ASX Announcement

24 August 2016

Alumina Limited 2016 Half-Year Result

Attached are the following documents in relation to Alumina Limited's Half-Year Result for the six-months ended 30 June 2016:

- Public Announcement
- June 2016 Half-Year ASX Report
- AWAC Report

Colin Hendry
Assistant Company Secretary

24 August 2016

Alumina Limited
GPO Box 5411, Melbourne
Victoria 3001 Australia
ABN 85 004 820 419
aluminalimited.com

Level 12, IBM Centre
60 City Road, Southbank
Victoria 3006 Australia
tel +61 (0)3 8699 2600
fax +61 (0)3 8699 2699

ASX ANNOUNCEMENT 24 AUGUST 2016

2016 Half-Year Result

ALUMINA LIMITED REPORTS US$8 MILLION PROFIT AFTER TAX

Alumina Limited (ASX:AWC) today reported a statutory net profit after tax of US$8 million for the half-year to 30 June 2016. This compares to a net profit in the prior corresponding period of US$122 million.

Alumina's results include significant items of US$5 million which are largely for the restructuring of AWAC's[1] asset portfolio partially offset by the gain on the sale of the Dampier Bunbury Natural Gas Pipeline. Excluding significant items the net profit after tax would be US$13 million.

Alumina has declared an interim, fully franked dividend of 2.9 US cents per share. This compares to an interim dividend in 2015 of 4.5 US cents per share and a final dividend of 1.8 US cents per share in 2016. The dividend reinvestment plan (DRP) will be suspended for this dividend.

Alumina's Chief Executive Officer, Peter Wasow, said, "The Company delivered a solid financial performance despite tough market conditions, reflecting in part the benefits of restructuring the AWAC portfolio and a focus on cost cutting within AWAC. Pleasingly, cash distributions from AWAC were higher than the previous year at around US$84 million for the half. Third party bauxite sales continue to expand and we have a number of options to capture market opportunities as they arise. Finally, both Alumina and AWAC continue to maintain a conservative financial profile with very low levels of debt."

Alumina continues to pursue its rights under the AWAC agreements in relation to Alcoa's proposed separation. The matter is currently scheduled to be heard by the court on 20 September, 2016.

AWAC: STRONG DISTRIBUTIONS DESPITE TOUGH MARKET CONDITIONS

- EBITDA decreased by US$450 million to US$281 million
- EBITDA margin for alumina of US$46 per tonne
- Cash from operations decreased by $561 million to negative $240 million. Cash from operations is after the final $200 million prepayment for the Western Australian gas supply agreement and the US$74 million Alba settlement[2] but excludes the proceeds from the sale of the Dampier Bunbury Natural Gas Pipeline
- Excluding the gas and Alba payments, cash from operations would have been a positive $34 million

OUTLOOK

- Diverse sector aluminium growth outpacing other metals and will feed through to alumina and bauxite demand
- 2016 first half deep refining curtailments restored balanced market for 2016
- Margins supported by API pricing shift, portfolio rationalisation, productivity gains and bauxite opportunities

ALUMINA KEY FINANCIALS	US$ MILLION		AWAC KEY FINANCIALS (US GAAP)	US$ MILLION	
	1H 2016	1H 2015		1H 2016	1H 2015
Net profit/(loss) after tax	**7.8**	**122.0**	**Net profit/(loss) after tax**	**90.5**	**328.4**
Total Significant Items after tax[3]	(4.9)	(53.1)	EBITDA[5]	280.5	730.2
Net profit/(loss) after tax excluding Significant Items	**12.7**	**175.1**	Total Significant Items before tax[6]	5.4	(70.7)
Cash received from AWAC	83.7	71.0	Cash from operations	(240.2)	320.6
Contributions paid to AWAC	Nil	Nil			
Net Receipts from AWAC	**83.7**	**71.0**			
				US$ PER TONNE	
	30 Jun 2016	31 Dec 2015		1H 2016	1H 2015
Net Debt US$m	80.0	101.2	Alumina EBITDA margin[7]	46	104
Gearing[4]	3.7%	4.8%	Alumina average realised price	234	321
			Alumina average cash cost of production	193	223

DEFINITIONS AND NOTES

1. AWAC is Alcoa World Alumina & Chemicals, which is 60% owned by Alcoa Inc and 40% owned by Alumina Limited.
2. In accordance with the allocation agreement with Alcoa, the $74 million Alba settlement payment was funded by Alcoa as a part of its assumption of the additional 25% equity share of the Alba settlement payments and costs.
3. 1H16 significant items comprise a share of all AWAC 1H16 significant items. All items are included in the equity accounted share of net profit of associate.
4. Calculated as (debt – cash) / (debt + equity).
5. Earnings before interest, tax, depreciation and amortisation consistent with previous periods.
6. 1H16 significant items are Suralco restructuring charge of $15.7 million pre-tax, Anglesea restructuring charge of $0.8 million pre-tax, Point Comfort restructuring charge of $4.2 million pre-tax and other items totalling a charge of $1.0 million partially offset by a gain on sale of the Dampier Bunbury Natural Gas Pipeline interest of $27.1 million pre-tax. 1H15 AWAC financials include Anglesea restructuring charge of $53.4 million pre-tax and Suralco restructuring charge of $17.7 million pre-tax. For further details refer to the reconciliation on page 22 of Alumina Limited's ASX Half-Year Report for the period ended 30 June 2016.
7. The EBITDA margin is calculated as AWAC's EBITDA excluding significant items, smelters' EBITDA and equity accounted income/(losses) divided by tonnes of alumina produced.

Colin Hendry
Assistant Company Secretary

24 August 2016

FOR INVESTOR ENQUIRIES:

Chris Thiris
Chief Financial Officer
Phone: +61 3 8699 2607
chris.thiris@aluminalimited.com

Charles Smitheram
Manager – Treasury and Investor Relations
Phone: +61 3 8699 2613
charles.smitheram@aluminalimited.com

FOR MEDIA ENQUIRIES:

Nerida Mossop
Hinton and Associates
Phone: +61 3 9600 1979
Mobile: +61 437 361 433

ASX HALF-YEAR REPORT

Alumina Limited

ABN 85 004 820 419

30 JUNE 2016

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 31 December 2015 Annual Report.

ALUMINA LIMITED

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

The Company invests worldwide in bauxite mining, alumina refining and selected aluminium smelting operations through its 40% ownership of Alcoa World Alumina and Chemical (AWAC). Our partner, Alcoa Inc. (Alcoa) owns the remaining 60% of AWAC, and is the manager.

The ASX Half-Year report covers the consolidated entity consisting of Alumina Limited and its subsidiaries. All financial data is presented in US dollars, unless otherwise specified.

CONTENTS

Results for Announcement to the Market

NET PROFIT

		CHANGE	US$ MILLION
Net profit from ordinary activities after tax attributable to members of Alumina Limited	Down	94%	7.8
Net profit for the year attributable to members of Alumina Limited (Refer Note below)	Down	94%	7.8

DIVIDENDS

The record date to determine entitlements to the dividend is 31 August 2016.

	AMOUNT PER SHARE US CENTS	FRANKED AMOUNT PER SHARE US CENTS
Final dividend (prior year)	1.8	1.8
Interim dividend	2.9	2.9

SIGNIFICANT ITEMS AFFECTING THE NET PROFIT FOR THE PERIOD

The net profit of Alumina Limited includes the half-year results of AWAC. The Company's net profit was negatively affected by its equity share of significant items contained within AWAC's results. These items are disclosed in the table below to enhance an understanding of the Company's operational performance during the reporting period.

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Net profit for the period, after tax	**7.8**	**122.0**
Significant items included in profit/(loss):		
Suralco restructuring charges and deferred tax assets adjustments[1]	(6.3)	(39.3)
Point Comfort restructuring charges[2]	(1.7)	-
Anglesea restructuring charges[3]	(0.2)	(14.7)
Gain on sale of interest in the Dampier Bunbury Natural Gas Pipeline (DBNGP)[4]	2.5	-
Other[5]	0.8	0.9
Total significant items included in net profit/(loss)	(4.9)	(53.1)

1 On 18 March 2015 Alcoa announced plans to curtail 443,000 metric tonnes per year of alumina capacity of the Suralco refinery in Suriname. On 15 September 2015 Alcoa announced plans to fully curtail the remaining 887,000 metric tonnes per year of alumina refining capacity which was done in November 2015. Ongoing costs will be recognised in future financial years relating to the curtailment.

2 On 3 November 2015 Alcoa announced plans to curtail 1,200,000 metric tonnes per year of alumina capacity of the Point Comfort refinery in Texas USA. On 8 January 2016 Alcoa announced plans to fully curtail the remaining 810,000 metric tonnes per year of alumina capacity which was completed in June 2016. Ongoing costs will be recognised in future financial years relating to the curtailment.

3 On 12 May 2015 Alcoa of Australia Limited, an AWAC entity, decided to permanently close the Anglesea coal mine and power station which was completed in August 2015. Further costs will be recognised in future financial years relating to the closure, demolition and remediation activities that are expected to be completed by the end of 2020.

4 On 30 March 2016 Alcoa of Australia Limited announced its decision to sell its 20 per cent interest in DBNGP for $154 million (A$205 million) cash. The significant item above represents Alumina Limited's share of gain on sale, calculated as sale price net of cost, other expenses and deferred tax assets write-off.

5 Other significant items in 2016 include Point Henry's net scrap proceeds offset by other severance and redundancy payments, assets write-offs (1H 2015: adjustment on sale of the Jamalco bauxite mine and alumina refinery in Jamaica, offset by the Point Henry smelter (Victoria, Australia) restructuring charges).

Interim Consolidated Financial Report

DIRECTORS' REPORT

The Directors of Alumina Limited present their report on the consolidated entity consisting of Alumina Limited and the entities it controlled (the Group) at the end of, or during, the half-year ended 30 June 2016.

DIRECTORS

The following persons were directors of Alumina Limited during the whole of the half-year and up to the date of this report, unless otherwise indicated:

NON-EXECUTIVE

G J Pizzey (Chairman)
E R Stein
C Zeng
W P Day
M P Ferraro

EXECUTIVE

P C Wasow (Chief Executive Officer)

PRINCIPAL ACTIVITIES

The principal activities of the Group relate to its 40 per cent interest in the series of operating entities forming the AWAC joint venture. 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

The half-year financial results of Alumina Limited include the half-year result of AWAC and associated corporate activities.

The Group's half-year net profit after tax attributable to members of Alumina Limited was US$7.8 million (1H 2015: US$122.0 million).

For further information on the operations of the Group during the half-year ended 30 June 2016 and the results of these operations, refer to pages 19-26.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 7.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission Corporations Instrument 2016/191, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Legislative Instrument to the nearest hundred thousand dollars, except where otherwise required.

This Report is made in accordance with a resolution of directors.

PETER WASOW
Director
Melbourne
24 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Alumina Limited for the half-year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

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

Nadia Carlin

NADIA CARLIN
Partner
Melbourne
24 August 2016

PricewaterhouseCoopers, ABN 52 780 433 757

Freshwater Place, 2 Southbank Boulevard, Southbank, VIC 3006, GPO Box 1331, Melbourne VIC 3001

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Revenue from continuing operations	0.2	–
Share of net profit of associates accounted for using the equity method	28.1	131.8
General and administrative expenses	(9.2)	(5.6)
Change in fair value of derivatives/foreign exchange losses	(8.1)	(0.6)
Finance costs	(3.2)	(3.5)
Profit before income tax	**7.8**	**122.1**
Income tax expenses	–	(0.1)
Profit for the half-year attributable to the owners of Alumina Limited	**7.8**	**122.0**
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Share of reserve movements accounted for using the equity method	14.4	(3.7)
Foreign exchange translation difference	152.8	(238.1)
Items that will not be reclassified to profit or loss		
Re-measurements of retirement benefit obligations accounted for using the equity method	(23.5)	37.5
Other comprehensive income/(loss) for the half-year, net of tax	**143.7**	**(204.3)**
Total comprehensive income/(loss) for the half-year attributable to the owners of Alumina Limited	**151.5**	**(82.3)**

EARNINGS PER SHARE (EPS)

	US CENTS	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Basic EPS	0.3	4.3
Diluted EPS	0.3	4.3

CONSOLIDATED BALANCE SHEET

	US$ MILLION	
	30 JUNE 2016	31 DEC 2015
CURRENT ASSETS		
Cash and cash equivalents	22.8	9.3
Receivables	0.1	–
Other assets	2.9	3.3
Total current assets	**25.8**	**12.6**
NON-CURRENT ASSETS		
Investment in associates	2,176.2	2,098.0
Property, plant and equipment	0.1	0.1
Total non-current assets	**2,176.3**	**2,098.1**
TOTAL ASSETS	**2,202.1**	**2,110.7**
CURRENT LIABILITIES		
Payables	2.6	1.7
Provisions	0.3	0.2
Other liabilities	0.8	0.2
Total current liabilities	**3.7**	**2.1**
NON-CURRENT LIABILITIES		
Borrowings	102.8	110.5
Derivative financial instruments	12.4	14.7
Provisions	0.5	0.5
Total non-current liabilities	**115.7**	**125.7**
TOTAL LIABILITIES	**119.4**	**127.8**
NET ASSETS	**2,082.7**	**1,982.9**
EQUITY		
Contributed equity	2,682.9	2,682.9
Treasury shares	(1.4)	(1.4)
Reserves	(1,138.6)	(1,305.9)
Retained earnings	539.8	607.3
TOTAL EQUITY	**2,082.7**	**1,982.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	US$ MILLION			
	Contributed Equity[1]	Reserves	Retained Earnings	Total
Balance as at 1 January 2015	**2,618.8**	**(853.0)**	**658.2**	**2,424.0**
Profit for the half-year	–	–	122.0	122.0
Other comprehensive (loss)/income for the half-year	–	(241.8)	37.5	(204.3)
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(44.9)	(44.9)
Movement in treasury shares	(0.7)	–	–	(0.7)
Movement in share based payments reserve	–	0.4	–	0.4
Balance as at 30 June 2015	**2,618.1**	**(1,094.4)**	**772.8**	**2,296.5**
Balance as at 1 January 2016	**2,681.5**	**(1,305.9)**	**607.3**	**1,982.9**
Profit for the half-year	–	–	7.8	7.8
Other comprehensive income/(loss) for the half-year	–	167.2	(23.5)	143.7
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(51.8)	(51.8)
Movement in treasury shares	–	–	–	–
Movement in share based payments reserve	–	0.1	–	0.1
Balance as at 30 June 2016	**2,681.5**	**(1,138.6)**	**539.8**	**2,082.7**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(7.6)	(6.0)
GST refund received	0.4	0.3
Dividends received from associates	44.0	26.8
Distributions received from associates	0.4	0.8
Finance costs paid	(3.6)	(4.9)
Interest paid under cross currency interest rate swap	(1.7)	(1.7)
Interest received under cross currency interest rate swap	2.5	2.7
Tax paid	-	(0.9)
Other	0.1	(0.1)
Net cash inflow from operating activities	**34.5**	**17.0**
Cash flows from to investing activities		
Payments to investments in associates	-	-
Proceeds from return of invested capital	39.3	43.4
Net cash inflow from investing activities	**39.3**	**43.4**
Cash flows from to financing activities		
Proceeds from borrowings	30.0	40.0
Repayment of borrowings	(40.0)	(50.0)
Dividends paid	(51.8)	(44.9)
Net cash outflow from financing activities	**(61.8)**	**(54.9)**
Net increase in cash and cash equivalents	**12.0**	**5.5**
Cash and cash equivalents at the beginning of the reporting period	9.3	24.9
Effects of exchange rate changes on cash and cash equivalents	1.5	(0.4)
Cash and cash equivalents at the end of the reporting period	**22.8**	**30.0**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

This interim consolidated financial report for the half-year ended 30 June 2016 has been prepared in accordance with the Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This interim consolidated financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by Alumina Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

RECONCILIATION OF CASH

	US$ MILLION	
	30 JUNE 2016	30 JUNE 2015
Reconciliation of cash at the end of the reporting period (as shown in the consolidated statement of cash flows) as follows:		
Cash on hand and at bank	1.8	19.0
Money market deposits (with maturities on investment three months or less)	21.0	11.0
Total cash and cash equivalents at the end of the reporting period	**22.8**	**30.0**

CONSOLIDATED RETAINED EARNINGS

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Retained earnings at the beginning of the reporting period	**607.3**	**658.2**
Profit attributable to members of Alumina Limited	7.8	122.0
Dividends provided for or paid	(51.8)	(44.9)
Re-measurements of retirement benefit obligations accounted for using the equity method	(23.5)	37.5
Total retained earnings at the end of the reporting period	**539.8**	**772.8**

INCOME TAX

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

The significant majority of the Company's taxable income reported for the interim period relates to Australian dividend income from the Company's investments in AWAC. Under Australian income tax law, the Company is entitled to reduce its tax payable by claiming credits (franking credits) in relation to Australian dividend income. This is to prevent double taxation, as Australian tax has been paid by Alcoa of Australia Limited (an AWAC entity) on its operating income.

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Current tax	–	0.1
Deferred tax	–	–
Aggregate income tax expense	**–**	**0.1**

EQUITY SECURITIES ISSUED

There were no issues of ordinary shares during the half-years ended 30 June 2016 and 30 June 2015.

MOVEMENT IN TREASURY SHARES

	NUMBER OF SHARES		US$	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Balance brought forward	61,717	423,695	1,413,606	1,176,904
Shares acquired by Alumina Employee Share Plan Pty Ltd	–	600,000	–	827,340
Employee performance rights vested	(33,349)	–	(22,201)	–
Total treasury shares	**28,368**	**1,023,695**	**1,391,405**	**2,004,244**

EARNINGS PER SHARE

	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Profit attributable to the ordinary equity holders of the Company in the calculation of basic and diluted EPS (US$ million)	7.8	122.0
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted EPS[1]	2,879,783,064	2,805,427,334
Basic EPS (US cents)	**0.3**	**4.3**
Diluted EPS (US cents)	**0.3**	**4.3**

[1] In September 2015, 73,617,883 shares were issued under the dividend reinvestment plan at a 1.5% discount to the market price.

NET TANGIBLE ASSET BACKING PER SECURITY

	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Net assets (US$ million)	2,082.7	2,296.5
Less equity accounted intangible assets:		
Goodwill (US$ million)	175.8	175.8
Mineral rights and bauxite assets net of deferred tax liabilities (US$ million)	73.0	74.5
Net tangible assets (US$ million)	1,833.9	2,046.2
Number of issued ordinary shares (including treasury shares)	2,879,843,498	2,806,225,615
Net tangible asset backing per ordinary security (US$)	**0.64**	**0.73**

DIVIDENDS

Since the half-year end the Directors have determined that a fully franked dividend of US 2.9 cents per share will be payable on 15 September 2016, amounting to US $83.5 million. This amount has not been recognised as a liability at 30 June 2016. The record date to determine entitlement to the dividend is 31 August 2016.

The franking account balance, which is maintained in Australian dollars, was A$335.2 million as at 30 June 2016 (A$339.9 million as at 31 December 2015).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN LOST OR GAINED

There was no loss or gain of control for the half-years ended 30 June 2016 and 30 June 2015.

MATERIAL INTERESTS IN ENTITIES WHICH ARE NOT CONTROLLED ENTITIES

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE OWNERSHIP	
			30 JUNE 2016	30 JUNE 2015
Alcoa of Australia Limited	Bauxite, alumina & aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina production	America	40	40
Alumina Espanola S.A.	Alumina production	Spain	40	40
Alcoa World Alumina Brasil Ltda.	Bauxite and alumina production	Brazil	40	40
AWA Saudi Ltda.	Bauxite and alumina production	Hong Kong	40	40
Enterprise Partnership	Finance lender	Australia	40	40

AWAC CONTRIBUTION TO NET PROFIT/(LOSS) OF ALUMINA LIMITED AND CONTROLLED ENTITIES

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Revenues	1,920.6	2,880.7
Profit from continuing operations	72.2	331.4
Profit for the half-year[1]	**72.2**	**331.4**
Other comprehensive income/(loss) for the half-year	380.3	(510.5)
Total comprehensive income/(loss) for the half-year	**452.5**	**(179.1)**
Group Share of profit for the half-year as a percentage	40%	40%
Group Share of profit for the half-year in dollars	28.8	132.5
Mineral rights and bauxite amortisation	(1.1)	(1.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.4	0.4
Share of profit from associate accounted for using equity method	**28.1**	**131.8**
Dividends and distributions received from AWAC	**44.4**	**27.6**

[1] The profit for the six month periods ended 30 June 2016 and 30 June 2015 include significant items that have affected AWAC's net profit after tax. For further details refer to the reconciliation on page 22.

AWAC'S LEGAL MATTERS

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

Glencore has demanded that St Croix Alumina LLC ("SCA") and Alcoa World Alumina LLC ("AWA"), AWAC entities, indemnify Glencore from any losses incurred as a result of the Lockheed Action under the 19 July 1995 Acquisition Agreement (the "1995 Agreement") between Vialco and AWA pursuant to which SCA purchased the refinery from Vialco. AWA has denied that it owes Glencore any such obligation of indemnity and has filed a declaratory judgement action in Delaware seeking clarification of its rights and obligations under the 1995 Agreement.

After Glencore conceded that it was not seeking to add Alcoa to the New York action, AWA and SCA dismissed their complaint in the Chancery Court case and on 6 August 2015 filed a complaint for declaratory judgment in Delaware Superior Court. AWA and SCA filed a motion for judgment on the pleadings on 16 September 2015. Glencore answered AWA's and SCA's complaint and asserted counterclaims on 27 August 2015, and on 2 October 2015 filed its own motion for judgment on the pleadings. Argument on the parties' motions was held by the court on 7 December 2015, and by order dated 8 February 2016, the court granted Alcoa's motion and denied Glencore's motion, resulting in Alcoa not being liable to indemnify Glencore for the Lockheed action. The decision also leaves for pre-trial discovery and possible summary judgment or trial Glencore's claims for costs and fees it incurred in defending and settling an earlier Superfund action brought against Glencore by the Government of the Virgin Islands. On 17 February 2016, Glencore filed notice of its application for interlocutory appeal of the 8 February ruling. AWA and SCA filed an opposition to that application on 29 February 2016. On 10 March 2016, the court denied Glencore's motion for interlocutory appeal and on the same day entered judgment on claims other than Glencore's claims for costs and fees it incurred in defending and settling the earlier Superfund action brought against Glencore by the Government of the Virgin Islands. On 29 March 2016, Glencore filed a withdrawal of its notice of interlocutory appeal and also noted its intent to appeal the court's 10 March 2016 judgment.

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

ALUMINA LIMITED'S LEGAL MATTERS

On 28 September 2015, Alcoa announced that its Board of Directors preliminarily approved a plan to separate into two independent, publicly traded upstream and downstream companies. The upstream company will include Alcoa's existing bauxite, alumina, aluminium, casting, energy and the Warrick rolling operations and the equity interest in the rolling mill at the joint venture in Saudi Arabia (which would include Alcoa's existing 60% interest in AWAC).

Alumina Limited has carefully considered the implications for its shareholders and for the AWAC joint venture of Alcoa's proposed corporate separation. Alumina has serious concerns that the proposal as described by Alcoa will result in a material adverse change in the nature, size, scope and financial wherewithal of Alumina Limited's joint venture partner.

To address these matters, Alumina Limited and Alcoa have been in detailed discussions since early this year. On 27 May 2016, Alcoa filed an application in the Chancery Court in Delaware seeking declarations regarding Alumina Limited's rights in the context of the Alcoa corporate separation.

On 27 June 2016 Alumina Limited released its 'answer and counterclaim' filed in response to the 'complaint' brought by Alcoa. Alumina Limited's counterclaim provides a detailed explanation of Alumina Limited's rights under the AWAC joint venture agreements, and seeks court declarations to both prevent Alcoa taking further steps in its separation without complying with its obligations under the AWAC agreements, and to receive offers to acquire Alcoa's interests in the various AWAC companies under its first option rights and to entitle Alumina exercise rights in respect of the sale of its equity share of AWAC alumina and bauxite production.

Alumina Limited has since 27 May 2016 undertaken the actions required in order to defend the declarations sought in Alcoa's application and to pursue its counterclaim in the Chancery Court in Delaware.

The application is set to be heard by the Chancery Court on 20, 21 and 23 September 2016.

BORROWINGS

	US$ MILLION	
	30 JUNE 2016	31 DEC 2015
Bank loans	10.0	20.0
Fixed rate note	92.8	90.5
Total borrowings	**102.8**	**110.5**

Bank Loans

Alumina Limited has a US$300 million syndicated bank facility with two equal tranches maturing in December 2017 and July 2020. As at 30 June 2016 there was $10 million drawn against the syndicated facility so the undrawn available facility amount as at 30 June 2016 was $290 million.

Fixed rate note

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

SEGMENT INFORMATION

Alumina Limited's primary assets are its 40 per cent 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 interest in AWAC.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no significant events occurring since 30 June 2016.

DIRECTORS' DECLARATION

In the directors' opinion:

a) the financial statements and notes set out on pages 8 to 15 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standard AASB134 Interim Financial Reporting, 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 30 June 2016 and of its performance for the half-year ended on that date; and

b) there are reasonable grounds to believe that Alumina Limited will be able to pay its debts as and when they become due and payable.

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

PETER WASOW
Director
Melbourne
24 August 2016

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALUMINA LIMITED

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Alumina Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the Directors' declaration for Alumina Limited Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

DIRECTORS' RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alumina Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENCE

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

CONCLUSION

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alumina Limited is not in accordance with the Corporations Act 2001 including:

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Nadia Carlin

NADIA CARLIN
Partner
Melbourne
24 August 2016

Supplementary Appendix 4D Information

NOTE REGARDING NON-IFRS FINANCIAL INFORMATION

This supplementary information contains certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior corresponding period and to assess the operating performance of the business. Where non-IFRS measures are used, definition of the measure, calculation method and/or reconciliation to IFRS financial information is provided as appropriate.

AWAC financial information has been extracted from unaudited combined financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

FORWARD LOOKING STATEMENTS

Neither Alumina Limited nor any other person warrants or guarantees the future performance of Alumina Limited or any return on any investment made in Alumina Limited securities. This supplementary information may contain certain forward-looking statements, including forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. The words “anticipate”, "aim", "believe", "expect", "project", “estimate”, "forecast", "intend", "likely", “should”, "could", "will", "may", "target", "plan” and other similar expressions (including indications of "objectives") are intended to identify forward-looking statements. Indications of, and guidance on, future financial position and performance and distributions, and statements regarding Alumina Limited’s future developments and the market outlook, are also forward-looking statements.

Any forward-looking statements contained in this document are not guarantees of future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Alumina Limited and its directors, officers, employees and agents that may cause actual results to differ materially from those expressed or implied in such statements. Those risks, uncertainties and other factors include (without limitation): (a) material adverse changes in global economic conditions, alumina or aluminium industry conditions or the markets served by AWAC; (b) changes in production or development costs, production levels or sales agreements; (c) changes in laws, regulations or policies; (d) changes in alumina or aluminium prices or currency exchange rates; (e) Alumina Limited does not hold a majority interest in AWAC and decisions made by majority vote may not be in the best interests of Alumina Limited; and (f) the other risk factors summarised in Alumina Limited's Annual Report 2015. Readers should not place undue reliance on forward-looking statements. Except as required by law, Alumina Limited disclaims any responsibility to update or revise any forward-looking statements to reflect any new information or any change in the events, conditions or circumstances on which a statement is based or to which it relates.

ALUMINA LIMITED FINANCIAL PERFORMANCE SUMMARY

LOWER PROFIT BUT IMPROVED CASH FLOW

- Profit decreased by $114.2 million.
- Excluding significant items, profit decreased by $162.4 million.
- Net cash receipts from AWAC increased by $12.7 million.

INTERIM DIVIDEND DECLARED AND FINAL DIVIDEND PAID

- The directors declared a fully franked interim dividend of US 2.9 cents per share, payable on 15 September 2016 to shareholders on the register as at 5pm on 31 August 2016.
- The fully franked final dividend for 2015 of 1.8 cents per share was paid on 23 March 2016.

BALANCE SHEET STABILITY MAINTAINED

- Maturity profile of borrowings extended with improved pricing.
- Balance sheet gearing at 3.7%.

KEY FINANCIALS (IFRS)

	US$ MILLION	
	30 JUNE 2016	30 JUNE 2015
Net profit after tax	7.8	122.0
Total significant items after tax[1]	(4.9)	(53.1)
Net profit after tax excluding significant items	12.7	175.1
Cash received from AWAC	83.7	71.0
Contributions paid to AWAC	-	-

	US CENTS PER SHARE	
	30 JUNE 2016	30 JUNE 2015
EPS	0.3	4.3
Total dividends declared	2.9	4.5

	30 JUNE 2016	31 DEC 2015
Net Debt, US$m	80.0	101.2
Gearing[2]	3.7%	4.8%

[1] For further details refer to page 25.

[2] Calculated as (debt - cash) / (debt + equity).

AWAC FINANCIAL AND OPERATIONAL PERFORMANCE SUMMARY

LOWER EBITDA AND SIGNIFICANT ITEMS

- EBITDA decreased by $449.7 million.
- Charges related to significant items decreased by $76.1 million.
- Excluding significant items, EBITDA decreased by $525.8 million.

ALUMINA COSTS AND PRICES DECLINED

- Alumina EBITDA margin decreased by $58 per tonne.
- Alumina average cash cost declined by $30 per tonne, or $39 per tonne after excluding all curtailed refinery operations.
- Alumina average realised price declined by $87 per tonne.
- Proportion of third party smelter grade alumina shipments that were priced on spot or alumina indexed basis increased to 84%.

LOWER CASH FROM OPERATIONS

- Cash from operations decreased by $560.8 million.
- Cash from operations includes payments for the $200 million final instalment for natural gas supply from 2020 and $74 million Alba settlement.
- Excluding the gas and Alba payments, cash from operations would have been a positive $33.8 million.

EXPANDING THIRD PARTY BAUXITE BUSINESS

- Third party shipments for 1H 2016 increased by 227% to 2.9 million tonnes.
- Third party shipments for 2016 full year expected to be approximately 6.3 million tonnes.

KEY FINANCIALS (US GAAP)

	30 JUNE 2016	30 JUNE 2015
EBITDA US$m[1]	280.5	730.2
Total significant items before tax US$m[1]	5.4	(70.7)
EBITDA excluding significant items US$m[1]	275.1	800.9
Alumina EBITDA margin US$/tonne[2]	46	104
Alumina average realised price US$/tonne	234	321
Alumina average cash cost of production US$/tonne	193	223
Alumina shipments priced on spot or index basis (%)	84	71
Cash from operations US$m	(240.2)	320.6

[1] For further details refer to the reconciliation on page 22.

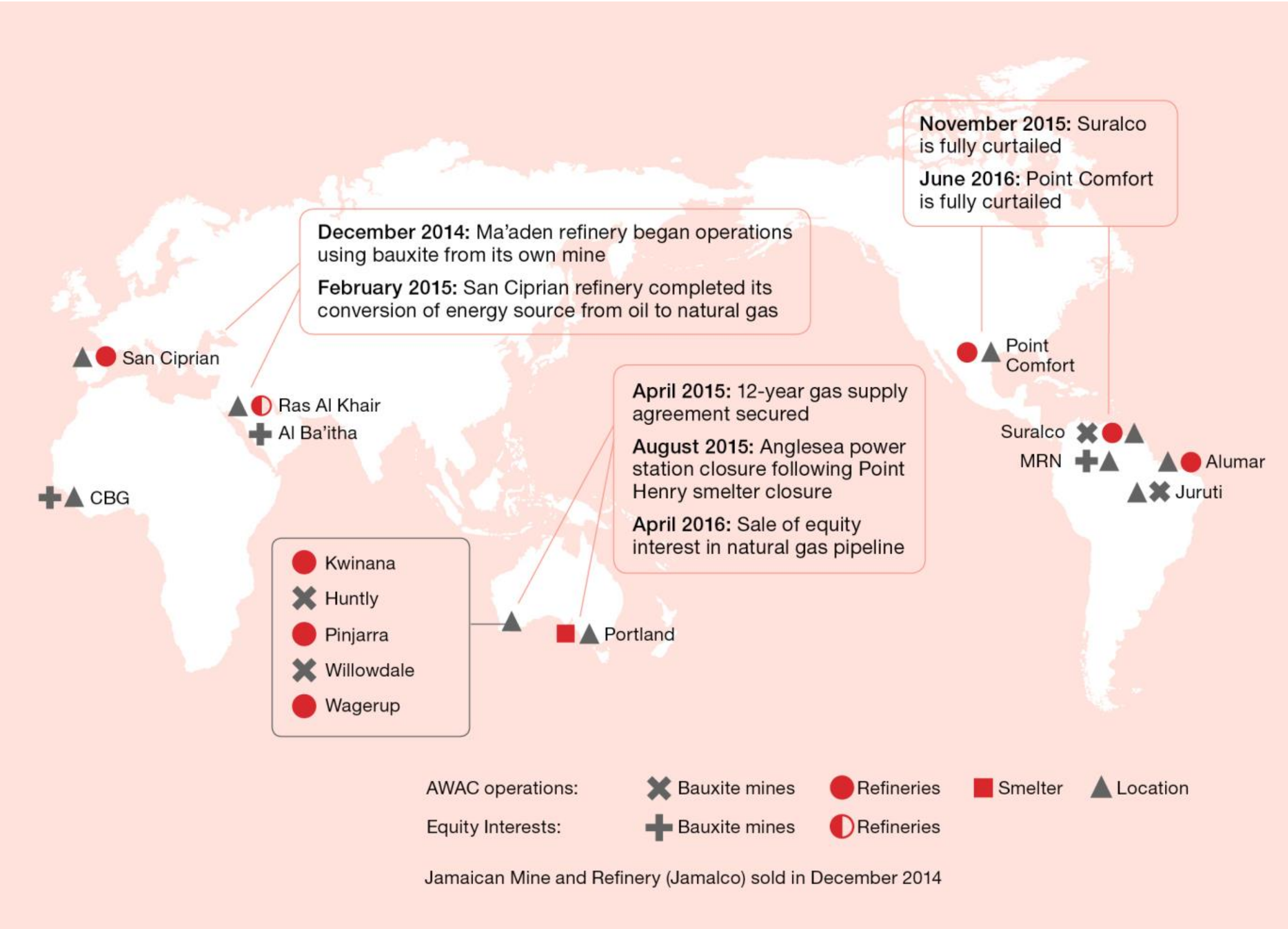
[2] The Earnings before interest, tax, depreciation and amortisation (EBITDA) margin is calculated as AWAC's EBITDA excluding significant items, smelter's EBITDA and equity accounted income/(losses) divided by tonnes of alumina produced.

REVIEW OF AWAC OPERATIONS

AWAC's portfolio has been undergoing restructuring and repositioning to improve the quality of returns to the partners. This included the creation of a separate mining business unit in 2015, which recognises the growing commercial value of bauxite, and the extensive resource, mining capabilities and infrastructure capacity of AWAC.

Portfolio optimisation remains as an ongoing process.

DIAGRAM OF ALCOA WORLD ALUMINA AND CHEMICALS OPERATIONS AND INTERESTS



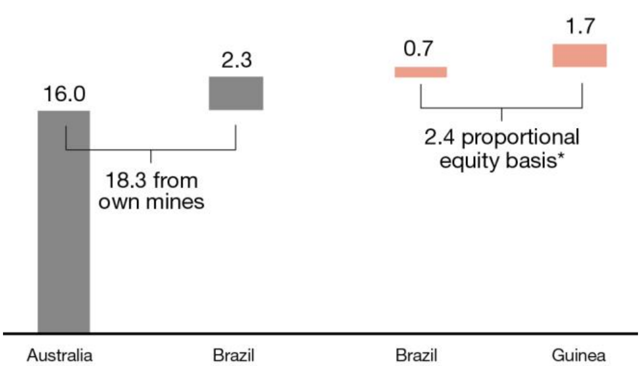
MINING

AWAC's own mines produced 18.3 million bone dry tonnes (BDT) of bauxite, a decrease of 0.8 million tonnes compared to 1H 2015, due to the curtailment of the Suralco mine offset by increased production in Australia.

During the 1H 2016, AWAC consumed 18.6 million BDT of bauxite from its own sources and 2.0 million BDT from entities in which equity interests are held (1H 2015: 18.5 BDT and 3.7 BDT respectively). The decrease in AWAC's consumption is primarily due to the refinery curtailments (see next section).

The 1H 2016 average cash cost per tonne of bauxite produced by AWAC's own mines decreased by 35.7% to $9 per tonne compared to $14 per tonne in 1H 2015. Approximately $2 per tonne of the decrease is as a result of the curtailment of the higher cost Suralco mine. The balance of the decrease was predominately due to the stronger US dollar against the Australia dollar and the Brazilian real.

BAUXITE PRODUCTION (MILLION BDMT)



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

Whilst AWAC remains focused on leveraging its strategic advantage of having mining operations in close proximity to its refining operations, it is also expanding its third party bauxite business.

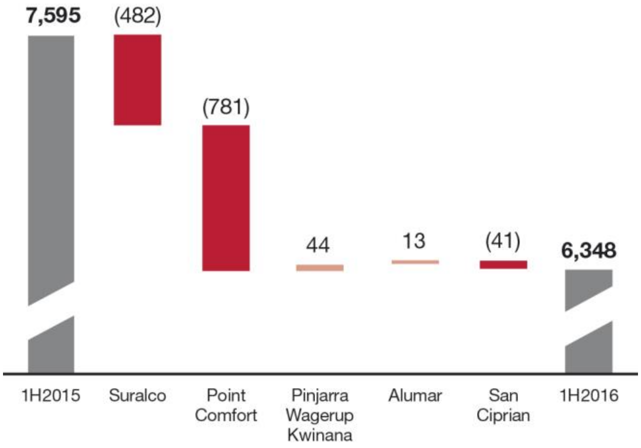
In April 2016, AWAC announced that it signed bauxite supply contracts with customers in China, Europe and Brazil worth more than $350 million over two years. AWAC has also completed its first trial cargo shipment of Western Australian bauxite to China during the first-half of 2016. Furthermore, the Juruti mine is expected to export approximately one million tonnes of bauxite to China during 2016.

During 1H 2016 AWAC sold 2.9 million BDT of bauxite to third parties. The EBITDA earned was $23 million, approximately $8 per tonne.

REFINING

Production of alumina was 6.3 million tonnes in 1H 2016, compared to 7.6 million tonnes in 1H 2015, and alumina shipments were 6.6 million and 7.8 million tonnes respectively. The reduction in both production and sales volume is mainly due to the curtailment of the Suralco and Point Comfort refineries as a result of the process to optimise the asset portfolio in the current market.

ALUMINA PRODUCTION (KT)



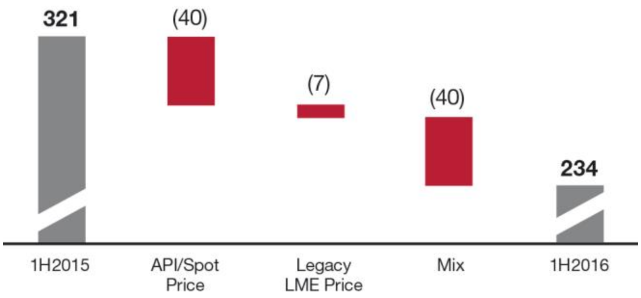
During December 2014, the Ma'aden refinery began operating using bauxite from its own mine. The refinery is expected to produce 1.5 million tonnes (AWAC's share is 376,500) of alumina in 2016 and should be one of the lowest cash production cost per tonne refineries in AWAC's portfolio. The 1H 2016 results included $24.2 million of equity losses compared to $20.1 million in 1H 2015.

Approximately 84% of the third party smelter grade alumina (SGA) shipments were priced on spot or alumina indexed basis for 1H 2016 compared to 71% for 1H 2015. For 2016, shipments on a spot or alumina indexed basis are expected to be approximately 85% of the total.

The average three-month LME aluminium price, determined on a two-month lag basis, decreased by 18.8% in 1H 2016 compared to 1H 2015, and the average alumina price index FOB Australia (one month lag) decreased by 33.1%. Despite this, revenue per tonne from SGA sales priced by reference to indices and spot continued to be higher than the legacy LME-linked contracts.

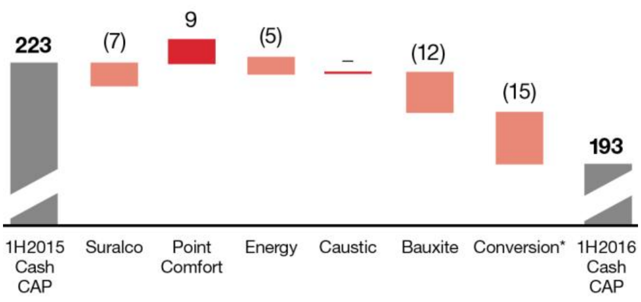
The net result was that 1H 2016 average realised alumina prices decreased by 27.1% to $234 per tonne compared to $321 per tonne in 1H 2015.

REALISED ALUMINA PRICE PER TONNE



AWAC's average 1H 2016 cash cost per tonne of alumina produced (which includes the mining business unit at cost) decreased by 13.5% to $193 per tonne compared to $223 per tonne in 1H 2015. Approximately seven dollars per tonne of the decrease is as a result of the curtailment of the higher cost Suralco mine and refinery which was fully curtailed in November 2015.

CASH COST PER TONNE OF ALUMINA PRODUCED



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

The Point Comfort refinery was fully curtailed in June 2016. If this refinery was excluded from the first-half results, then 1H 2016 cash costs would have been $184 per tonne, which would be 11.1% lower than the 1H 2015 costs on the same basis. The balance of the decrease was predominantly due to the stronger US dollar and lower energy costs driven by lower energy prices.

The EBITDA margin (which includes the mining business unit) was $46 per tonne of alumina produced in 1H 2016, a decrease of $58 per tonne compared to 1H 2015. Lower margins were a result of the lower average realised alumina prices partially offset by lower costs of production and an increase in sales of bauxite to third parties.

If these bauxite sales were excluded, the refinery EBITDA margin would have been $42 per tonne.

SMELTING

The Portland smelter, in which AWAC has a 55% equity interest, is the remaining smelting operation in the AWAC portfolio.

AWAC's share of aluminium production was approximately 81,000 tonnes in 1H 2016, consistent with 1H 2015.

Portland contributed $3.3 million in EBITDA, at a margin of $40 per tonne of aluminium produced. The margin was negatively affected by costs arising from the Maritime Union of Australia's actions that had stranded the MV Portland in the Port of Portland and missed shipments of aluminium in June.

Portland's 1H 2016 average cash cost of aluminium per tonne produced decreased by 17.1% to $1,401 per tonne, mainly due to lower alumina prices. The balance of the decrease was predominantly due to the stronger US dollar and lower energy costs driven by lower energy prices.

The average realised aluminium price decreased by 24.2% to $1,651 per tonne.

AWAC FINANCIAL REVIEW

The decline in Net Profit was largely due to the lower average realised alumina price in 1H 2016, which was partially offset by AWAC's much lower charges for significant items, net productivity improvements and lower energy costs.

AWAC PROFIT AND LOSS (US GAAP)	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Net profit after tax	90.5	328.4
Add back: Income tax charge	57.3	240.7
Add back: Depreciation and amortisation	132.4	160.5
Add back: Net interest	0.3	0.6
EBITDA	**280.5**	**730.2**
(Deduct)/add back: Significant items (pre-tax)	(5.4)	70.7
EBITDA excluding significant items	**275.1**	**800.9**

AWAC's net profit included the following significant items:

SIGNIFICANT ITEMS (US GAAP)	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Suralco restructuring charges	(15.7)	(17.7)
Point Comfort restructuring charges	(4.2)	-
Anglesea restructuring charges	(0.8)	(53.4)
Gain on sale of interest in the Dampier Bunbury Natural Gas Pipeline (DBNGP)	27.1	-
Other	(1.0)	0.4
Total significant items (pre-tax)	**5.4**	**(70.7)**
Total significant items (after-tax)	**(5.2)**[1]	**(134.5)**[1]

[1] For the half-year ended 30 June 2016, after-tax significant items included a $5.0 million deferred tax assets write-off in relation to the sale of DBNGP. For the half-year ended 30 June 2015, after-tax significant items included a $85.2 million tax charge for a revaluation of certain deferred tax assets of Suralco, which mainly related to employee benefits and the carrying forward of tax losses.

AWAC BALANCE SHEET (US GAAP)	US$ MILLION	
	30 JUNE 2016	31 DEC 2015
Cash and cash equivalents	304.2	531.8
Receivables	312.1	329.1
Related party notes receivable	136.8	113.6
Inventories	433.2	436.8
Property, plant & equipment	3,870.5	3,691.8
Other assets	2,205.3	2,032.5
Total Assets	**7,262.1**	**7,135.6**
Short term borrowings	71.1	10.0
Accounts payable	595.1	635.8
Taxes payable and deferred	258.6	306.3
Capital lease obligations & long term debt	3.1	3.6
Other liabilities	1,107.6	1,308.8
Total Liabilities	**2,035.5**	**2,264.5**
Equity	**5,226.6**	**4,871.1**

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

During 2015, Alcoa of Australia Limited secured a 12-year gas supply agreement, beginning in July 2020, which required a prepayment of $500 million to be made in two instalments. The first instalment of $300 million was paid in June 2015, the second and final instalment of $200 million was made in April 2016. These instalments are included in other assets (non-current) on the AWAC consolidated balance sheet in the respective reporting periods.

The movement in other assets also included an increase in the value of deferred tax assets of approximately $35 million and a reduction in investments of $109 million primarily due to the sale of DBNGP.

The reduction in taxes payable and deferred relates to the payment of 2015 Australian tax and also reflects the lower taxable income for the period.

The reduction in other liabilities includes the $74 million Alba settlement paid in January 2016. In accordance with the allocation agreement with Alcoa, the payment was funded by Alcoa as a part of its assumption of the additional 25% equity share of the Alba settlement payments and costs. The remaining instalment payments totalling $148 million will also be fully funded by Alcoa.

Further decreases in other liabilities included the revaluation of derivative contracts of approximately $37 million and a reduction in severance reserve of approximately $32 million.

The increase in AWAC's short term borrowings reflects funds advanced to cover the San Ciprian refinery's cash needs in a challenging market and the funding of 1H 2016 curtailment costs of the Point Comfort refinery.

AWAC CASH FLOW (US GAAP)	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Cash from operations	(240.2)	320.6
Capital contributions arising from the allocation agreement[1]	74.0	71.2
Net movement in borrowings	61.2	(39.3)
Capital expenditure	(46.9)	(65.1)
Proceeds from sale of 20% interest in the DBNGP	145.0	-
Other financing and investing activities[2]	(23.8)	(30.2)
Effects of exchange rate changes on cash and cash equivalents	15.1	(23.5)
Cash flow before distributions	**(15.6)**	**233.7**
Distributions paid to partners	(212.0)	(181.1)
Net change in cash and cash equivalents	**(227.6)**	**52.6**

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

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

Cash from operations includes the final instalment of $200 million for the 12-year gas supply agreement (1H 2015: $300 million), payment for the Alba settlement of $74 million (1H 2015: $74 million) and payments relating to significant items.

Adjusting for the gas instalment and the Alba settlement, cash from operations would have been a positive $33.8 million, despite smelter grade alumina prices falling to a multi-year low during 1H 2016.

During 2016, total sustaining capital expenditure is expected to be $135 million, of which $42.2 million was in 1H 2016 compared to $62.1 million in 1H 2015. Significant refinery projects for 2016 include residue storage at Alumar, residue filtration at Kwinana and water treatment at Point Comfort. The mining business unit is expected to spend approximately $30 million in 2016, which includes fleet management systems replacement, haul roads and tailing pond uplift.

Growth capital expenditure for 2016 is expected to be $15 million, of which $4.7 million was in 1H 2016 compared to $3.0 million in 1H 2015. The expenditure largely relates to digestion improvements at Pinjarra and production creep at Juruti.

ALUMINA LIMITED FINANCIAL REVIEW

ALUMINA LIMITED PROFIT AND LOSS	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Share of net profit of associates accounted for using the equity method	28.1	131.8
General and administrative expenses	(9.2)	(5.6)
Finance costs	(3.2)	(3.5)
Foreign exchange losses, tax and other	(7.9)	(0.7)
Profit for the half-year after tax	**7.8**	**122.0**
Total significant items after tax	(4.9)	(53.1)
Net profit after tax excluding significant items	**12.7**	**175.1**

SIGNIFICANT ITEMS (IFRS, POST-TAX)	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Suralco restructuring charges and deferred tax assets adjustment	(6.3)	(39.3)
Point Comfort restructuring charges	(1.7)	-
Anglesea restructuring charges	(0.2)	(14.7)
Gain on sale of interest in the DBNGP	2.5	-
Other	0.8	0.9
Total significant items	**(4.9)**	**(53.1)**

Alumina Limited recorded a net profit after tax of $7.8 million compared to $122.0 million in 1H 2015.

The decline in net profit was largely due to AWAC's decline in revenue due to the lower average realised alumina price in 1H 2016, which was partially offset by AWAC's much lower charges for significant items, net productivity improvements and lower energy costs.

Significant items were the result of restructuring activities to improve the portfolio mix of AWAC. These activities included the curtailment of the Suralco and Point Comfort refineries, closure of the Anglesea coal mine and power station and the sale of interest in DBNGP.

Excluding significant items, net profit would have been $12.7 million (1H 2015: $175.1 million).

The increase in Alumina Limited's general and administrative expenses compared to 1H 2015 includes $3.8 million of costs arising from the Company's actions in relation to Alcoa's corporate separation (for further details refer to page 15).

Excluding the above costs, the remaining 1H 2016 general and administrative expenses were marginally lower than in 1H 2015.

For 1H 2016 Alumina Limited recorded US$10.5 million of non-cash foreign exchange losses related to the return of capital from the Enterprise Partnership, an AWAC entity.

ALUMINA LIMITED BALANCE SHEET	US$ MILLION	
	30 JUNE 2016	31 DEC 2015
Cash and cash equivalents	22.8	9.3
Investment in associates	2,176.2	2,098.0
Other assets	3.1	3.4
Total assets	**2,202.1**	**2,110.7**
Payables	2.6	1.7
Interest bearing liabilities – non-current	102.8	110.5
Other liabilities	14.0	15.6
Total Liabilities	**119.4**	**127.8**
Net Assets	**2,082.7**	**1,982.9**

Alumina Limited's net debt as at 30 June 2016 was $80.0 million. Gearing decreased to 3.7%, mainly due to the increase in investments in associates and cash and cash equivalents compared to 1H 2015.

The increase in investments in associates was due to foreign currency balance sheet revaluations partially offset by AWAC's lower operating performance and its increased distributions. The increased cash and cash equivalents includes higher receipts from AWAC.

Alumina Limited has $300 million of committed bank facilities, which expire as follows:

- $150 million in December 2017 ($10 million drawn under these facilities as at 30 June 2016).
- $150 million in July 2020 (no amounts drawn under these facilities as at 30 June 2016).

In addition to the bank facilities Alumina Limited has an A$125 million 5.5% fixed rate note on issue, which matures on 19 November 2019.

ALUMINA LIMITED CASH FLOW	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Dividends received	44.0	26.8
Distributions received	0.4	0.8
Net finance costs paid	(2.7)	(3.9)
Payments to suppliers and employees	(7.6)	(6.0)
GST refund, interest received & other	0.4	(0.7)
Cash from operations	**34.5**	**17.0**
Net receipts – investments in associates	39.3	43.4
Free cash flow[1]	**73.8**	**60.4**

[1] Free cash flow calculated as cash from operations less net investments in associates.

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

The $1.2 million reduction in finance costs was largely due to the absence of $0.9 million upfront fees on the refinancing of the bank syndicated facility paid in 1H 2015.

Alumina Limited's total receipts from AWAC during 1H 2016 were $83.7 million, comprising: $44 million of dividends, $39.3 million of capital returns and $0.4 million of distributions.

For 1H 2015 total receipts of $71.0 million comprised of: $26.8 million of dividends, $43.4 million of capital returns and $0.8 million of distributions.

Capital returns of $19.8 million were received from AWA Brasil and $19.5 million from the Enterprise Partnership (1H 2015: $33.7 million and $9.7 million respectively).

There were no cash contributions to AWAC during 1H 2016, compared to approximately $10,000 during 1H 2015.

As a result, free cash flow was $13.4 million higher in 1H 2016 compared to 1H 2015.

MARKET OUTLOOK AND GUIDANCE

ALUMINIUM SUPPLY AND DEMAND

The world aluminium demand outlook remains positive. Global aluminium consumption in the first half of 2016 increased slightly over the second half of 2015 (by approximately 1%) and by 6% over the first half of 2015. Global aluminium production in the first half of 2016 fell by approximately 26,000 tonnes over the previous half. The global market experienced a primary deficit of around 0.5 million tonnes over the first half. Total stocks of aluminium fell approximately by 1 million tonnes from the previous quarter to around 14 million tonnes in the second quarter of 2016, down to a total stocks-to-consumption ratio of under 83 days, but still a significant overhang on the market. Chinese aluminium production set a new quarterly production record of 7.84 million tonnes in the second quarter and is forecast to rise by 4% year-on-year in the third quarter of 2016, leading to a near world balanced position in the quarter.

Between now and the end of 2017, it is estimated that around 4 million tonnes of primary aluminium capacity will be ramped up, mainly in China and India, including restarts. Whilst global aluminium demand is expected to continue to grow over the next five years, the market remains well supplied and lower costs of aluminium production are expected to continue, with around 90% of Chinese producers profitable at current prices, which is likely to keep aluminium prices muted. Unlike for new Chinese alumina refineries, new Chinese smelting capacity is largely added in the first quartile of cash costs.

Whilst China's transition away from building and infrastructure projects to less aluminium-intensive services and construction is leading to a slowing of growth in China for primary metals, aluminium demand is still expected to grow solidly, with strong growth in transport and packaging. Higher growth rates are expected in India and South-East Asia, where there is a low kg/capita consumption of aluminium and rising working age populations. These regions are expected to experience large demand for infrastructure, housing, transport and packaging.

ALUMINA DEMAND

The world total metallurgical alumina demand is expected to grow by nearly 3% over the course of 2016. Over the next five years, the compound annual growth rate in metallurgical alumina demand is forecast to exceed 5%, with double-digit growth expected in India, Malaysia, Indonesia and other parts of Asia.

ALUMINA SUPPLY

There was an excess of alumina production compared with demand by the end of 2015. In addition there were large alumina stocks held in China and a significant drop in the alumina cash cost curve. The stocks were largely liquidated and the alumina price fell, in the case of Australian alumina, to $197 per tonne early in 2016. A sustained low alumina price led to significant alumina production curtailments inside and outside China. AWAC curtailed its refineries in Suriname (completed at the end of 2015) and Point Comfort (which was completed by the end of the first half of 2016). Some 1 million tonnes of capacity was also curtailed at the Lanjigarh refinery in India. More than 7 million tonnes of capacity was curtailed in China. This caused the alumina price to reach $263.50 per tonne in the first half of 2016. However, the rising alumina price brought back nearly 3 million tonnes of production in the first quarter of 2016. This resumption outpaced new and restarted aluminium production, which led to surplus alumina cargoes more recently. As a result of the mismatch in refinery and smelter restarts and the lowering of domestic alumina cost in China due to the yuan devaluation and lower bauxite costs, the alumina price has fallen back to $229 per tonne. Alumina imports into China over the second quarter of 2016 fell 65% quarter on quarter to a low of around 440,000 tonnes. At the current Chinese domestic alumina price, and in contrast to the Chinese smelting position, only around 40% of Chinese alumina refiners are cash positive, although the effect on some of these refiners is cushioned through integrated aluminium production. There is a significant amount of Chinese debt in the industry and it is difficult to predict how long lenders will support uneconomic production. There have also been recent reports of Chinese regulatory authorities enforcing environmental standards which may lead to production cuts to enable the refineries to meet the standards.

Since the end of the half, it has been announced that the 1.65 million tonne Sherwin refinery in the USA (operating at a rate of around 1 million tonnes per annum) would commence an orderly wind-down of its operations and would sell substantially all of its assets. There are some expectations that the Gramercy refinery in the USA may close. This would be expected to shorten the Atlantic alumina market. The AWAC/Ma'aden refinery in Saudi Arabia continues to ramp-up and is expected to reach its nameplate capacity of 1.8 million tonnes per annum by the end of this year. The new Hongqiao Well Harvest Winning joint-venture refinery in Indonesia is also expected to reach its nameplate capacity of 1 million tonnes per annum this year. A second phase expansion, if committed to, could double this capacity.

Otherwise, there are no refinery projects fully committed or funded outside China. The next most likely refinery to be completed outside China in the next four years may be the Emirates Global Aluminium greenfields refinery in the United Arab Emirates, due for completion in 2018. Development of refinery projects in India seems to have stalled. The significant gap between current alumina prices and an incentive price to build a new refinery means that there are very few refineries outside China likely to be built for a number of years at least.

Supply and demand for alumina is expected to be broadly balanced in 2016 (or at a slight deficit with the USA closures).

BAUXITE

The Malaysian Government ban on bauxite mining introduced in January 2016 due to growing environmental concerns has been extended into September. It is likely that eventually this ban will be lifted although supply is likely to be at a higher cost and at a much reduced level from the 24 million tonnes exported to China in 2015. The reduction in bauxite supply from Malaysia coincided with a significant increase in bauxite exports from Guinea to China, heading for a likely total of around 15 million tonnes in 2016. Guinea is now the second largest exporter of bauxite to China after Australia.

Bauxite stockpiles in China have fallen but remain high - approximately 35 million tonnes or 37 weeks' supply. Bauxite imports into China for the second quarter were just under 12 million tonnes, down by nearly 2 million tonnes quarter on quarter but are likely to increase next quarter. Bauxite prices for the second quarter of 2016 averaged $45/dry metric tonne, down 4% quarter-on-quarter (delivered to China, adjusted on a value-in-use basis). Ongoing supplies from Guinea and higher exports from Malaysia are expected to continue to weigh on the bauxite price. Current low freight rates make Atlantic bauxite more competitive for China compared with Pacific bauxite sources. If freight rates were to increase materially, the impact on Chinese refining costs could be significant.

AWAC's bauxite production costs are expected to remain relatively stable compared with the imported bauxite costs of Chinese merchant refiners. Over the longer term, the share of Chinese alumina production based on imported bauxite is expected to increase from approximately one-third today to approximately 60% by 2030, due to the expected worsening quality and higher mining and processing costs of Chinese domestic bauxite. It is expected that, by 2020, around 60 million tonnes of new bauxite production will be needed to meet expected world alumina demand. During the 10 year period after that, it is expected that China's demand for imported bauxite alone will increase by 80 million tonnes. To feed these bauxite needs, it is expected that by 2019, new and large greenfields mines outside China will be required.

AWAC GUIDANCE

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

ITEM	2016 GUIDANCE
Production – alumina	Approximately 12.7 mt
Production – aluminium	Approximately 164,000 tonnes
Third party sales of bauxite	Approximately 6.3 mt
Australian $ Sensitivity: +1¢ in USD/AUD	Approximately -$26.0 million profit before tax Approximately -$1.70/t alumina EBITDA
Brazilian $ Sensitivity: +1¢ in BRL/USD	Minimal impact
Third party smelter grade alumina shipments expected to be based on alumina price indices or spot	Approximately 85% for the year
AWAC sustaining capital expenditure	Approximately $135 million
AWAC growth capital expenditure	Approximately $15 million
AWAC Point Comfort after tax restructuring[1] Charges (IFRS) Cash Flows	 Approximately $50 million Approximately $65 million
AWAC Suralco after tax restructuring[1] Charges (IFRS) Cash Flows	 Approximately $25 million Approximately $25 million
AWAC Point Henry and Anglesea after tax restructuring[1] Charges (IFRS) Cash Flows	 Approximately $2 million Approximately $15 million

[1] Ongoing costs will be recognised in future financial years relating to the curtailment.

Extract from Unaudited AWAC's Combined Financial Statements

NOTE REGARDING NON-IFRS FINANCIAL INFORMATION

AWAC financial information has been extracted from unaudited combined financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

AWAC PROFIT & LOSS

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Sales	1,343.2	1,977.3
Sales to related parties	577.4	903.4
Total revenue	**1,920.6**	**2,880.7**
Cost of goods sold	1,567.0	2,047.0
Selling, general administrative, and research and development expenses	48.5	42.9
Provision for depreciation, depletion and amortisation	132.4	160.5
Restructuring and other expenses	24.9	61.2
Total expenses	**1,772.8**	**2,311.6**
Net profit before income taxes	**147.8**	**569.1**
Provision for taxes on income	57.3	240.7
Net profit after taxes	**90.5**	**328.4**
Members' equity		
Opening balance at start of period	**4,871.1**	**5,819.0**
Net profit	90.5	328.4
Capital contribution	74.0	71.2
Dividends paid and return of capital to partners	(212.0)	(181.1)
Common stock issued for compensation plans	2.0	2.8
Other comprehensive income/(loss)	401.0	(555.3)
Closing balance at end of period	**5,226.6**	**5,485.0**

AWAC BALANCE SHEET

	US$ MILLION	
	30 JUNE 2016	31 DECEMBER 2015
Current assets		
Cash and cash equivalents	304.2	531.8
Receivables	312.1	329.1
Related party notes receivable	136.8	113.6
Inventories	433.2	436.8
Prepaid expenses and other current assets	91.1	123.4
Total current assets	**1,277.4**	**1,534.7**
Non-current assets		
Property, plant and equipment	3,870.5	3,691.8
Investments	427.8	543.5
Other assets and deferred charges	1,686.4	1,365.8
Total non-current assets	**5,984.7**	**5,601.1**
Total assets	**7,262.1**	**7,135.8**
Current liabilities		
Short term borrowings	71.1	10.0
Accounts payable	595.1	635.8
Taxes payable	47.4	102.5
Accrued compensation and retirement costs	200.1	214.4
Other current liabilities	182.9	293.4
Total current liabilities	**1,096.6**	**1,256.1**
Non-current liabilities		
Capital lease obligations and long term debt	3.1	3.6
Deferred income taxes	211.2	204.0
Other long term liabilities	724.6	801.0
Total non-current liabilities	**938.9**	**1,008.6**
Total liabilities	**2,035.5**	**2,264.7**
Net assets	**5,226.6**	**4,871.1**
Equity		
Members' equity	7,075.9	7,121.4
Accumulated other comprehensive loss	(1,849.3)	(2,250.3)
Total members' equity	**5,226.6**	**4,871.1**

AWAC STATEMENT OF CASH FLOWS

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
Cash flows from operations		
Net profit	90.5	328.4
Adjustments to reconcile net income to cash from operations		
Depreciation, depletion and amortisation	132.4	160.5
Other items[1]	(463.1)	(168.3)
Cash (used)/provided from operations	**(240.2)**	**320.6**
Cash flows from financing activities		
Dividends paid and return of capital to partners	(212.0)	(181.1)
Net change in short-term borrowings	61.2	(39.3)
Payments on capital lease obligations	(1.1)	(4.4)
Capital contributions	74.0	71.2
Cash used for financing activities	**(77.9)**	**(153.6)**
Cash flows from investing activities		
Capital expenditures	(46.9)	(65.1)
Net change in related party notes receivable	(21.8)	(22.5)
Other items[2]	144.1	(3.3)
Cash provided/(used) from investing activities	**75.4**	**(90.9)**
Effect of exchange rate changes on cash and cash equivalents	15.1	(23.5)
Cash (used)/generated	**(227.6)**	**52.6**
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	531.8	238.2
Cash and cash equivalents at the end of the period	304.2	290.8
Net change in cash and cash equivalents	**(227.6)**	**52.6**

[1] Other items consists of net movement in working capital and other non-current assets and liabilities.

[2] Half-year ended 30 June 2016 includes $145 million being proceeds from the sale of the 20% interest in the DBNGP.

RECONCILIATION OF AWAC'S US GAAP TO IFRS PROFIT

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2015
AWAC profit before tax (US GAAP)	147.8	569.1
Adjustments made to align with IFRS		
Embedded derivatives	6.3	1.3
Asset Retirement Obligations and Define Benefits Plans	(8.1)	(5.4)
Restructuring charges	-	2.2
Other	(6.8)	6.5
AWAC profit before tax (IFRS)	**139.2**	**573.7**
AWAC provision for taxes on income (USGAAP)	(57.3)	(240.7)
Adjustments made to align with IFRS	(9.7)	(1.6)
AWAC provision for taxes on income (IFRS)	**(67.0)**	**(242.3)**
AWAC profit before tax (IFRS)	139.2	573.7
AWAC provision for taxes on income (IFRS)	(67.0)	(242.3)
AWAC profit after tax (IFRS)	**72.2**	**331.4**