED EXECUTIVES

	JOHN BEVAN CHIEF EXECUTIVE OFFICER %	CHRIS THIRIS[1] INTERIM CHIEF FINANCIAL OFFICER/CHIEF FINANCIAL OFFICER %	STEPHEN FOSTER GENERAL COUNSEL/ COMPANY SECRETARY %
SHORT-TERM INCENTIVE			
Percentage paid	50	40	50
Percentage forfeited	50	60	50
LONG-TERM INCENTIVE			
Percentage vested			
June 2012	–	n/a	–
December 2012[2]	–	n/a	–
Percentage forfeited			
June 2012	–	n/a	–
December 2012	100	n/a	100
PERCENTAGE OF REMUNERATION			
Comprising variable remuneration	45.21	20.42	37.81
Comprising fixed remuneration	54.79	79.58	62.19

[1] Mr Thiris commenced in September 2011 as Interim Chief Financial Officer. He was appointed Chief Financial Officer in December 2011. Short-term and long-term incentives were not applicable for his service in 2011.

[2] The 2009 tranche of Performance Rights (granted in February 2010) did not qualify to vest at the end of the 3 year testing period and are subject to retesting in June 2013 and December 2013.

LTI PERFORMANCE RIGHTS GRANTED TO SENIOR EXECUTIVES

TABLE 5.0 - DETAILS OF PERFORMANCE RIGHTS GRANTED AS REMUNERATION

	RIGHTS NUMBER[1]	DATE OF GRANT	% VESTED IN 2012	% FORFEITED IN 2012	PERFORMANCE RIGHTS YET TO VEST[2]	FINANCIAL YEAR IN WHICH GRANTS MAY VEST[7]	VALUE OF RIGHTS OUTSTANDING[8] 31/12/12 $ MIN[3]	$ MAX[4]
John Bevan	191,600	Jan–09[5]	–	100	–	2011	–	–
	312,900	Feb–10[5]	–	–	312,900	2012	–	400,512
	265,800	Feb–11[5]	–	–	265,800	2013	–	539,574
	418,500	Mar–12[5]	–	–	418,500	2014	–	329,360
Chris Thiris[6]	n/a	n/a	–	–	–	–	–	–
Stephen Foster	113,600	Jan–09	–	100	–	2011	–	–
	105,200	Feb–10	–	–	105,200	2012	–	134,656
	86,600	Feb–11	–	–	86,600	2013	–	175,798
	136,300	Mar-12	–	–	136,300	2014	–	107,268

1 The terms of Performance Rights granted to John Bevan and Stephen Foster were not altered during the 2012 year.

2 Performance Rights for 2012 were issued based on 2011 employment. Performance Rights issued in 2011 were based on 2010 employment.

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

4 Maximum value has been calculated by reference to valuations determined on the basis as outlined in Note (A) to Table 5.1.

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

6 Mr Thiris joined Alumina Limited as Interim Chief Financial Officer in September 2011 and was appointed Chief Financial Officer in December 2011. The long-term incentive (ESP) was not applicable for his service in 2011.

7 Performance Rights that do not vest at the conclusion of their 3 year testing period are subject to retesting 6 and 12 months after the initial test.

8 This shows the fair value of the Performance Rights at grant date. Refer to table 4.1 for amounts expensed in accordance with AASB 2.

The following Performance Rights were granted in February 2013 for employment in 2012: John Bevan 668,500 (Subject to shareholder approval at the 2013 Annual General Meeting), Chris Thiris 291,500 and Stephen Foster 217,700.

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

GRANT DATE	END OF PERFORMANCE PERIOD[1]	VALUE PER PERFORMANCE RIGHT AT GRANT DATE[2] $
13/01/2009	30/11/2011	1.01
12/02/2010	20/12/2012	1.28
18/02/2011	06/12/2013	2.03
09/03/2012	11/12/2014	0.787

1 For performance rights granted in 2009 onwards, if less than 100 per cent vest when tested initially at the end of the three-year period, two further tests apply (over a 4 week period) 6 and 12 months after the initial test. Any Performance Rights that do not vest after the second retest will lapse. Performance Rights granted in 2009 did not meet the vesting criteria and lapsed. Performance Rights granted in 2010 and tested in December 2012 did not meet the vesting criteria. As a result a further two tests will be conducted in June 2013 and December 2013.

2 Value per Performance Right is independently calculated by Mercer Consulting (Australia) using the assumptions underlying the Black–Scholes methodology to produce a Monte Carlo simulation model which allows the incorporation of the hurdles that must be met before the Performance Rights vest.

SET OUT BELOW ARE THE ASSUMPTIONS MADE FOR THE PERFORMANCE RIGHTS GRANTED ON 9 MARCH 2012:

Share price at valuation date	$1.19
Risk free rate	3.63%
Dividend yield	3.10%
Volatility	47%
Post-vesting withdrawal rate	Nil

TABLE 5.1 - VALUE OF PERFORMANCE RIGHTS - 2012

	(A)	(B)	(C)	(D)	(E)
DIRECTOR/SENIOR EXECUTIVES	VALUE-GRANTED IN 2012 PERFORMANCE RIGHTS $	VALUE-VESTED IN 2012 PERFORMANCE RIGHTS $	VALUE-LAPSED IN 2012 PERFORMANCE RIGHTS $	TOTAL OF COLUMN PERFORMANCE RIGHTS A+B–C $	VALUE AS PROPORTION OF REMUNERATION %
John Bevan	329,360	–	(193,516)	135,844	6.16
Chris Thiris[1]	nil	–	–	–	nil
Stephen Foster	107,268	–	(114,736)	(7,468)	(0.93)

Table 5.1 shows the total value of any Performance Rights granted, exercised and lapsed in the year in relation to Directors and senior executives, based on the following assumptions:

(A) The value of Performance Rights granted in the year reflects the value of a Performance Right, multiplied by the number of Performance Rights granted during 2012. Performance Rights were valued independently by Mercer Consulting (Australia) using the assumptions underlying the Black–Scholes methodology to produce a Monte Carlo simulation model that accommodates features associated with Alumina Limited's ESP such as exercise, forfeiture and performance hurdles. The rights are those granted in March 2012. Performance Rights issued in 2012 relate to performance during 2011.

(B) The value of Performance Rights vesting is determined by the number of vested rights multiplied by the market price at the vesting date.

(C) The value applicable to Performance Rights at lapse date has been determined by using the value at grant date as calculated by Mercer Consulting (Australia) multiplied by the number of rights which have lapsed.

(D) The total value is the sum of the value of Performance Rights granted during 2012, plus the value of Performance Rights vested during 2012, less the value of Performance Rights that lapsed during 2012.

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

[1] Mr Thiris joined Alumina Limited as Interim Chief Financial Officer in September 2011 and was appointed Chief Financial Officer in December 2011. The long-term incentive (ESP) was not applicable for his service in 2011 hence no Performance Rights were allocated to him in 2012.

The values in Table 5.1 are calculated in a different manner to AASB2: Share Based Payments

TABLE 5.2 - SENIOR EXECUTIVES - HOLDINGS OF PERFORMANCE RIGHTS 2012

SPECIFIED EXECUTIVES TYPE OF EQUITY-BASED INSTRUMENT	JOHN BEVAN PERFORMANCE RIGHTS	CHRIS THIRIS[4] PERFORMANCE RIGHTS	STEPHEN FOSTER PERFORMANCE RIGHTS
Number held at 1 January 2012[1]	770,300	nil	305,400
Number granted during the year as remuneration[2]	418,500	–	136,300
Number vested during the year	–	–	–
Number lapsed during the year[3]	(191,600)	–	(113,600)
Number exercised during the year	–	–	–
Number held at 31 December 2012	997,200	nil	328,100

[1] Includes the number of Performance Rights granted that were subject to testing in 2012 but not yet vested.

[2] Performance Rights granted in February 2012 for the three year performance test period concluding in December 2014.

[3] For Performance Rights granted under ESP in February 2009 and tested in December 2011 were subject to two further tests applied over a (4 week period) 6 and 12 months after the initial test. The testing of those Performance Rights in 2012 resulted in all of those Performance Rights lapsing.

[4] Mr Thiris joined Alumina Limited as Interim Chief Financial Officer in September 2011 and appointed Chief Financial Officer in December 2011. The long-term incentive (Employee Share Plan) was not applicable for his service in 2011. Mr Thiris will be eligible to receive Performance Rights granted in 2013 in respect of work completed in 2012.

TABLE 5.3 - SENIOR EXECUTIVES - HOLDINGS OF PERFORMANCE RIGHTS 2011

SPECIFIED EXECUTIVES TYPE OF EQUITY-BASED INSTRUMENT	JOHN BEVAN PERFORMANCE RIGHTS	JUDITH DOWNES[4] PERFORMANCE RIGHTS	CHRIS THIRIS[5] PERFORMANCE RIGHTS	STEPHEN FOSTER PERFORMANCE RIGHTS
Number held at 1 January 2011[1]	504,500	137,700	nil	231,400
Number granted during the year as remuneration[2]	265,800	131,500	–	86,600
Number vested during the year	–	–	–	–
Number lapsed during the year[3]	–	(269,200)	–	(12,600)
Number exercised during the year	–	–	–	–
Number held at 31 December 2011	770,300	nil	nil	305,400

[1] Includes the number of Performance Rights granted that were subject to testing in 2011 but not yet vested.

[2] Performance Rights granted in February 2011 for the three year performance test period concluding in December 2013.

[3] For Performance Rights granted under ESP in February 2008 and tested in December 2010 were subject to two further tests applied over a (4 week period) 6 and 12 months after the initial test. The testing of those Performance Rights in 2011 resulted in all of those Performance Rights lapsing.

[4] Ms. Judith Downes departed from the position of Chief Financial Officer on 24 August 2011. Under the terms of her contract of employment, all outstanding Performance Rights lapsed.

[5] Mr Thiris joined Alumina Limited as Interim Chief Financial Officer in September 2011 and appointed Chief Financial Officer in December 2011. The long-term incentive (Employee Share Plan) was not applicable for his service in 2011.

TERMS OF REMUNERATION

CHIEF EXECUTIVE OFFICER – MR BEVAN

Mr Bevan's FAR was $1,146,800 per annum as at 1 January 2012. His FAR was increased by 3.76 per cent for the 2013 year. In 2012, 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.

Fifty 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 corporate scorecard objectives.

Fifty 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 ESP, which, in each year, may provide Performance Rights of up to 50 per cent of FAR.

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 Mr Bevan's status and/or responsibilities that is detrimental to him, 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), and
- 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.

SENIOR EXECUTIVE REMUNERATION

SERVICE AGREEMENTS - MR THIRIS AND MR FOSTER

Alumina Limited has entered into a service contract with

Mr Thiris and Mr Foster. The contracts are not fixed term and each provides the following:

1. Remuneration and employment conditions.
2. Powers and duties.
3. If Mr Thiris or Mr Foster's employment is terminated on the basis of redundancy of their position or if they give written notice to Alumina Limited in the event of a Significant Change (which is defined to be if Alumina Limited ceases to be listed on the Australian Securities Exchange, or if there is a significant change to their status and/or responsibilities that is detrimental to them, or if Alumina Limited decides their position is no longer required and suitable alternative employment is not offered or if they do not accept other employment), then Mr Thiris or Mr Foster (as relevant) are 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), and
 - the aggregate of: a notice payment of 12 weeks, a severance payment of 2.5 weeks per completed years of service and an additional severance payment of 13 weeks.

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

It is a requirement that the Company provides six months' notice to terminate the contract and the senior executive provide three months' written notice of termination.

In addition to any entitlements conferred on them by their service contract, each senior executive is entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. Neither senior executive is entitled to receive any other additional termination payments, other than those previously mentioned and any vesting of shares under the ESP.

SUPERANNUATION

All Alumina Limited employees are members of a fund of their choice. Contributions are funded at the Superannuation Guarantee Contributions rate, currently 9 per cent of an employee's fixed annual remuneration. Alumina Limited contributes 9 per cent of employees' salary up to the maximum superannuation contributions base, which is linked to each individual's earnings. The maximum contributions base is an annual income of approximately $179,000.

OPTION PLANS

Alumina Limited does not have any option plans available to Non-Executive Directors, executives and senior managers (including executive Directors) or employees (other than the ESP under which the Performance Rights are provided to senior executives).

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 *www.aluminalimited.com/compensation-committee*

NON-EXECUTIVE DIRECTOR AND KEY MANAGEMENT PERSONNEL SHAREHOLDING

TABLE 6.0 - NON-EXECUTIVE DIRECTOR SHAREHOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2012

	BALANCE OF SHARES AS AT 1 JANUARY 2012[1]	SHARES ACQUIRED DURING THE YEAR IN LIEU OF FEES[2]	OTHER SHARES ACQUIRED DURING THE YEAR[3]	BALANCE OF SHARES HELD AT 31 DECEMBER 2012[1]
John Pizzey	65,445	–	–	65,445
Peter Hay	112,598	–	–	112,598
Emma Stein	14,281	–	–	14,281
Peter Wasow	nil	–	–	nil

[1] Balance of shares held at 1 January 2012 and 31 December 2012 include directly held, and nominally held shares, and shares held by personally related entities.

[2] 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.

TABLE 6.1 - NON-EXECUTIVE DIRECTOR SHAREHOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2011

	BALANCE OF SHARES AS AT 1 JANUARY 2011[1]	SHARES ACQUIRED DURING THE YEAR IN LIEU OF FEES[2]	OTHER SHARES ACQUIRED DURING THE YEAR	BALANCE OF SHARES HELD AT 31 DECEMBER 2011[1]
Don Morley[4]	951,670	–	–	951,670
Peter Hay	112,598	–	–	112,598
Ron McNeilly[5]	115,145	–	–	115,145
John Pizzey	65,445	–	–	65,445
Emma Stein[3]	nil	–	14,281	14,281
Peter Wasow[6]	nil	–	–	nil

1 Balance of shares held at 1 January 2011 and 31 December 2011 include directly held, and nominally held shares, and shares held by personally related entities.

2 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.

3 Ms Stein was appointed a Non-Executive Director of the Company in February 2011 and purchased 6,122 shares directly in her name and 8,159 shares indirectly as beneficiary of her Superannuation Fund.

4 Mr. Morley retired as a Director of Alumina Limited on 30 November 2011. The balances of shares held against his name are as at 30 November 2011.

5 Mr McNeilly retired as a Director of Alumina Limited on 3 March 2011. The balances of shares held against his name are as at 3 March 2011.

6 Mr. Wasow was appointed a Non-Executive Director of the Company in August 2011.

TABLE 7.0 - SENIOR EXECUTIVES SHAREHOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2012

	BALANCE OF SHARES AS AT 1 JANUARY 2012[1]	SHARES ACQUIRED DURING THE YEAR UNDER EMPLOYEE SHARE PLAN[1]	OTHER SHARES ACQUIRED DURING THE YEAR[2]	SHARES SOLD DURING THE YEAR	BALANCE OF SHARES HELD AT 31 DECEMBER 2012[1]
John Bevan	432,152	–	–	–	432,152
Chris Thiris	–	–	–	–	–
Stephen Foster	144,867	–	–	–	144,867

1 Balance of shares held at 1 January 2012 and 31 December 2012 include directly held, and nominally held shares, and shares held by personally related entities.

2 Does not include Performance Rights granted under the ESP but not vested.

TABLE 7.1 - SENIOR EXECUTIVES SHAREHOLDINGS FOR THE YEAR ENDED 31 DECEMBER 2011

	BALANCE OF SHARES AS AT 1 JANUARY 2011[1]	SHARES ACQUIRED DURING THE YEAR UNDER EMPLOYEE SHARE PLAN[1]	OTHER SHARES ACQUIRED DURING THE YEAR[2]	SHARES SOLD DURING THE YEAR	BALANCE OF SHARES HELD AT 31 DECEMBER 2011[1]
John Bevan	355,380	–	76,772	–	432,152
Judith Downes[3]	174,350	–	31,210	–	205,560
Chris Thiris[4]	–	–	–	–	–
Stephen Foster	122,081	–	22,786	–	144,867

1 Balance of shares held at 1 January 2011 and 31 December 2011 include directly held, and nominally held shares, and shares held by personally related entities.

2 Does not include Performance Rights granted under the ESP but not vested.

3 Ms. Judith Downes departed from the position of Chief Financial Officer on 24 August 2011. The balances of shares held against her name are as at 24 August 2011.

4 Mr Thiris commenced in September 2011 as Interim Chief Financial Officer. He was appointed Chief Financial Officer in December 2011.

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

John Pizzey
Chairman

pwc

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Alumina Limited for the year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Nadia Carlin

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
8 March 2013

Liability limited by a scheme approved under Professional Standards Legislation

APPENDIX 1 - ASX COMPARATOR GROUP

COMPANY[1]	2012	2013	2014[2]
ABB Grain			
Adelaide Brighton	X	X	
Amcor	X	X	X
AMP	X	X	
Ansell	X	X	X
Aristocrat Leisure			X
ANZ Banking Group	X	X	
APA Group	X	X	
APN News & Media			
Aquila Resources	X	X	
Arrow Energy			
AGL Energy	X	X	X
ALS Group			X
APA Group			X
Aquarius Platinum	X	X	
Arrium			X
Asciano	X	X	X
ASX	X	X	X
Atlas Iron	X	X	X
Aurizon Holdings			X
Aurora Oil and Gas			X
Austar United Communications			
AWB			
AWE			
Bank of Queensland	X	X	X
Beach Energy			X
Bendigo & Adelaide Bank	X	X	X
BHP Billiton	X	X	
Billabong	X	X	
Bluescope Steel	X	X	X
Boral	X	X	X
Boart Longyear	X	X	X
Brambles	X	X	
Caltex Australia	X	X	X
Challenger	X	X	X
Coca-Cola Amatil	X	X	X
Cochlear	X	X	X
Commonwealth Bank	X	X	
Computershare	X	X	X
Connecteast Group	X	X	
Consolidated Media Holdings			
Crown	X	X	X
CSL	X	X	
CSR	X	X	
David Jones	X	X	X

COMPANY[1]	2012	2013	2014[2]
Downer EDI			X
Duet Group	X	X	X
Echo Entertainment Group			X
Eldorado Gold CDI	X	X	
Energy Resources of Australia	X	X	
Equinox Minerals CDI	X	X	
Extract Resources	X	X	
Fairfax Media	X	X	X
Felix Resources			
Flight Centre	X	X	
Fortescue Metals GP	X	X	
Foster's Group	X	X	
Goodman Fielder	X		
Graincorp			X
GUD Holdings	X	X	X
Harvey Norman Holdings	X	X	X
Healthscope			
Henderson Group CDI	X	X	
Iluka Resources	X	X	X
Incitec Pivot	X	X	X
Insurance Aust. Group	X	X	X
IOOF Holdings	X	X	
James Hardie Inds.	X	X	X
JB H-FI	X	X	
Karoon Gas	X	X	
Leighton Holdings	X	X	X
Lihir Gold			
Linc Energy			
Lion Nathan			
Lynas	X	X	X
MacArthur Coal	X	X	
Macquarie Group	X		
Goodman Group		X	
Macquarie Infra Group		X	
Metcash	X	X	X
Mineral Resources	X	X	
Monadelphous Group			X
Mount Gibson Iron	X	X	
Myer Holdings	X	X	X
National Aust. Bank	X	X	
News Corp Cdi B	X	X	
Newcrest Mining	X	X	
Nufarm			
Onesteel	X	X	
Oil Search	X	X	X
Orica	X	X	X
Origin Energy	X	X	

COMPANY[1]	2012	2013	2014[2]
OZ Minerals	X	X	X
Paladin Energy	X	X	X
Panust	X	X	X
Perpetual	X	X	
Perseus Mining			X
Platinum Asset Management	X	X	
Primary Healthcare	X	X	X
Qantas Airways	X	X	X
QBE Insurance Group	X	X	
Ramsay Health Care	X	X	X
Regis Resources			X
Resmed CDI	X	X	X
Rio Tinto	X	X	
Riversdale Mining	X	X	
Sigma Pharmaceutical			
Sino Gold Mining			
Santos	X	X	X
Seek	X	X	X
Seven Group Holdings	X	X	
Seven West Media			X
Sims Metal Management	X	X	X
Singapore Telecom	X	X	
Sonic Healthcare	X	X	X
Spark Infrastructure Group			X
SP Ausnet	X	X	X
Sydney Airport	X	X	X
UGL	X	X	X
Suncorp-Metway	X	X	
Tabcorp Holdings	X	X	X
Tatts Group	X	X	X
Telecom Corp NZ	X	X	
Telstra	X	X	
Ten Network Holdings			
Toll Holdings	X	X	X
Transurban Group	X	X	X
Treasury Wine Estates			X
Wesfarmers (WES)	X	X	
Western Australia NWSP Holdings			
Westpac Banking	X	X	
Whitehaven Coal	X	X	X
Woodside Petroleum	X	X	
Woolworths	X	X	
Worley Parsons	X	X	X

[1] The companies included in the Comparator Group change from year to year as companies enter or exit the ASX 100 or are delisted.

[2] For grants from 2012, the ASX100 Comparator Group excludes the top 20 companies by market capitalisation and property trusts in order to measure Alumina Limited's performance with reference to companies which are alternative investments (in the Australian context) for the company's shareholders.

APPENDIX 2 - INTERNATIONAL/INDUSTRY COMPARATOR GROUP

COMPANY[1]	2012[1]	2013[1]	2014[2]
Aluminium Corporation of China			X
Agnico-Eagle Mines	X	X	
Alcoa	X	X	X
Anglo American	X	X	
Arcelormittal	X	X	
Barrick Gold	X	X	
Bhp Billiton Ltd	X	X	
Bhp Billiton Plc	X	X	
Cia.minas Buenaventura ADR	X	X	
Century Aluminium			X
China Steel	X	X	
Fortescue Metals	X	X	
Freeport Mcmoran	X	X	
Gerdau Pn	X	X	
Goldcorp	X	X	
Hindalco Industries			X
JFE Holdings	X	X	
Kinross Gold Corp	X	X	
Kobe Steel			
Newmont Mining	X	X	
Newcrest Mining	X	X	
Nippon Steel	X	X	
Noranda Aluminium Holdings			X
Norsk Hydro	X	X	X
Nucor	X	X	
Posco	X	X	
Rio Tinto (Ltd)	X	X	
Rio Tinto (Plc)	X	X	
Shandong Nanshan Aluminium			X
Siderurgica Nacional on ADR	X	X	
Southern Copper	X	X	
Sumitomo Metal Mining			
Sumitomo Metals Inds	X	X	
Teck Resources B (CAD)	X	X	
Thyssenkrupp	X	X	
Cvrd Pna (Vale Adr)	X	X	
Cvrd Pna (Vale Pf Adr)			
United Company Rusal			X
Xstrata	X	X	

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

[2] For grants from 2012 the International/Industry Comparator Group included 8 selected aluminium and/or alumina companies that reflect Aluminia Limited's direct competitors in the market.

FINANCIAL SUMMARY

FULL YEAR REVIEW

ALUMINA LIMITED RETURNS AND DIVIDEND

Alumina Limited received $86.0 million of fully franked dividends and $9.1 million of distributions (total $95.1 million) compared to $232.2 million of dividends and $7.7 million of distributions (total $239.9 million) in 2011.

Generally the Board intends, on an annual basis, to distribute cash from operations after debt servicing and corporate costs commitments have been met. The Board will also consider the capital structure of Alumina Limited, the capital requirements for the AWAC business and market conditions. Dividends paid will be fully franked for the foreseeable future.

No dividend was declared by the Directors for 2012. The decision to not pay a dividend for 2012 is based on the above policy and will conserve cash, given the current market conditions. For 2011 the Directors declared a total of 6 cents per share fully franked dividends.

ALUMINA LIMITED BALANCE SHEET

Alumina Limited's net debt as at 31 December 2012 was $664 million (2011: $472 million) and gearing increased to 20.1% (2011: 14.1%).

During the year Alumina Limited added $200 million in new committed debt facilities with terms of two and five years and refinanced the $107 million committed bank facility due for maturity in November 2013 to December 2017. The Company has a fully drawn debt facility from the Brazil National Development Bank (BNDES). This facility amortises at approximately $52 million per annum. Amounts outstanding at 31 December 2012 under the BNDES loan were $184 million. Investments in associates decreased by $28.7 million from 2011. Net investments made in AWAC entities during the year was $171 million (2011: $149 million) and included growth capital for the Juruti mine in Brazil, Ma'aden joint venture equity contributions as well as contributions to working capital for AWAC entities

Current liabilities include the amortisation of the BNDES loan that are due before 31 December 2013. Current liabilities of $59.8 million exceed current assets of $15.1 million; however the directors have concluded that the liabilities will be met using available cash and undrawn committed facilities whose maturities extend beyond 31 December 2013.

On 14 February 2013, Alumina Limited announced a placement of approximately 366 million fully paid ordinary shares, which raised approximately A$452 million. These proceeds were used primarily to repay drawn debt.

AWAC REVIEW

AWAC cash from operations declined to $241.9 million (2011: $690.0 million), primarily due to significantly lower realised prices for alumina and aluminium. Capital expenditure totalled $375.3 million, a 4.3% decrease from 2011.

Sustaining capital expenditure was $347 million, with the majority of this incurred in Australia. The Australian expenditure included residue storage areas and the relocation of the crusher facilities at the Huntly mine, which reduces haul road distance and improves mine productivity. Growth capital expenditure mainly related to completion works of the Juruti mine infrastructure in Brazil.

Alumina production of 15.6 million tonnes was marginally down from the 15.7 million tonnes in 2011. The reduction largely resulted from planned reduced annual production of approximately 390,000 tonnes in the higher cost refineries, offset by production creep in the lower unit cost Australian refineries that continued to operate at near or above nameplate capacity during 2012.

At the end of 2012, approximately 40% of AWAC's third party smelter grade alumina shipments were priced on spot or alumina indexed basis. Revenue per tonne from alumina sales priced by reference to indices and spot continued to be higher than that from the existing LME-linked contracts.

The 2012 cash cost of alumina per tonne produced increased by 1% over 2011. This increase mainly reflected a rise in the cost of caustic soda, partially offset by a reduction in other costs. The EBITDA margin was $31 per tonne, a decline of $39 per tonne on 2011. Lower margins were predominantly as a result of weaker realised prices and higher input costs partially offset by productivity improvements.

AWAC's two aluminium smelters incurred operating losses for the year. Aluminium production of approximately 358,000 tonnes was in line with 2011. During the first half of the year Alcoa of Australia Limited conducted a review of the future viability of the Point Henry aluminium smelter because of continuing difficult economic conditions. On 29 June 2012, Alcoa of Australia announced that it expects to operate the Point Henry smelter until at least mid-2014.

ALUMINA LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	US$ MILLION	
		2012	2011
Revenue from continuing operations	4	0.1	0.2
General and administrative expenses		(19.0)	(17.3)
Other income	5	0.6	0.1
Finance costs	6(b)	(29.4)	(28.5)
Share of net (loss)/profits of associates accounted for using the equity method	12(g)	(14.0)	173.1
(Loss)/profit before income tax		**(61.7)**	**127.6**
Income tax expense	7(a)	(0.4)	(1.0)
(Loss)/profit for the year attributable to the owners of Alumina Limited		**(62.1)**	**126.6**
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Share of cash flow hedge reserve movements accounted for using the equity method		(0.9)	(5.0)
Foreign exchange translation difference		(89.9)	(168.9)
Other comprehensive loss for the year, net of tax		**(90.8)**	**(173.9)**
Total comprehensive loss for the year attributable to the owners of Alumina Limited		**(152.9)**	**(47.3)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	8	**Negative 2.5c**	**5.2c**
Diluted earnings per share	8	**Negative 2.5c**	**5.2c**

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

	NOTES	US$ MILLION 2012	2011
CURRENT ASSETS			
Cash and cash equivalents	10	10.1	19.0
Receivables	11	0.1	0.2
Other assets		4.9	6.2
Total current assets		**15.1**	**25.4**
NON-CURRENT ASSETS			
Investments in associates	12	3,296.1	3,324.8
Property, plant and equipment	13	0.2	0.2
Deferred tax liabilities/assets	17	–	–
Total non-current assets		**3,296.3**	**3,325.0**
TOTAL ASSETS		**3,311.4**	**3,350.4**
CURRENT LIABILITIES			
Payables	14	2.7	3.1
Interest-bearing liabilities	15	52.0	52.9
Derivative financial instruments		4.6	1.3
Provisions	16	0.3	0.2
Other		0.2	0.7
Total current liabilities		**59.8**	**58.2**
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	15	622.5	437.7
Provisions	18	0.6	0.5
Total non-current liabilities		**623.1**	**438.2**
TOTAL LIABILITIES		**682.9**	**496.4**
NET ASSETS		**2,628.5**	**2,854.0**
EQUITY			
Contributed equity	19	2,154.1	2,154.1
Treasury shares	21(e)	(1.5)	(1.5)
Reserves	21	(259.0)	(168.8)
Retained Earnings	21(d)	743.9	870.2
TOTAL EQUITY		**2,628.5**	**2,854.0**

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

ALUMINA LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	US$ MILLION			
		CONTRIBUTED EQUITY[1]	RESERVES	RETAINED EARNINGS	TOTAL
Balance as at 1 January 2011		**2,152.6**	**6.8**	**912.1**	**3,071.5**
Profit for the year		-	-	126.6	126.6
Other comprehensive loss for the year		-	(173.9)	-	(173.9)
Transactions with owners in their capacity as owners:					
Dividends declared		-	-	(170.8)	(170.8)
Transfer capital reserve to retained earnings[2]		-	(2.3)	2.3	-
Movement in share based payments reserve		-	0.6	-	0.6
Balance as at 31 December 2011		**2,152.6**	**(168.8)**	**870.2**	**2,854.0**
Balance as at 1 January 2012		**2,152.6**	**(168.8)**	**870.2**	**2,854.0**
Loss for the year		-	-	(62.1)	(62.1)
Other comprehensive loss for the year		-	(90.8)	-	(90.8)
Transactions with owners in their capacity as owners:					
Dividends declared		-	-	(73.2)	(73.2)
Movement in share based payments reserve		-	0.6	-	0.6
Balance at 31 December 2012		**2,152.6**	**(259.0)**	**734.9**	**2,628.5**

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

[2] Westminer International (U.K.) Limited, a wholly owned subsidiary of the Group, was dissolved on the 10th May 2011.

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

	NOTES	US$ MILLION 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of goods and services tax)		(18.9)	(17.6)
GST refund received		0.8	0.8
Dividends received from associates		86.0	232.2
Distributions received from associates		9.1	7.7
Interest received		0.1	0.2
Finance costs		(28.2)	(26.8)
Other		(0.3)	(0.4)
Net cash inflow from operating activities	22(a)	**48.6**	**196.1**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investment in associates		(171.0)	(166.6)
Proceeds from return of invested capital		-	17.3
Net cash outflow from investing activities		**(171.0)**	**(149.3)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of convertible bond		-	(167.6)
Proceeds from borrowings		240.0	285.0
Repayment of borrowings		(52.5)	(86.0)
Dividends paid		(73.2)	(170.6)
Net cash inflow/(outflow) from financing activities		**114.3**	**(139.2)**
Net decrease in cash and cash equivalents		**(8.1)**	**(92.4)**
Cash and cash equivalents at the beginning of the financial year		19.0	112.1
Effects of exchange rate changes on cash and cash equivalents		(0.8)	(0.7)
Cash and cash equivalents at the end of the financial year	10(a)	**10.1**	**19.0**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These consolidated financial statements are for the Group consisting of Alumina Limited and its subsidiaries (together referred to as the Group).

A BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Alumina Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with International Financial Reporting Standards
The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

B PRINCIPLES OF CONSOLIDATION

(I) SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alumina Limited as at 31 December 2012 and the results of all subsidiaries for the year then ended. Alumina Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(II) ASSOCIATES

Associates are those entities over which the consolidated entity has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The consolidated entity's investment in associates includes goodwill identified on acquisition.

The Group's share of its associates' post acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(III) EMPLOYEE SHARE TRUST

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the Alumina Employee Share Plan Trust are disclosed as treasury shares and deducted from contributed equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C INCOME TAX

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

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

Additional withholding taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

D FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is Alumina Limited's presentation currency and functional currency.

TRANSACTIONS AND BALANCES

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

CONTROLLED FOREIGN ENTITIES AND ASSOCIATES

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, its proportionate share of such exchange differences are reclassified to the profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

E PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS

Items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASED ASSETS

The Group leases office facilities under an operating lease agreement. Payments made under this agreement are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

F RECEIVABLES

All trade debtors are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

G CASH AND CASH EQUIVALENTS

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

H IMPAIRMENT OF ASSETS

The Group assesses at each reporting period whether there is objective evidence that the investment in associates is impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

I BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

J DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated on a straight line basis to allocate the cost of each item of property, plant and equipment (excluding land and investment properties) over its expected useful life to the consolidated entity.

Office furniture	8 years
Computers and other office equipment	4 years

K BORROWINGS

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

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for the liquidity services and amortised over the period of the facility to which it relates.

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

L BORROWING COSTS

Borrowing costs comprise interest payable on borrowings calculated using the effective interest rate method and amortisation of capital facility fees. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

M TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within thirty days of recognition.

N REVENUE

Interest income is recognised using the effective interest method. Dividend income is recognised in the profit or loss on the date the entity's right to receive payments is established.

O EMPLOYEE BENEFITS

(I) SALARIES AND ANNUAL LEAVE

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

(II) LONG SERVICE LEAVE

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

(III) SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Alumina Employee Share Plan. Information relating to these schemes is set out in Note 20.

The fair value of performance rights granted under the Alumina Employee Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the performance rights.

The fair value at grant date is determined using a methodology which employs the Monte Carlo simulation and a Black-Scholes option pricing model. This methodology takes into account the exercise price, the term of the performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the performance right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance right.

Upon the exercise of performance rights, the balance of the share-based payments reserve relating to those performance rights is transferred to share capital.

Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the profit or loss with a corresponding adjustment to equity.

(IV) SUPERANNUATION

From 27 July 2001 until May 2012, all employer contributions and ongoing management of employees' superannuation entitlements were managed by the WMC Superannuation Plan, an independently managed sub-plan of the Plum Superannuation Fund, except where the relevant employees elected for those contributions to be paid to an alternate fund. Since May 2012, Alumina employees are members of an Alumina Limited Super Plan managed by MLC MasterKey Super, except for employees who elected to contribute to an alternate fund. The plan is an accumulation category plan which offers a minimum company contribution (subject to certain cashing out options and legislation) of 9 per cent of basic salary to each member's account. Members also have the option to make voluntary contributions to their account. Employer contributions to these funds are recognised as an expense.

(V) AWAC - DEFINED BENEFIT PLANS

Alumina Limited's associates have defined benefit plans in place. The associates' net obligation in respect of defined benefit plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate is the yield at the balance sheet date on a combination of government and corporate bonds that have

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

maturity dates approximating the terms of the associated entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in plan assets exceeding liabilities, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

All actuarial gains and losses are recognised in earnings of the associates. The movement in future costs of retirement benefit obligations, net of investment returns, is reflected in the Group's equity share of AWAC's results, adjusted for IFRS.

P DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

Derivatives that are designated in hedge relationships
The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Net investment in a foreign operation hedge
The portion of a gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in other comprehensive income. The ineffective portion is recognised immediately in profit or loss. The gain or loss on hedging instruments relating to the effective portion of the hedge that has been recognised directly in other comprehensive income shall be recognised in profit or loss on disposal of the foreign operation.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in other comprehensive income are reclassified in profit or loss in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

AWAC - Embedded derivatives
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Sale and purchase contracts may be considered to have financial derivative instruments embedded within them, when future transactions under such contracts are to be executed at prices which will depend on the market prices at the time of specified financial instruments which themselves are not closely related to the commodities which are the subjects of the contracts. AWAC has in place a number of long term contracts for the purchase of energy which have within their pricing formulae mechanisms to vary the price depending on the London Metal Exchange (LME) aluminium price at the time, oil prices, Consumer Price Index and are considered to contain embedded derivatives. Future purchases under these contracts are marked-to-market at each balance date on the basis of the then-current best indicator of future LME aluminium price, oil prices and Consumer Price Index, over the remaining terms of the contracts. Changes in the mark to market valuation from the opening of the period to the balance date are accounted for as gains or losses, as appropriate, by the relevant AWAC entity. The Group accounts for its share of such transactions within its equity share of net profits of associates.

Q DIVIDENDS

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

R EARNINGS PER SHARE

(I) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for rights issues, bonus elements in ordinary shares issued during the year and treasury shares issued.

(II) DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

S SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer.

T PROVISIONS

Provisions for legal claims and service warranties are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

AWAC is required to rehabilitate bauxite mines, refineries and smelters upon cessation of operations.

Closedown and restoration costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas. Closedown and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. The cost estimates are calculated annually during the life of the operation to reflect known developments, and are subject to regular reviews.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to profit or loss in each accounting period. Other movements in the provisions for closedown and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to lives of operations and revisions to discount rates are capitalised within fixed assets. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at each balance date. All costs of continuous rehabilitation work are charged to the provision as incurred.

U CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or performance rights are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or performance rights, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

V NEW ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2012 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below:

i) AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9, AASB 2010-7 *Amendments to Australian Accounting Standards arising from* AASB 9 *(December 2010) and* AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of* AASB 9 *and Transition Disclosures (effective from 1 January 2015)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

ii) AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities, revised* AASB 127 *Separate Financial Statements and* AASB 128 *Investments in Associates and Joint Ventures and* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for annual reporting periods on or after 1 January 2013)*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 31 December 2013. The Group does not expect any significant impact on the financial statements from adoption of the above standards and amendments.

iii) AASB 13 *Fair Value Measurement and* AASB 2011-8 *Amendments to Australian Accounting Standards arising from* AASB 13 *(effective for annual reporting periods on or after 1 January 2013)*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. The Group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 December 2013.

iv) *Revised* AASB 119 *Employee Benefits,* AASB 2011-10 *Amendments to Australian Accounting Standards arising from* AASB 119 *(September 2011) and* AASB 2011-11 *Amendments to* AASB 119 *(September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)*

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called ‘corridor’ method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments may have to be implemented retrospectively. The Group does not expect the impact on the financial statements to be significant.

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

W PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, Alumina Limited, disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

I) INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE ENTITIES

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

II) TAX CONSOLIDATION LEGISLATION

Alumina Limited and its wholly-owned Australian controlled entities have implemented tax consolidation legislation.

The head entity, Alumina Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alumina Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Alumina Limited for any current tax payable assumed and are compensated by Alumina Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Alumina Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements within the consolidated entities are recognised as current amounts receivable or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

III) FINANCIAL GUARANTEES

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

X ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, or as otherwise indicated.

2. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Fair value estimation
- Capital management

This note presents information about the Group's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Financial risk management is carried out by the Treasury Committee which is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group and the parent, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

A MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines of the Treasury Policies.

(I) FOREIGN EXCHANGE RISK

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

During 2009 the Group completed a drawdown of funding from the Brazil National Development Bank (BNDES). The funding was predominately in US dollars with the balance in BRL. To hedge the exposure to the BRL/USD exchange rate and BRL interest rates the Group entered into Cross Currency Interest Rate Swaps (CCIRS) for the full amount of the BRL tranche to swap the exposure back to US dollars.

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

2. FINANCIAL RISK MANAGEMENT (Continued)

(II) PRICE RISK

The Group is exposed to commodity price risk through its investment in AWAC.

The Group, through AWAC, is exposed to embedded derivatives in major long term energy supply contracts that create an exposure to the London Metals Exchange (LME) aluminium price and an electricity hedge that has an exposure to long term electricity prices.

AWAC is exposed to the price of various other commodities used in the refining and smelting processes, particularly energy (oil, gas, coal and electricity) and caustic soda. AWAC manages commodity price risks through long-term purchase contracts for some input costs. Some energy price risk is managed through short-term commodity hedges.

(III) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

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

Borrowings by the Group at variable rates expose it to cash flow interest rate risk. Borrowings at fixed rates would expose the Group to fair value interest rate risk.

When managing interest rate risk, the Group seeks to reduce the overall cost of funds. Group policy is to generally borrow at floating rates subject to availability of attractive fixed rate deals. During 2012 and 2011, the Group's borrowings were all on a variable rate basis except for the convertible bonds issued in May 2008 which attracted interest at the rate of 2 per cent per annum. These convertible bonds were repurchased and cancelled during May and June 2011.

As part of the BNDES financing, CCIRS for the whole amount of the BRL denominated tranche were used to manage the exposure to BRL interest rates over the life of the loan.

Had interest rates on floating rate debt during 2012 been 1 percentage point higher / lower than the average of 3.34 per cent, with all other variables held constant, pre-tax profit for the year would have been US$6.3 million lower / higher (2011: US$4.2 million lower / higher).

Additional information on the Group's interest rate risk is shown in Note 24.

B CREDIT RISK

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

Credit risk further arises in relation to cross guarantees given to wholly owned subsidiaries (see Note 25 for details). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Group through its investment in AWAC also has a significant concentration of credit risk to companies controlled by Alcoa Inc. This concentration is accepted as a consequence of the Group's participation in AWAC.

C LIQUIDITY RISK

Prudent liquidity risk management requires maintaining sufficient cash and credit facilities to ensure the Group's commitments and plans can be met. This is managed by maintaining committed undrawn credit facilities to cover reasonably expected forward cash requirements.

The table below details the Group's remaining contractual maturity for its non-derivative financial liabilities. The amounts disclosed in the table are the carrying amount of financial liabilities. In addition, the Group pays interest on these facilities. Interest, after derivative financial instruments, is based on US dollar floating rates for all facilities. The weighted average interest rate on these facilities at balance date is 3.18%.

Additional information on the Group's borrowings, including committed undrawn facilities, are shown in Notes 15 and 23.

	LESS THAN 1 YEAR US$ MILLION	BETWEEN 1 AND 2 YEARS US$ MILLION	BETWEEN 2 AND 5 YEARS US$ MILLION	OVER 5 YEARS US$ MILLION
At 31 December 2012				
Interest-bearing liabilities	52.0	212.0	410.5	–
Payables	2.7	–	–	–
At 31 December 2011				
Interest-bearing liabilities	52.9	158.1	279.6	–
Payables	3.1	–	–	–

2. FINANCIAL RISK MANAGEMENT (Continued)

D FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair values of the Group's financial assets and liabilities, together with the carrying amounts in the balance sheet, are disclosed in note 24(b).

The carrying value less impairment provision for current receivables and payables is a reasonable approximation of their fair values due to the short-term nature of the receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of derivative instruments are calculated based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Sale and purchase contracts may be considered to have financial derivative instruments embedded within them. This occurs when future transactions under such contracts are to be executed at prices which will depend on the market prices at the time of specified financial instruments which themselves are not closely related to the commodities which are the subjects of the contracts. AWAC has in place a number of long term contracts for the purchase of energy which have within their pricing formulae mechanisms to vary the price depending on the LME aluminium price at the time. Such contracts are considered to have embedded derivatives. Committed future purchases under those contracts are marked-to-market at each balance date on the basis of the then-current best indicator of future LME aluminium price over the remaining terms of the contracts. Changes in the mark to market valuation from the opening of the period to the balance date are accounted for as gains or losses, as appropriate, in the accounts of the relevant AWAC entity. Alumina Limited accounts for its share of such transactions within its equity share of net profits of associates. During 2012, embedded derivatives in AWAC contracts resulted in an increase of US$6.4 million to Net Profit (2011: US$60.1 million increase).

E CAPITAL MANAGEMENT

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

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as profit for the year divided by average shareholders' equity and the gearing ratio (note 19(b)). The Board of Directors also determine dividends paid to ordinary shareholders.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

AWAC

The Group, through its investment in AWAC makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of AWAC entities and therefore Group's investment in associates within the next financial year are discussed below.

EMBEDDED DERIVATIVES

The Group through its equity investment in AWAC has accounted for derivative financial instruments in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. In the determination of the fair value of this liability, AWAC has applied management estimates for long term commodity prices. Were the actual prices to differ by 20 per cent to management's estimates, it would have the following effect:

- An unfavourable movement would increase the embedded derivatives net liability by US$136.9 million (2011: US$189.3 million based on 20 per cent) and decrease the deferred tax liability by US$41.1 million (2011: US$56.8 million based on 20 per cent); and decrease Group's investment in associates by US$38.3 million (2011: US$53.0 million); or
- A favourable movement would decrease the embedded derivatives net liability by US$49.2 million (2011: US$59.7 million based on 20 per cent) and increase the deferred tax liability by US$14.8 million (2011: US$17.9 million based on 20 per cent) and increase Group's investment in associates by US$13.8 million (2011: US$16.7 million).

ELECTRICITY HEDGE

The Group through its equity investment in AWAC has accounted for derivative financial instruments in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. In the determination of the fair value of this asset, AWAC has applied estimates surrounding long term electricity prices. Were the actual prices to differ by 10 per cent to management's estimates, it would have the following effect:

- An unfavourable movement would decrease the derivative financial instruments asset by US$249.1 million (2011: US$374.7 million) and decrease the deferred tax liability by US$74.8 million (2011: US$112.4 million) and decrease Group's investment in associates by US$69.7 million (2011:

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

US$104.9 million); or

- A favourable movement would increase the derivative financial instruments asset by US$249.1 million (2011: US$374.7 million) and increase the deferred tax liability by US$74.8 million (2011: US$112.4 million) and increase Group's investment in associates by US$69.7 million (2011: US$104.9 million).

RETIREMENT BENEFIT OBLIGATIONS

The Group recognised a net liability for retirement benefit obligations under the defined benefit superannuation arrangements through its investment in AWAC. All plans are valued in accordance with AASB 119 *Employee Benefits*. These valuations require actuarial assumptions to be made. All actuarial gains and losses are recognised in earnings of the associates and reflected in the Group's equity share of AWAC's results, adjusted for IFRS.

ASSET RETIREMENT OBLIGATIONS

The estimated costs of rehabilitating mined areas and restoring operating sites are reviewed annually and fully provided at the present value. The amount of USGAAP obligations recognised by AWAC is adjusted to be in compliance with IFRS, and includes the costs of mine areas and residue areas rehabilitation and reclamation, plant closure and subsequent monitoring of the environment. Where rehabilitation and remediation is anticipated to occur within the next 12 months the provision is carried as a current liability. Any outflow greater than 12 months is held as a non-current liability. This requires judgemental assumptions regarding future environmental legislation, the extent of reclamation activities required, plant and site closure and discount rates to determine the present value of these cash flows.

For mine reclamation and residue areas the asset retirement obligations are based on detailed studies of useful lives. The provisions have been estimated using existing technology, at current prices inflated by estimated future CPI and discounted at a rate appropriate for the asset location. The Group accounts for asset retirement obligations via the equity accounting method.

DEFERRED TAX ASSETS

The Group through its equity accounted investment in AWAC has recognised deferred tax assets and liabilities in accordance with AASB 112 *Income Taxes*. Deferred tax assets are measured using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred asset is realised or the liability is settled. AWAC's subsidiary in Brazil applied for a tax holiday related to its expanded mining and refining operations. If approved, the tax rate for this subsidiary will decrease significantly resulting in future tax savings over the 10-year holiday period. The net deferred tax assets of the subsidiary are required to be remeasured at the lower holiday rate for the tax losses that will be utilised during the tax holiday period. This requires judgmental assumptions regarding the timing of future taxable profits during the tax holiday period.

ALUMINA GROUP

ESTIMATED IMPAIRMENT OF INVESTMENT IN ASSOCIATES

The Group tests annually whether the investment in associates has suffered any impairment, in accordance with the accounting policy stated in note 1(h). The recoverable amounts of cash–generating units have been determined based on value-in-use calculations. The key assumptions used in the calculation were those relating to future aluminium prices, future alumina prices, oil, electricity, gas prices and exchange rates. Key assumptions are determined with reference to industry participants and brokers' forecasts, commodity and currency forward curves, industry consultant views and brokers' consensus. Additionally a discount rate is applied to determine the NPV of future cash flows.

	NOTES	US$ MILLION 2012	US$ MILLION 2011
4. REVENUE FROM CONTINUING OPERATIONS			
From continuing operations			
Interest received/receivable		0.1	0.2
Total revenue from continuing operations		**0.1**	**0.2**
5. OTHER INCOME			
Change in fair value of derivatives/foreign exchange gains (losses)		0.6	0.1
Total other income		**0.6**	**0.1**
6. EXPENSES			
Profit before tax included the following specific expenses:			
(a) Employee benefits expense:			
Defined contribution superannuation expense		0.2	0.2
Other employee benefits expense		6.0	6.8
Total Employee benefits expense		**6.2**	**7.0**
(b) Finance costs:			
Interest and finance charges paid/payable:			
– unrelated corporations		29.4	26.8
– amortisation of option portion of convertible bond		–	1.7
		29.4	28.5
Interest received/receivable:			
– unrelated corporations		(0.1)	(0.2)
	4	(0.1)	(0.2)
Net finance cost		**29.3**	**28.3**

	NOTES	US$ MILLION 2012	2011
7. INCOME TAX EXPENSE			
(a) Income tax expense			
Current tax expense		(0.4)	(1.0)
Aggregate income tax charge for the year		**(0.4)**	**(1.0)**
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
(Loss)/profit before tax		(61.7)	127.6
Prima facie tax credit/(expense) for the period at the rate of 30%		**18.5**	**(38.3)**
The following items caused the total charge for income tax to vary from the above:			
Share of equity accounted loss/(profit) not assessable for tax		14.0	(173.1)
Foreign income subject to accruals tax		1.5	1.1
Share of partnership income assessable for tax		9.1	7.7
Amounts non-assessable for tax		–	(0.2)
Timing differences not recognised		(0.1)	(1.7)
Tax losses not recognised		36.8	40.9
Non-deductible expenses		2.3	2.2
Previously unrecognised tax losses now recouped to reduce current tax expense		(0.5)	(1.2)
Net movement		**63.1**	**(124.3)**
Consequent (increase)/reduction in charge for income tax		**(18.9)**	**37.3**
Aggregate income tax expense for the period		**(0.4)**	**(1.0)**
(c) Tax losses			
Tax losses – revenue		851.0	723.4
Tax losses – capital		951.5	951.5
Total unused tax losses		**1,802.5**	**1,674.9**
Potential tax benefit – revenue	17	280.2	237.9
Potential tax benefit – capital	17	285.4	285.4
		565.6	**523.3**

As explained in Note 17, the tax losses are not recognised. The benefits for tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income within the prescribed time limit of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

8. EARNINGS PER SHARE

		2012	2011
(a) Basic earnings per share based on profit from continuing operations attributable to the ordinary equity holders of the Company	cents	Negative 2.5	5.2
(b) Diluted earnings per share based on profit from continuing operations attributable to the ordinary equity holders of the Company	cents	Negative 2.5	5.2

	NUMBER OF SHARES	
	2012	2011
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	2,439,526,913	2,439,526,913

(c) Conversion, call, subscription or issue after 31 December 2012

On 14 February 2013. Alumina limited announced that CITIC* unconditionally subscribed, in aggregate, for 366,029,428 fully paid ordinary shares in Alumina Limited, being 15% of Alumina Limited's then current capital base, representing 13.04% of Alumina Limited's capital base following completion (the "Placement").

The Placement raised approximately A$452 million based on an issue price of A$1.235 per share, which reflected a premium of approximately 3% to the closing price of Alumina Limited shares on 13 February 2013 and a premium of 11% to the volume weighted average price of Alumina Limited shares for the 30 day period ending 13 February 2013.

The new shares issued under the Placement rank equally from allotment in all respects with existing Alumina Limited shares.

* The subscribers are CITIC Resources Australia Pty Ltd, an indirectly wholly-owned subsidiary of CITIC Resources Holding Limited, and Bestbuy Overseas Co., Ltd, an indirect wholly-owned subsidiary of CITIC Limited.

(d) Reconciliations of earnings used in calculating earnings per share

	US$ MILLION	
	2012	2011
(Loss)/profit from ordinary activities attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	(62.1)	126.6

9. DIVIDENDS

	US$ MILLION	
	2012	2011
No interim dividend was declared by the Directors for the first half of 2012 (2011: Interim dividend of USD 3 cents fully franked at 30% per fully paid share declared 11 August 2011 and paid 7 September 2011).	–	73.2
Final dividend of USD 3 cents fully franked at 30% per fully paid share declared 6 February 2012 and paid 15 March 2012 (2011: Final dividend of USD 4 cents fully franked at 30% per fully paid share declared 10 February 2011 and paid 18 March 2011).	73.2	97.6
	73.2	**170.8**
Dividends paid per share	**3.0c**	**7.0c**

(a) Dividends paid during the year

There was no interim dividend paid for 2012. The dividend paid on 15 March 2012 was the final dividend for 2011.

(b) Dividends not recognised at year end

Since year end the Directors have decided not to declare a final dividend.

9. DIVIDENDS (Continued)

	US$ MILLION	
	2012	2011
(c) Franked dividends		
The fully franked dividends received from AWAC in the financial year were	86.0	232.2

	A$ MILLION	
	2012	2011
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in these financial statements:		
Class 'C' (30%) franking credits available for subsequent financial years, based on a tax rate of 30% (2011: 30%)	364.1	357.8

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

	NOTES	US$ MILLION	
		2012	2011
10. CURRENT ASSETS – CASH AND CASH EQUIVALENTS			
Cash at bank and on hand		10.1	19.0
(a) Reconciliation of cash at the end of the year			
For the purposes of the statements of cash flows, cash on hand, at the bank and on short-term deposit (maturity of three months or less) less bank overdrafts:		10.1	19.0
(b) Money market deposits			
There were US$7.0 million of interest bearing deposits at 31 December 2012 (2011: US$13.5 million).			
11. CURRENT ASSETS – RECEIVABLES			
Other debtors		0.1	0.2
		0.1	**0.2**
(a) Impaired receivables			
There were no impaired receivables for the Group in 2012 or 2011. At 31 December 2012 and 31 December 2011 there were no receivables that were past due.			
(b) Currencies			
Australian Dollars		**0.1**	**0.2**

	NOTES	US$ MILLION 2012	2011

12. INVESTMENTS IN ASSOCIATES

(a) Securities not quoted on a prescribed stock exchange

Securities in entities forming Alcoa World Alumina and Chemicals (AWAC) with Alcoa Inc.
The investment in AWAC is accounted for in the consolidated financial statements using the equity method of accounting

	NOTES	2012	2011
Securities at cost:			
Balance brought forward		3,385.6	3,404.6
Additional funding/capitalisation in AWAC entities		171.0	166.6
Return of capital		–	(17.3)
Foreign currency revaluation		(89.7)	(168.3)
Equity accounted cost of AWAC		**3,466.9**	**3,385.6**
Equity in retained profits of AWAC	12(c)	(167.4)	(58.3)
Equity in reserves of AWAC	21(b),(c)	(3.4)	(2.5)
Equity accounted carrying value of AWAC		**3,296.1**	**3,324.8**

(b) Equity accounted share of AWAC profits and dividends

	NOTES	2012	2011
Equity share of (losses)/profits before tax		(63.5)	247.6
Equity share of tax		49.5	(74.5)
Equity accounted share of (losses)/profits after tax	12(g)	(14.0)	173.1
Dividends/distributions received by the Group		(95.1)	(239.9)
Surplus of dividends/distributions received over equity share of profits		**(109.1)**	**(66.8)**

(c) Share of AWAC retained profits

	NOTES	2012	2011
Surplus of dividends/distributions received over equity share of profits	12(b)	(109.1)	(66.8)
Balance brought forward		(58.3)	8.5
Total equity share in retained profits carried forward		**(167.4)**	**(58.3)**

(d) Accounting policies

The audited combined financial statements of the entities forming AWAC are prepared in accordance with Accounting Principles Generally Accepted in the United States of America (US GAAP). Adjustments are made to convert the accounting policies under US GAAP to Australian Accounting Standards. The principal adjustments are to the valuation of inventories from last-in-first-out basis to a basis equivalent to weighted average cost, create an additional asset retirement obligation for dismantling, removal and restoration of certain refineries, valuation of certain long term energy purchase contracts which include an aluminium price component in the energy price and differences in the recognition of actuarial gains and losses on certain defined benefit plans and the reversal of certain tax credits and fixed asset uplifts included in Alcoa World Alumina Brasil Ltda.

12. INVESTMENTS IN ASSOCIATES (Continued)

(e) Additional information on associated parties

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE EQUITY	
			2012	2011
AWAC has a governing strategic council of five members of which Alumina appoints two members, including the Deputy Chairman				
Alcoa of Australia Limited	Bauxite, alumina & aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina production	America	40	40
Alumina Espanola S.A.	Alumina production	Spain	40	40
Alcoa World Alumina Brasil Ltda.	Bauxite and alumina production	Brazil	40	40
AWA Saudi Ltda.	Bauxite and alumina production	Hong Kong	40	40
Enterprise Partnership[1]	Finance lender	Australia	40	40

[1] Alcoa Australia Holdings Pty Ltd and Alumina Limited are shareholders of Alcoa of Australia Limited and other Enterprise Companies for certain activities of AWAC.

(f) Contingent liabilities

St Croix

In September 1998, Hurricane Georges struck the U.S. Virgin Islands, including the St. Croix Alumina, L.L.C. ("SCA") facility on the island of St. Croix. The wind and rain associated with the hurricane caused material at the location to be blown into neighbouring residential areas. SCA undertook or arranged various clean up and remediation efforts. The Division of Environmental Protection ("DEP") of the Department of Planning and Natural Resources ("DPNR") of the Virgin Islands Government issued a Notice of Violation that Alcoa has contested. In February 1999, certain residents of St. Croix commenced a civil suit in the Territorial Court of the Virgin Islands seeking compensatory and punitive damages and injunctive relief for alleged personal injuries and property damages associated with "bauxite or red dust" from the SCA facility. In September 2009, the Court granted defendants' motion for summary judgement on the class plaintiffs' claim for injunctive relief. In October 2009, plaintiffs appealed the Court's summary judgement order dismissing the claim for injunctive relief and in March 2011, the U.S. Court of Appeals for the Third Circuit dismissed plaintiffs' appeal of that order. In September 2011, the parties reached an oral agreement to settle the remaining claims in the case which would resolve the personal property damage claims of the 12 remaining individual plaintiffs. On 12 March 2012, the final judgement was entered in the District Court for the District of the Virgin Islands. On 23 March 2012, the plaintiffs filed a notice of appeal of numerous non-settled matters, including but not limited to discovery orders, Daubert rulings, summary judgement rulings, as more clearly set out in the settlement agreement/release between the parties. Plaintiffs' appellate brief was filed in the 3rd Circuit Court on 4 January 2013, together with a motion seeking leave to file a brief of excess length. The court has suspended the remainder of the briefing schedule, including the date for Alcoa's reply brief, until it rules on plaintiffs' motion to file its brief of excess length. AWAC's share of the settlement is fully insured.

On 23 April 2004, St Croix Renaissance Group, LLLP, Brownfield Recovery Corp, and Energy Answers Corporation of Puerto Rico (collectively referred to as "SCRG") filed a suit against St Croix Alumina LLC and Alcoa World Alumina LLC ("AWA LLC") in the Territorial Court of the Virgin Islands, Division of St Croix for claims related to the sale of SCA's former St Croix alumina refinery to plaintiffs (Contract Action). SCA and AWA LLC thereafter removed the case to federal court and after a several year period of discovery and motion practice, a jury trial on the matter took place in St Croix from 11 January 2011 to 20 January 2011. The jury returned a verdict in favour of plaintiffs and awarded damages as described: on a claim of breaches of warranty, the jury awarded $13 million; on the same claim, the jury awarded punitive damages in the amount of $6 million; and on a negligence claim for property damage, the jury awarded $10 million.

On 17 February 2011, Alcoa filed post-trial motions seeking judgement, notwithstanding the verdict or, in the alternative, a new trial. On 31 May 2011, the court granted Alcoa's motion for judgement regarding Plaintiffs' $10 million negligence award and denied the remainder of Alcoa's motions. Additionally, the court awarded Plaintiffs pre-judgement interest of $2 million on the breach of warranty award. As a result of the court's post-trial decisions, AWAC recorded a charge of $20.3 million in 2011. On 14 June 2011, Alcoa filed a notice of appeal with the US Court of Appeals for the Third Circuit regarding Alcoa's denied post-trial motions. Also on 22 June 2011, SCRG filed a notice of cross appeal with the Third Circuit Court related to certain pre-trial decisions of the court and of the court's post-trial ruling on the negligence claim. The Third Circuit referred this matter to mediation as is its standard practice in appeals.

12. INVESTMENTS IN ASSOCIATES (Continued)

Following mediation and further, separate settlement discussions, the parties executed an agreement dated 30 September 2011 resolving the matter in its entirety, and subsequently jointly petitioned (i) the District Court to release Alcoa from the jury verdict and (ii) the Third Circuit Court of Appeals to dismiss this matter. On 13 March 2012, the District Court entered an order discharging Alcoa from the jury verdict and, on 14 March 2012, the Third Circuit Court of Appeals dismissed the matter. This matter is now fully resolved.

On 14 January 2010, Alcoa was served with a complaint involving approximately 2,900 individual persons claimed to be residents of St. Croix who are alleged to have suffered personal injury or property damage from Hurricane Georges or winds blowing material from the property since the time of the hurricane. This complaint, Abednego, et al. v. Alcoa, et al. was filed in the Superior Court of the Virgin Islands, St. Croix Division. The complaint names as defendants the same entities as were sued in the February 1999 action described above and have added as a defendant the current owner of the alumina facility property. In February 2010, Alcoa and SCA removed the case to the federal court for the District of Virgin Islands. Subsequently, plaintiffs have filed motions to remand the case to territorial court as well as a third amended complaint, and defendants have moved to dismiss the case for failure to state a claim upon which relief can be granted. On 17 March 2011, the court granted plaintiffs' motion to remand to territorial court. Thereafter, Alcoa filed a motion for allowance of appeal. The motion was denied on 18 May 2011. The parties await assignment of the case to a trial judge. At present, the Group is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

On 1 March 2012, Alcoa was served with a complaint involving approximately 200 individual persons claimed to be residents of St. Croix who are alleged to have suffered personal injury or property damage from Hurricane Georges or winds blowing material from the property since the time of the hurricane in September 1998. This complaint, Abraham, et al. v Alcoa, et al. alleges claims essentially identical to those set forth in the Abednego v Alcoa complaint. The matter was originally filed in the Superior Court of the Virgin Islands, St. Croix Division, on 30 March 2011. By motion filed 12 March 2012, Alcoa sought dismissal of this complaint on several grounds, including failure to timely serve the complaint and being barred by the statute of limitations. At present, the Group is unable to reasonably predict an outcome or to estimate a range of reasonably possible loss.

Alba Proceeding

On 27 February 2008, Alcoa Inc. received notice that Aluminium Bahrain BSC ("Alba") had filed suit against Alcoa Inc. and AWA LLC, and others, in the United States District Court for the Western District of Pennsylvania (the "Court"), Civil Action number 08-299, styled Aluminium Bahrain BSC v Alcoa Inc., AWA LLC, William Rice, and Victor Dahdaleh (the "Alba Proceeding"). The complaint alleged that certain Alcoa entities, including Alcoa of Australia Ltd and AWA LLC entities (which are part of AWAC), and their agents, including Victor Phillip Dahdaleh, had engaged in a conspiracy over a period of 15 years to defraud Alba. The complaint further alleged that Alcoa and its employees or agents (1) illegally bribed officials of the Government of Bahrain and (or) officers of Alba in order to force Alba to purchase alumina at excessively high prices; (2) illegally bribed officials of the Government of Bahrain and (or) officers of Alba and issued threats in order to pressure Alba to enter into an agreement by which Alcoa would purchase an equity interest in Alba; and (3) assigned portions of existing supply contracts between Alcoa and Alba for the sole purpose of facilitating alleged bribes and unlawful commissions. The complaint alleged that Alcoa and the other defendants violated the Racketeer Influenced and Corrupt Organizations Act ("RICO") and committed fraud. Alba claimed damages in excess of $1 billion. Alba's complaint sought treble damages with respect to its RICO claims, compensatory, consequential, exemplary, and punitive damages, rescission of the 2005 alumina supply contract and attorneys' fees and costs. Neither Alumina Limited, nor any of its employees, is a defendant in the litigation. Alumina holds a 40% equity interest in AWA LLC.

In response to a motion filed by the U.S. Department of Justice (the "DOJ") on 27 March 2008, the Court ordered the suit filed by Alba to be administratively closed and that all discovery be stayed to allow the DOJ to fully conduct an investigation without the interference and distraction of ongoing civil litigation. The Court further ordered that the case would be reopened at the close of the DOJ's investigation. On 8 November 2011 at Alcoa's request, the Court removed the case from administrative stay and ordered Alba to file an Amended Complaint by 28 November 2011 and a RICO case statement 30 days thereafter for the limited purpose of allowing Alcoa to move to dismiss Alba's lawsuit. Alcoa filed a motion to dismiss, which was denied on 11 June 2012.

The Alba Proceeding was settled in relation to Alcoa Inc. and AWA LLC in October 2012, without any admission of liability, by a cash settlement payment of US$85 million, to be paid by AWA LLC in two equal instalments by the first anniversary of the settlement. Based on the settlement agreement with Alba, AWA LLC recorded a charge of $85 million in 2012 in respect of the Alba Proceeding. In addition, AWA LLC entered into a long term alumina supply agreement with Alba.

U.S. Government Investigation relating to Alba Proceeding

On 26 February 2008, Alcoa Inc. had advised the DOJ and the U.S. Securities and Exchange Commission (the "SEC") that it had recently become aware of these claims, had already begun an internal investigation, and intended to co-operate fully in any investigation that the DOJ or the SEC may commence. On 17 March 2008, the DOJ notified Alcoa that it had opened a formal investigation and Alcoa has reported it has been co-operating with the government. The SEC subsequently commenced a parallel investigation. The United States Foreign Corrupt Practices Act and related statutes and regulations in the United States and elsewhere provide for potential injunctive relief, monetary penalties, disgorgement, prejudgment interest,

12. INVESTMENTS IN ASSOCIATES (Continued)

criminal sanctions and other remedies and may result in certain cases in suspension or debarment from doing business with governmental entities or other collateral consequences.

Alcoa Inc. has reported that the DOJ and the SEC investigations into the subject matter of the Alba Proceeding are ongoing and that it has been actively negotiating with the DOJ and SEC to reach a resolution of those investigations. However, Alcoa Inc. has stated that it has not reached any agreement with either agency. Alcoa Inc. has stated that, given the uncertainty regarding whether a settlement can be reached and, if reached, on what terms, it is not able to estimate a range of reasonably possible loss with regard to any such settlement. If a settlement of the DOJ and SEC investigations is reached, Alcoa Inc. has stated that it believes that the settlement amount would be material to Alcoa Inc's results of operations for the relevant fiscal period. In the event that a settlement is reached in relation to the DOJ and SEC investigations of the Alba matter, Alcoa Inc. and Alumina Limited have agreed that the cash costs of the settlement of the Alba Proceeding and the DOJ and SEC investigations will be allocated between them such that 62.5% will be borne by Alcoa Inc. and 37.5% by AWAC. If a settlement is reached with the DOJ and the SEC regarding their investigations, under that agreement between Alcoa and Alumina Limited, the Company expects a reallocation of a portion of the costs (including legal fees) of the Alba civil settlement from AWAC to Alcoa. If a settlement cannot be reached, Alcoa Inc. has stated that it will proceed to trial with the DOJ and the SEC and under those circumstances, it is unable to predict an outcome or to estimate its reasonably possible loss. Alcoa Inc. has stated that, in those circumstances, there can be no assurance that the final outcome of the DOJ's and SEC's investigations will not have a material adverse effect on Alcoa Inc. Accordingly, in those circumstances, there can be no assurance that such final outcome may not have a material adverse effect on AWAC.

Other claims

There are potential obligations that may result in a future obligation due to the various lawsuits and claims and proceedings have been, or may be, instituted or asserted against entities within AWAC, including those pertaining to environmental, product liability, and safety and health matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that existed at balance date. Also, not every plaintiff has specified the amount of damages sought in their complaint. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies.

Pursuant to the terms of the AWAC Formation Agreement, Alcoa and Alumina Limited have agreed to remain liable for Extraordinary Liabilities (as defined in the agreement) as well as for certain other pre-formation liabilities, such as existing environmental conditions, to the extent of their pre-formation ownership of the company or asset with which the liability is associated.

	NOTES	US$ MILLION 2012	2011
(g) Alumina's share of aggregate associates:			
Current assets		797.2	716.1
Non-current assets		3,717.0	3,656.2
Current liabilities		(700.1)	(595.6)
Non-current liabilities		(809.4)	(745.4)
Net assets		**3,004.7**	**3,031.3**
Mineral rights and bauxite assets		115.6	117.7
Goodwill		175.8	175.8
Carrying value	12(a)	**3,296.1**	**3,324.8**
Revenues		2,326.1	2,666.8
Expenses		(2,389.6)	(2,419.2)
(Loss)/profit before income tax		**(63.5)**	**247.6**
Income tax credit/(charge)		49.5	(74.5)
(Loss)/profit after income tax		**(14.0)**	**173.1**

	NOTES	US$ MILLION 2012	US$ MILLION 2011
13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT			
Plant and equipment	13(a)	0.2	0.2
(a) Plant and equipment			
Cost		0.3	0.6
Accumulated depreciation		(0.1)	(0.4)
		0.2	**0.2**
14. CURRENT LIABILITIES – PAYABLES			
Trade payables		1.6	1.7
Interest payable		1.1	1.4
		2.7	**3.1**
(a) Currencies			
The carrying amounts of the Group's trade and other payables are denominated in the following currencies:			
Australian dollars		2.0	1.6
US dollars		0.7	1.5
		2.7	**3.1**
15. INTEREST-BEARING LIABILITIES			
Current Unsecured			
Bank loans		52.0	52.9
Non-current Unsecured			
Bank loans		622.5	437.7
Total		**674.5**	**490.6**

	MILLIONS 2012	MILLIONS 2011
(a) Currencies		
Interest-bearing liabilities are due in the following currencies:		
US dollars	638.1	439.4
BRL[1]	74.4	96.2
US$ equivalent of above currencies	**674.5**	**490.6**

[1] BRL loans have been swapped to US dollars using cross currency interest rate swaps.

(b) Exchange rates		
Exchange rates at balance date used in translations:		
USD$1 = BRL	2.044	1.876

(c) Fair values

The Directors consider the carrying amounts of bank loans to approximate their fair values where 'fair value', by definition, is the USD principal amount.

15. INTEREST-BEARING LIABILITIES (Continued)

	NOTES	US$ MILLION 2012	2011
(d) Risk Exposures			
The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:			
6 months or less		674.5	490.6
1 – 5 years		-	-
Over 5 years		-	-
		674.5	**490.6**

	NOTES	US$ MILLION 2012	2011
16. CURRENT LIABILITIES – PROVISIONS			
Employee benefits-provision for annual leave		**0.3**	**0.2**
17. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Deferred tax liabilities			
Payables		-	0.1
Fair value of derivatives		-	-
Total deferred tax liabilities		**-**	**0.1**
Deferred tax assets			
Employee benefits		0.2	0.2
Fair value of derivatives		1.4	0.4
Borrowing costs		0.1	0.1
Accrued liabilities		0.3	0.1
Transaction costs		1.7	4.5
Total deferred tax assets other than losses		3.7	5.3
Net deferred tax assets before tax losses		3.7	5.2
Tax losses – revenue	7(c)	280.2	237.9
Tax losses – capital	7(c)	285.4	285.4
Deductible temporary differences and tax losses not recognised		(569.3)	(528.5)
Net deferred tax assets		**-**	**-**

Deferred tax assets are recognised only to the extent of deferred tax liabilities existing at reporting date. Remaining deferred tax assets and liabilities are not recognised as it is not probable that future taxable amounts will be available to utilise those temporary differences and losses. The consolidated entity recognises all movements in temporary differences in profit and loss other than temporary differences arising from movements in exchange rates.

	US$ MILLION	
	2012	2011
18. NON-CURRENT LIABILITIES - PROVISIONS		
Employee benefits-provision for long service leave	0.6	0.5

The aggregate of provisions for employee benefits as shown in Notes 16 and 18 are US$0.9 million (2011: US$0.7 million).

	US$ MILLION	
	2012	2011
19. CONTRIBUTED EQUITY		
Ordinary share capital issued and fully paid		
Balance brought forward	2,154.1	2,154.1
Movement for the period	-	-
Total issued capital	**2,154.1**	**2,154.1**

MOVEMENTS IN ORDINARY SHARE CAPITAL	NUMBER OF FULLY PAID SHARES	
	2012	2011
Opening number of shares	2,440,196,187	2,440,196,187
Movement for the period	-	-
Closing number of shares	**2,440,196,187**	**2,440,196,187**

(a) Ordinary shares

Ordinary shares, which have no par value, entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of, and amounts paid on, the shares held.

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratios at 31 December 2012 and 31 December 2011 were as follows:

	NOTES	US$ MILLION	
		2012	2011
Total borrowings	15	674.5	490.6
Less: cash and cash equivalents	10	(10.1)	(19.0)
Net debt		**664.4**	**471.6**
Debt		674.5	490.6
Total equity		2,628.5	2,854.0
Total capital		3,303.0	3,344.6
Gearing ratio		**20.1%**	**14.1%**

The increase in the gearing ratio during 2012 resulted primarily from an increase in net debt and a decrease in comprehensive income resulting primarily from the depreciation of the Brazilian Reais against the US dollar.

20. SHARE-BASED PAYMENTS

ALUMINA EMPLOYEE SHARE PLAN (ESP)

This is a plan under which employees may be invited to participate in the grant of a conditional entitlement to fully paid ordinary shares (a Performance Right). The Board's intention is to make offers to each employee, but this is subject to annual determination by the Board in respect of each individual for each grant. The Chief Executive Officer of the Company may recommend variation in participation.

A person is only eligible to participate in the Plan and to be granted performance rights under the Plan if they are an employee, and have satisfied the criteria that the Board decides for participation in the Plan.

For performance rights granted since 2008, if less than 100% 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.

An invitation is not transferable. An employee may only apply for performance rights in his or her name and not in the name of, or on behalf of, another person or entity. On vesting, each performance right is an unconditional entitlement to one fully paid ordinary share.

On termination of employment of any individual, their participation in the Plan is finalised and any performance rights not vested lapse unless the directors decide otherwise.

The value per performance right is independently calculated by Mercer Finance and Risk Consulting using the assumptions underlying the Black-Scholes methodology to produce a Monte Carlo simulation model which allows the incorporation of the hurdles that must be met before the performance rights vest.

Set out below are the assumptions made for the performance rights granted on 9 March 2012:

Share Price at Valuation date	$1.185
Risk Free rate	3.63%
Dividend Yield	3.1%
Volatility	47%

The volatility assumption is based on the actual volatility of Alumina Limited's daily closing share price over the three year period to the valuation date.

For further details on key features of the ESP and key management personnel information refer to the remuneration report.

20. SHARE-BASED PAYMENTS (Continued)

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

2012						
GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	VESTED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER
13/1/2009	30/11/2011	352,500	-	-	(352,500)	-
12/2/2010	20/12/2012	496,600	-	-	(11,000)	485,600
18/2/2011	6/12/2013	428,400	-	-	(9,100)	419,300
9/3/2012	11/12/2014	-	680,240[1]	-	(14,200)	666,040
Total		**1,277,500**	**680,240**	**-**	**(386,800)**	**1,570,940**

[1] Fair value per performance right at grant date was A$0.78.

2011						
GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	VESTED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER
8/2/2008	4/12/2010	15,850	-	-	(15,850)	-
13/1/2009	30/11/2011	352,500	-	-	-	352,500
12/2/2010	20/12/2012	634,300	-	-	(137,700)	496,600
18/2/2011	6/12/2013	-	559,900[2]	-	(131,500)	428,400
Total		**1,002,650**	**559,900**	**-**	**(285,050)**	**1,277,500**

[2] Fair value per performance right at grant date was A$2.03.

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.1 years (2011: 2.1 years)

EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS IN THE ALUMINA EMPLOYEE SHARE PLAN

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

	US$ 000'S	
	2012	**2011**
Performance rights granted under the Alumina Employee Share Plan	673	580

	NOTES	US$ MILLION 2012	US$ MILLION 2011

21. RESERVES, RETAINED PROFITS AND TREASURY SHARES

Reserves

	NOTES	2012	2011
Asset revaluation reserve	21(c)	30.8	30.8
Capital reserve	21(c)	12.5	12.5
Foreign currency translation reserve	21(a)	(320.8)	(230.9)
Share-based payments reserve	21(b)	5.0	4.4
Option premium on convertible bonds	21(c)	18.6	18.6
Cash-flow hedge reserve	21(c)	(5.1)	(4.2)
		(259.0)	**(168.8)**

(a) Foreign currency translation reserve

		2012	2011
Balance brought forward		(230.9)	(62.0)
Currency translation differences arising during the year		(89.9)	(168.9)
Balance carried forward		**(320.8)**	**(230.9)**

(b) Share-based payments reserve

		2012	2011
Share-based payments reserve at beginning of the financial year:			
-Group		2.7	2.1
-Associates		1.7	1.7
		4.4	**3.8**
Performance rights expense			
-Group		0.6	0.6
-Associates		-	-
		5.0	**4.4**
Share-based payments reserve at end of the financial year:			
-Group		3.3	2.7
-Associates		1.7	1.7
		5.0	**4.4**

21. RESERVES, RETAINED PROFITS AND TREASURY SHARES (continued)

(c) Nature and purpose of reserves

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

(ii) Capital reserve
The reserve records dividends arising from share of profits on sale of investments.

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

(iv) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of performance rights issued but not exercised.

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

(vi) Cash-flow hedge reserve
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve (refer Note 1(p)). The year-end balance and movements within the cash-flow hedge reserve of AWAC is accounted for via the equity accounting method.

	NOTES	US$ MILLION	
		2012	2011
(d) Retained profits			
Retained profits at the beginning of the financial year:			
- Group		928.5	903.6
- Associates		(58.3)	8.5
		870.2	912.1
(Loss)/profit attributable to the owners of Alumina Limited		(62.1)	126.6
Transfer from capital reserve		-	2.3
Dividend provided for or paid		(73.2)	(170.8)
Retained profits at the end of the financial year		**734.9**	**870.2**
Retained profits at the end of the financial year:			
- Group		902.3	928.5
- Associates	12(c)	(167.4)	(58.3)
		734.9	**870.2**
(e) Treasury shares[1]			
Balance brought forward		(1.5)	(1.5)
Movement for the period		-	-
Balance carried forward		**(1.5)**	**(1.5)**

[1] Under AASB 132, if an entity reacquires its own equity instruments, those instruments shall be deducted from equity. Alumina Limited, through its Employee Share Plan Trust, purchased shares for its long term incentive plan.

	NOTES	US$ MILLION 2012	2011
22. NOTES TO THE STATEMENTS OF CASH FLOWS			
(a) Reconciliation of operating profit after income tax to net cash inflow from operating activities			
Operating (loss)/profit from continuing operations after income tax		(62.1)	126.6
Surplus of dividends received/receivable over equity share of profits	12(b)	109.1	66.8
Amortisation of option portion of convertible bond	6	-	1.7
Amortisation of commitment and upfront fees		2.4	4.4
Commitment and upfront fees capitalised		(1.6)	(1.5)
Non-cash employee benefits expense-share based payments		0.6	0.6
Net exchange differences		-	(0.1)
Sub total		48.4	198.5
Change in assets and liabilities			
(Increase)/decrease in:			
-receivables		0.1	-
-other assets		1.0	0.3
(Decrease)/increase in:			
-payables		(0.4)	(2.8)
-other liabilities		(0.5)	0.1
Net cash inflow from operating activities		**48.6**	**196.1**

(b) Acquisition/disposal of controlled entities

During the year the Company did not dispose of any material controlled entities.

(c) Non-cash financing and investing activities

There were no non-cash financing or investing activities in 2012 (2011: nil).

	NOTES	US$ MILLION 2012	2011
23. FINANCING FACILITIES			
The facilities available at balance date were as follows:			
Total loan facilities		929.5	785.6
Used at end of reporting period	15	674.5	490.6
Available at balance date		**255.0**	**295.0**

Funding facilities include bilateral bank facilities, a syndicated facility and a development bank loan. All bilateral bank facilities are available in US dollars, of which two are also available in Australian dollars and one is also available in EURO. The syndicated facility is available in US dollars. The development bank loan is fully drawn in US dollars and Brazilian Reais and amortises at approximately $52 million per annum. Funding facilities in currencies other than US dollars have been converted to US dollar equivalents at period end exchange rates.

During the year, Alumina Limited added $200 million in new committed debt facilities with terms of two to five years and refinanced the US$107 million committed bank facility due for maturity in November 2013 to December 2017. The next scheduled debt maturity for Alumina Limited is US$100 million in March 2014.

Current liabilities of $59.8 million exceed current assets of $15.1 million, however Directors have concluded that the liabilities will be met using available cash and undrawn committed facilities whose maturities extend beyond 31 December 2013.

24. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The Group is mainly exposed to interest rate risk on its outstanding interest bearing liabilities and cash investments.

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

GROUP - AS AT 31 DECEMBER 2012

US$ MILLION	NOTES	FLOATING INTEREST	1 YEAR OR LESS	FIXED INTEREST	NON-INTEREST BEARING	TOTAL
Financial Assets						
Cash and cash equivalents	10	10.1	-	-	-	10.1
Receivables	11	-	-	-	0.1	0.1
		10.1	**-**	**-**	**0.1**	**10.2**
Financial Liabilities						
Payables	14	-	-	-	2.7	2.7
Interest-bearing liabilities	15	674.5	-	-	-	674.5
		674.5	**-**	**-**	**2.7**	**677.2**
Weighted average interest rate after derivative instruments		3.18%				
Net financial liabilities		**(664.4)**	**-**	**-**	**(2.6)**	**(667.0)**

GROUP - AS AT 31 DECEMBER 2011

US$ MILLION	NOTES	FLOATING INTEREST	1 YEAR OR LESS	FIXED INTEREST	NON-INTEREST BEARING	TOTAL
Financial Assets						
Cash and cash equivalents	10	19.0	-	-	-	19.0
Receivables	11	-	-	-	0.2	0.2
		19.0	**-**	**-**	**0.2**	**19.2**
Financial Liabilities						
Payables	14	-	-	-	3.1	3.1
Interest-bearing liabilities	15	490.6	-	-	-	490.6
		490.6	**-**	**-**	**3.1**	**493.7**
Weighted average interest rate after derivative instruments		3.63%				
Net financial liabilities		**(471.6)**	**-**	**-**	**(2.9)**	**(474.5)**

(b) Fair value measurements

Fair value measurements recognised on the balance sheet
The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2012 and 31 December 2011 grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and
- Level 3 - inputs for the asset or liability that are based on unobservable market data (unobservable inputs)

24. FINANCIAL INSTRUMENTS (continued)

GROUP – AS AT 31 DECEMBER 2012

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	-	4.6	-	4.6
Total financial liabilities	**-**	**4.6**	**-**	**4.6**

GROUP – AS AT 31 DECEMBER 2011

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Financial assets at fair value through profit and loss				
Derivative financial instruments	-	1.3	-	1.3
Total financial assets	**-**	**1.3**	**-**	**1.3**

25. INVESTMENTS IN CONTROLLED ENTITIES

ENTITIES CONSOLIDATED	NOTES	PLACE OF INCORPORATION
NAME		
Alumina Limited		VIC, Australia
All controlled entities are wholly-owned, unless otherwise indicated		
Controlled entities		
Alumina Employee Share Plan Pty Ltd		VIC, Australia
Alumina Finance Limited	D	VIC, Australia
Alumina Holdings (USA) Inc.	A	Delaware, USA
Alumina International Holdings Pty. Ltd.	B	VIC, Australia
Alumina Brazil Holdings Pty Ltd	C	VIC, Australia
Alumina Limited Do Brasil SA	E	Brazil
Alumina (U.S.A.) Inc.	A	Delaware, USA
Butia Participaçoes SA	F	Brazil
Westminer Acquisition (U.K.) Limited	F	UK
Westminer International (U.K.) Limited	G	UK

These controlled entities:

A) have not prepared audited accounts as they are non-operating or audited accounts are not required in their country of incorporation. Appropriate books and records are maintained for these entities;

B) has been granted relief from the necessity to prepare accounts pursuant to Australian Securities and Investment Commission ("ASIC") Class Order 98/1418. This company, which is also referred to in the Directors' Declaration is, with Alumina Limited, a member of a "Closed Group" as defined in the Class Order and are parties to a deed of cross guarantee which has been lodged with and approved by ASIC. Under the deed of cross guarantee, each of these companies guarantees the debts of the other companies party to the deed of cross guarantee. The consolidated assets and liabilities of these companies, and their consolidated net profits after tax for the year then ended (after eliminating inter-company investments and other inter-company transactions) are set out in the table below;

C) this is a small proprietary company, and is not required to prepare a financial report;

D) this company was incorporated on 5 May 2008 and is 100% owned by Alumina Limited. It has a functional currency of US dollars and prepares separate audited accounts;

E) this company was incorporated on 19 March 2009 and is 9.07% owned by Alumina Limited and 90.93% owned by Alumina International Holdings Pty. Ltd. It has a functional currency of US dollars and prepares separate audited accounts;

F) prepares separate audited accounts;

G) this company was dissolved on 10 May 2011.

25. INVESTMENTS IN CONTROLLED ENTITIES (continued)

	CLOSED GROUP US$ MILLION	
	2012	2011
Deed of cross guarantee		
Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 are indicated above in this note. A consolidated balance sheet is set out below:		
Balance sheets of closed Group		
Current assets		
Cash and cash equivalents	9.0	17.6
Receivables	77.8	75.4
Other assets	4.5	5.3
Total current assets	91.3	98.3
Non-current assets		
Investments in associates	1,615.2	1,487.6
Other financial assets	1,817.4	1,709.2
Property, plant and equipment	0.2	0.2
Total non-current assets	3,432.8	3,197.0
Total assets	3,524.1	3,295.3
Current liabilities		
Payables	1.2	2.4
Derivative financial instruments	4.6	1.3
Provisions	0.3	0.2
Other	1.0	0.6
Total current liabilities	7.1	4.5
Non-current liabilities		
Interest-bearing liabilities	495.1	254.9
Provisions	0.6	0.5
Total non-current liabilities	495.7	255.4
Total liabilities	502.8	259.9
Net assets	3,021.3	3,035.4
Equity		
Contributed equity	2,154.1	2,154.1
Reserves	238.1	237.5
Retained profits	629.1	643.8
Total equity	3,021.3	3,035.4

25. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Set out below is a consolidated income statement for the closed Group:

	CLOSED GROUP US$ MILLION	
	2012	2011
Statements of comprehensive income of closed Group		
Revenue from continuing operations	95.2	240.0
Other income	1.2	5.6
General and administrative expenses	(18.2)	(16.3)
Impairment of financial assets	-	(16.6)
Other expenses	(3.3)	(6.1)
Finance costs	(16.4)	(13.5)
Profit from ordinary activities before income tax	**58.5**	**193.1**
Income tax expense	-	(0.4)
Net profit	**58.5**	**192.7**
Set out below is a summary of movements in consolidated retained profits of the closed Group:		
Retained profits at the beginning of the financial year	643.8	621.9
Net profit	58.5	192.7
Dividend provided for or paid	(73.2)	(170.8)
Retained profits at the end of the financial year	**629.1**	**643.8**

26. CONTINGENT LIABILITIES

There are no contingent liabilities of the Group as at 31 December 2012 (2011: nil). Contingent liabilities of the associates are disclosed in Note 12(f).

	US$ MILLION	
	2012	2011
27. COMMITMENTS FOR EXPENDITURE		
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	0.1	0.1
Later than one year but not later than 5 years	0.2	0.3
Later than 5 years	-	-
	0.3	**0.4**

The Group leases office facilities under non-cancellable operating leases expiring within two to five years.

CAPITAL COMMITMENTS

There are no contractual capital commitments at reporting date but there are expected to be capital injections to AWAC during 2013.

28. RELATED PARTY TRANSACTIONS

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

DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Disclosures relating to directors and other key management personnel are set out in Note 29.

OTHER RELATED PARTIES

There are no other related party transactions.

OWNERSHIP INTERESTS IN RELATED PARTIES

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

- (a) controlled entities – Note 25; and
- (b) associates – Note 12.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Alumina Limited during the financial year:

Chairman – non-executive
J Pizzey

Executive directors
J Bevan, Chief Executive Officer

Non-executive directors
P A F Hay
E Stein
P C Wasow

(b) Other key management personnel

In addition to executive directors, the following persons also had authority for the strategic direction and management of the company and the consolidated entity during the financial year:

NAME	POSITION	EMPLOYER
S C Foster	General Counsel and Company Secretary	Alumina Limited
C Thiris	Chief Financial Officer	Alumina Limited

All of the persons above were also key management persons during the year ended 31 December 2012.

(c) Remuneration of key management personnel

	US$	
	2012	2011
Short-term employee benefits	4,272,382	4,649,435
Post-employment benefits	114,777	118,089
Share based payments	582,355	532,570
Termination pay	-	547,986
	4,969,514	**5,848,080**

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

The Remuneration report has been prepared in A$, whilst the Financial Report has been prepared in US$. The average exchange rate for 2012 of 1.0355 (2011: 1.0327) has been used for conversion.

(d) Equity instrument disclosures relating to key management personnel

(i) Alumina Employee Performance Rights Plan

Details of performance rights over ordinary shares in the Company provided as remuneration together with terms and conditions of the performance rights can be found in the Remuneration Report on pages 26 to 48.

(ii) Performance share rights holdings

The number of performance rights over ordinary shares in the Company held during the financial year by each director of Alumina Limited and the key management personnel of the company and the consolidated entity, including their personally related entities, is set out below:

2012

NAME	TYPE OF EQUITY-BASED INSTRUMENT	NUMBER OF PERFORMANCE RIGHTS OR OPTIONS HELD AT 1 JANUARY 2012[1]	NUMBER GRANTED DURING THE YEAR AS REMUN-ERATION[2]	NUMBER VESTED/ EXERCISED DURING THE YEAR	NUMBER LAPSED DURING THE YEAR[3]	NUMBER HELD AT 31 DECEMBER 2012	VESTED AND EXERCISABLE AT THE END OF THE YEAR
J Bevan	Performance rights	770,300	418,500	-	(191,600)	997,200	-
S C Foster	Performance rights	305,400	136,300	-	(113,600)	328,100	-
C Thiris[4]	Performance rights	-	-	-	-	-	-

[1] Includes the number of Performance Rights granted that were subject to testing in 2012 but not yet vested.

[2] Performance Rights granted in March 2012 for the 3 year performance test period concluding in December 2014.

[3] For Performance Rights granted under ESP in January 2009 and tested in December 2011 were subject to two further tests applied over a (4 week period) 6 and 12 months after the initial test. The testing of those Performance Rights in 2012 resulted in all of those Performance Rights lapsing.

[4] Performance Rights are granted in respect of work conducted in the prior year. Mr Thiris was appointed interim Chief Financial Officer in September 2011 and was appointed Chief Financial Officer in December 2011 and as such, no Performance Rights were offered to Mr Thiris in respect of 2012.

2011

NAME	TYPE OF EQUITY-BASED INSTRUMENT	NUMBER OF PERFORMANCE RIGHTS OR OPTIONS HELD AT 1 JANUARY 2011[1]	NUMBER GRANTED DURING THE YEAR AS REMUN-ERATION[2]	NUMBER VESTED/ EXERCISED DURING THE YEAR	NUMBER LAPSED DURING THE YEAR[3]	NUMBER HELD AT 31 DECEMBER 2011	VESTED AND EXERCISABLE AT THE END OF THE YEAR
J Bevan	Performance rights	504,500	265,800	-	-	770,300	-
S C Foster	Performance rights	231,400	86,600	-	(12,600)	305,400	-
J S Downes[4]	Performance rights	137,700	131,500	-	(269,200)	-	-

[1] Includes the number of Performance Rights granted that were subject to testing in 2011 but not yet vested.

[2] Performance Rights granted in February 2011 for the 3 year performance test period concluding in December 2013.

[3] For Performance Rights granted under ESP in February 2008 and tested in December 2010 were subject to two further tests applied over a (4 week period) 6 and 12 months after the initial test. The testing of those Performance Rights in 2011 resulted in all of those Performance Rights lapsing.

[4] Ms Downes ceased employment with the Company on 24 August 2011 and pursuant to her employment contract and the Rules of the Alumina Employee Share Plan, she forfeited all invested Performance Rights as at her cessation date.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(iii) Shareholdings

The numbers of shares in the company held during the financial year by each director Aof Alumina Limited and the key management personnel of the company and consolidated entity, including their personally-related entities, are set out below.

2012

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF RIGHTS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Directors of Alumina Limited				
Ordinary shares				
P A F Hay	112,598	-	-	112,598
J Pizzey	65,445	-	-	65,445
E Stein	14,281	-	-	14,281
J Bevan	432,152	-	-	432,152

Other key management personnel of the company and consolidated entity

ORDINARY SHARES				
S C Foster	144,867	-	-	144,867

2011

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF RIGHTS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Directors of Alumina Limited				
Ordinary shares				
D M Morley[1]	951,670	-	-	951,670
P A F Hay	112,598	-	-	112,598
R J McNeilly[2]	115,145	-	-	115,145
J Pizzey	65,445	-	-	65,445
E Stein	-	-	14,281	14,281
J Bevan	355,380	-	76,772	432,152
J S Downes[3]	174,350	-	31,210	205,560

[1] Mr Morley retired from the Company on 30 November 2011. His shareholding is of that date.

[2] Mr McNeilly retired as a Director of Alumina Limited on 3 March 2011. His shareholding is of that date.

[3] Ms Downes ceased employment with the Company on 24 August 2011. Her shareholding is of that date.

Other key management personnel of the company and consolidated entity

ORDINARY SHARES				
S C Foster	122,081	-	22,786	144,867

(e) Loans to directors and executives

No loans were made to directors of Alumina Limited and other key management personnel of the Group, including their personally-related entities in 2012 or 2011.

30. REMUNERATION OF AUDITORS

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

	US$ 000'S	
	2012	2011
Amounts received or due and receivable by PricewaterhouseCoopers Australia:		
Audit and review of the financial reports	865	867
Other assurance services	4	4
Amounts received or due and receivable by related practices of PricewaterhouseCoopers Australia:		
Overseas taxation services	16	65
Total	**885**	**936**

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

31. FINANCIAL REPORTING BY SEGMENT

(a) Geographical Segment Information

Years ended 31 December 2012 and 31 December 2011
Alumina Limited's primary assets are its 40% interest in the series of operating entities forming AWAC.

Alumina Limited has one reportable segment, namely the investment in the alumina/aluminium business through its equity interests in AWAC. Alumina Limited participates in AWAC through The Strategic Council, which consists of three members appointed by Alcoa Inc and two members appointed by Alumina Limited. Operational decisions are made by Alcoa Inc.

(b) Entity wide disclosures: Geographical location of assets

YEAR ENDED 31 DECEMBER 2012	US$ MILLION			
CONSOLIDATED	AUSTRALIA	BRAZIL	OTHER	TOTAL
Investments in Associates	1,209.8	1,255.2	831.1	3,296.1
Other assets	13.8	0.6	0.9	15.3
Liabilities	(497.9)	(185.0)	-	(682.9)
Consolidated net assets				**2,628.5**

YEAR ENDED 31 DECEMBER 2011	US$ MILLION			
CONSOLIDATED	AUSTRALIA	BRAZIL	OTHER	TOTAL
Investments in Associates	1,218.4	1,357.5	748.9	3,324.8
Other assets	23.3	1.4	0.9	25.6
Liabilities	(255.1)	(241.3)	-	(496.4)
Consolidated net assets				**2,854.0**

Alumina Limited earns no revenue from external customers.

32. PARENT ENTITY FINANCIAL INFORMATION

SUMMARY FINANCIAL INFORMATION

	US$ MILLION	
	2012	2011
Financial position		
Assets		
Current assets	19.6	25.8
Non-current assets	3,754.3	3,516.9
Total assets	**3,773.9**	**3,542.7**
Liabilities		
Current liabilities	7.2	4.4
Non-current liabilities	495.7	255.5
Total liabilities	**502.9**	**259.9**
Equity		
Issued capital	2,154.1	2,154.1
Reserves		
– Asset revaluation reserve	126.8	126.8
– Asset realisation reserve	76.2	76.2
– Capital reserve	12.3	12.3
– Share-based payments reserve	3.3	2.7
– Option premium on convertible bonds	19.5	19.5
Retained earnings	878.8	891.2
Total Equity	**3,271.0**	**3,282.8**
Financial performance		
Profit for the year	60.8	195.3
Other comprehensive income	-	-
Total comprehensive income	**60.8**	**195.3**

32. PARENT ENTITY FINANCIAL INFORMATION (continued)

Guarantees entered into by the parent entity

The parent entity has entered into a Deed of Cross Guarantee with the effect that it guarantees the debts of its wholly-owned subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 25.

The parent entity has provided a guarantee in August 2010 for 40 per cent of Alumina Espanola SA's obligation to purchase fuel oil for one year. This was extended in February 2013 until 31 December 2013.

The parent entity has also provided guarantees to certain third parties in relation to the performance of contracts by various AWAC companies. These are further guarantees such as Banco di Bilbao in respect of Espanola and the Suriname mining contract and a letter of credit to Honeywell Manageability Leasing Company in relation to lease payments for the Honeywell operating system.

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

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2012 (31 December 2011: Nil). For information about guarantees given by the parent entity, please see above.

Contractual commitments for the acquisition of property, plant and equipment

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

Tax consolidation

Alumina Limited and its wholly-owned Australian controlled entities formed a tax consolidation group (the Group) with effect from 1 January 2004. Alumina Limited is the head entity of the Group. Members of the Group have entered into a tax sharing agreement that provides that the head entity will be liable for all taxes payable by the Group from the consolidation date. The parties have agreed to apportion the head entity's taxation liability within the Group based on each contributing members' share of the Group's taxable income and losses.

Intercompany Loans

Loans granted by the parent entity to its subsidiaries are classified as non-current assets. Comparative information was reclassified as appropriate.

33. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

On 14 February 2013, Alumina Limited announced that CITIC* unconditionally subscribed, in aggregate, for 366,029,428 fully paid ordinary shares in Alumina Limited, being 15% of Alumina Limited's then current capital base, representing 13.04% of Alumina Limited's capital base following completion (the "Placement").

The Placement raised approximately A$452 million based on an issue price of A$1.235 per share, which reflected a premium of approximately 3% to the closing price of Alumina Limited shares on 13 February 2013 and a premium of 11% to the volume weighted average price of Alumina Limited shares for the 30 day period ending 13 February 2013.

The new shares issued under the Placement rank equally from allotment in all respects with existing Alumina Limited shares.

* The subscribers are CITIC Resources Australia Pty Ltd, an indirectly wholly-owned subsidiary of CITIC Resources Holding Limited, and Bestbuy Overseas Co., Ltd, an indirect wholly-owned subsidiary of CITIC Limited.

DIRECTORS: DECLARATION

IN THE DIRECTORS' OPINION:

a) the financial statements and notes set out on pages 50 to 91 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial year ended on that date; and

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

c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 25.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

G J Pizzey
Chairman
8 March 2013

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Alumina Limited (the company), which comprises the balance sheet as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Alumina Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENCE

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

AUDITOR'S OPINION

In our opinion:

(a) the financial report of Alumina Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in pages 26 to 48 of the directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Alumina Limited for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

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PricewaterhouseCoopers

Nadia Carlin

....

Nadia Carlin
Partner

Melbourne
8 March 2013

Liability limited by a scheme approved under Professional Standards Legislation

Alumina Limited has 2,806,225,615 issued fully paid ordinary shares of which 23,213 are classified as Ordinary Restricted shares. The Ordinary Restricted shares represent the shares vested to employees under the terms and conditions of the Alumina Employee share Plan and are held on Trust by the Alumina Employee share Plan Pty. Ltd.

SIZE OF SHAREHOLDINGS AS AT 25 FEBRUARY 2013

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 - 1,000	23,202	11,237,868	0.40
1,001 - 5,000	27,506	69,141,242	2.46
5,001 - 10,000	9,127	68,378,420	2.44
10,001 - 100,000	9,919	250,602,290	8.93
100,001 - 9,999,999,999	553	2,406,865,795	85.77
Total	**70,307**	**2,806,225,615**	**100.00**

Of these, 10,615 shareholders held less than a marketable parcel of $500 worth of shares (412). In accordance with ASX Business Rules, the last sale price on the Company's shares on the ASX on 25 February 2013 was used to determine the number of shares in a marketable parcel.

NAME	NO. OF FULLY PAID ORDINARY SHARES	%
National Nominees Limited	588,634,462	20.98
HSBC Custody Nominees (Australia) Limited	487,626,784	17.38
JP Morgan Nominees Australia Limited	419,441,194	14.95
CITIC Resources Australia Pty Ltd	219,617,657	7.83
Bestbuy Overseas Co., Ltd	146,411,771	5.22
Citicorp Nominees Pty Ltd	108,602,335	3.87
BNP Paribas Noms Pty Ltd	67,212,720	2.40
RBC Investor Services Australia Nominees Pty Limited	32,372,451	1.15
JP Morgan Nominees Australia Lmited (Cash Income A/C)	28,525,603	1.02
UBS Nominees Pty Ltd	17,623,990	0.63
HSBC Custody Nominees (Australia) Limited (NT Commonwealth Super Corp A/C)	14,719,865	0.52
Australian Foundation Investment Company Limited	14,323,142	0.51
Debortoli Wines Pty Limited	14,132,596	0.50
AMP Life	12,787,790	0.46
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	12,042,534	0.43
Argo Investments Limited	11,779,840	0.42
QIC Limited	11,195,418	0.40
Suncorp Custodian Services Pty Limited	9,558,512	0.34
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	7,182,491	0.26
Mirrabooka Investments Limited	5,121,800	0.18
Total held by 20 largest shareholders	**2,228,912,955**	**79.43**
Total remaining Holders Balance	**577,312,660**	**20.57**

ALUMINA LIMITED

DETAILS OF SHAREHOLDINGS AND SHAREHOLDERS LISTED SECURITIES - 25 FEBUARY 2013

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

The Company does not have a current on market buy-back of its shares.

SUBSTANTIAL SHAREHOLDING AS AT 25 FEBRUARY 2013	SHAREHOLDERS	%
CITIC Resources Australia Pty Ltd	219,617,657	7.83
Schroder Investment Management Australia Limited	172,782,144	6.16
Manning and Napier Advisors LLC	149,228,725	5.32
Bestbuy Overseas Co., Ltd	146,411,771	5.22

FINANCIAL HISTORY

AS AT 31 DECEMBER 2012	2012 US$ MILLIONS	2011 US$ MILLIONS	2010 US$ MILLIONS	2009[1] US$ MILLIONS	2008 A$ MILLIONS
Revenue from continuing operations	0.1	0.2	1.4	4.4	3.5
Other income	0.6	0.1	2.1	11.5	0.4
Share of net (loss)/profits of associates accounted for using the equity method	(14.0)	173.1	84.5	1.6	242.6
Finance costs	(29.4)	(28.5)	(38.7)	(31.0)	(48.8)
Change in fair value of derivatives	–	–	–	–	(7.9)
General and administrative expenses	(19.0)	(17.3)	(14.7)	(10.5)	(19.2)
Income tax (expense)/credit from continuing operations	(0.4)	(1.0)	–	0.3	(2.6)
Net (loss)/profit attributable to owners of Alumina Limited	(62.1)	126.6	34.6	(23.7)	168.0
Non-operating non-cash items[2]	9.6	1.4	2.1	24.0	33.6
Underlying (loss)/earnings[2]	**(52.5)**	**128.0**	**36.7**	**0.3**	**201.6**
Total assets	3,311.4	3,350.4	3,542.5	3,504.2	3,898.6
Total liabilities	682.9	496.4	471.0	585.9	1,105.8
Net assets	2,628.5	2,854.0	3,071.5	2,918.3	2,792.8
Shareholders' funds	**2,628.5**	**2,854.0**	**3,071.5**	**2,918.3**	**2,792.8**
Dividends declared	**73.2[4]**	**170.8**	**91.6**	**–**	**273.8**
Dividends received from AWAC	**86.0**	**232.2**	**234.4**	**135.6**	**356.0**
Statistics					
Dividends declared per ordinary share	–[5]	US6c	US6c	US1.8c	12c
Dividend payout ratio (cash dividends)	–	136%	271%	–	163%
Earnings per ordinary share	(2.5c)	5.2c	1.4c	(1.1c)	11.3c
Return on equity[3]	Negative 2.2%	4.1%	1.2%	Negative 0.9%	8.5%
Gearing (net debt to equity)	20.1%	14.1%	10.0%	8.7%	27%
Net tangible assets backing per share	**$0.97**	**$1.06**	**$1.14**	**$1.09**	**$1.71**

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 have 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.

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

5 No interim or final dividend declared for the year ended 31 December 2012.

ALUMINA
LIMITED

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