ASX Announcement

31 March 2017

Alumina Limited 2016 Annual Review

Attached, in accordance with Listing Rule 3.17 is a copy of Alumina Limited's Annual Review 2016.

Stephen Foster
Company Secretary

31 March 2017

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a new way FORWARD

The transformation of Alumina Limited

Annual Review 2016

ALUMINA LIMITED

a new STRENGTH

Alumina Limited has elected to release its 2016 Corporate Governance Statement only on the Company website at: www.aluminalimited.com/governance

a new OPPORTUNITY

Alumina Limited has renegotiated its joint venture agreement with Alcoa and has emerged more autonomous, more flexible and stronger than ever.

Alumina will continue to enjoy the benefits of that partnership, with fresh potential to forge an exciting future as we unlock significant value and opportunities for our business, our people and our shareholders.

A TIME OF *transformation*

Alumina Limited and AWAC have been in a period of transformation since 2014 when a series of decisions were made and actions undertaken to restructure and reposition the asset portfolio of AWAC to improve the fundamentals of the business.

KEY ELEMENTS OF THE BUSINESS TRANSFORMATION:			
Sale, closure or curtailment of assets	New business initiatives	Energy solutions	Revised Joint Venture agreement

2014

Point Henry smelter
CLOSED
AUSTRALIA

Jamalco refinery
SOLD
JAMAICA

2015

San Ciprian energy conversion
SPAIN

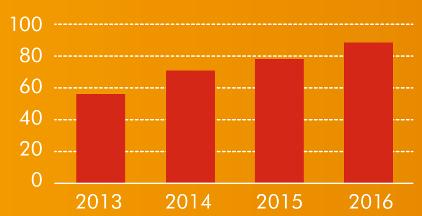
12 year gas supply secured
WESTERN AUSTRALIA

Anglesea Power
CLOSED
AUSTRALIA

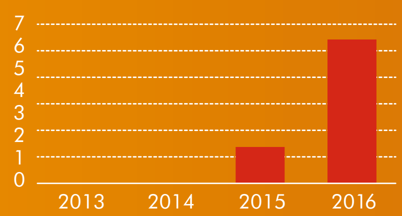
Suralco refinery
CURTAILED
SURINAME

AWAC

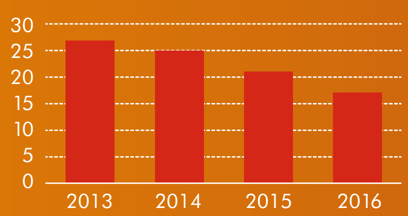
ALUMINA SALES ON API BASIS (%)



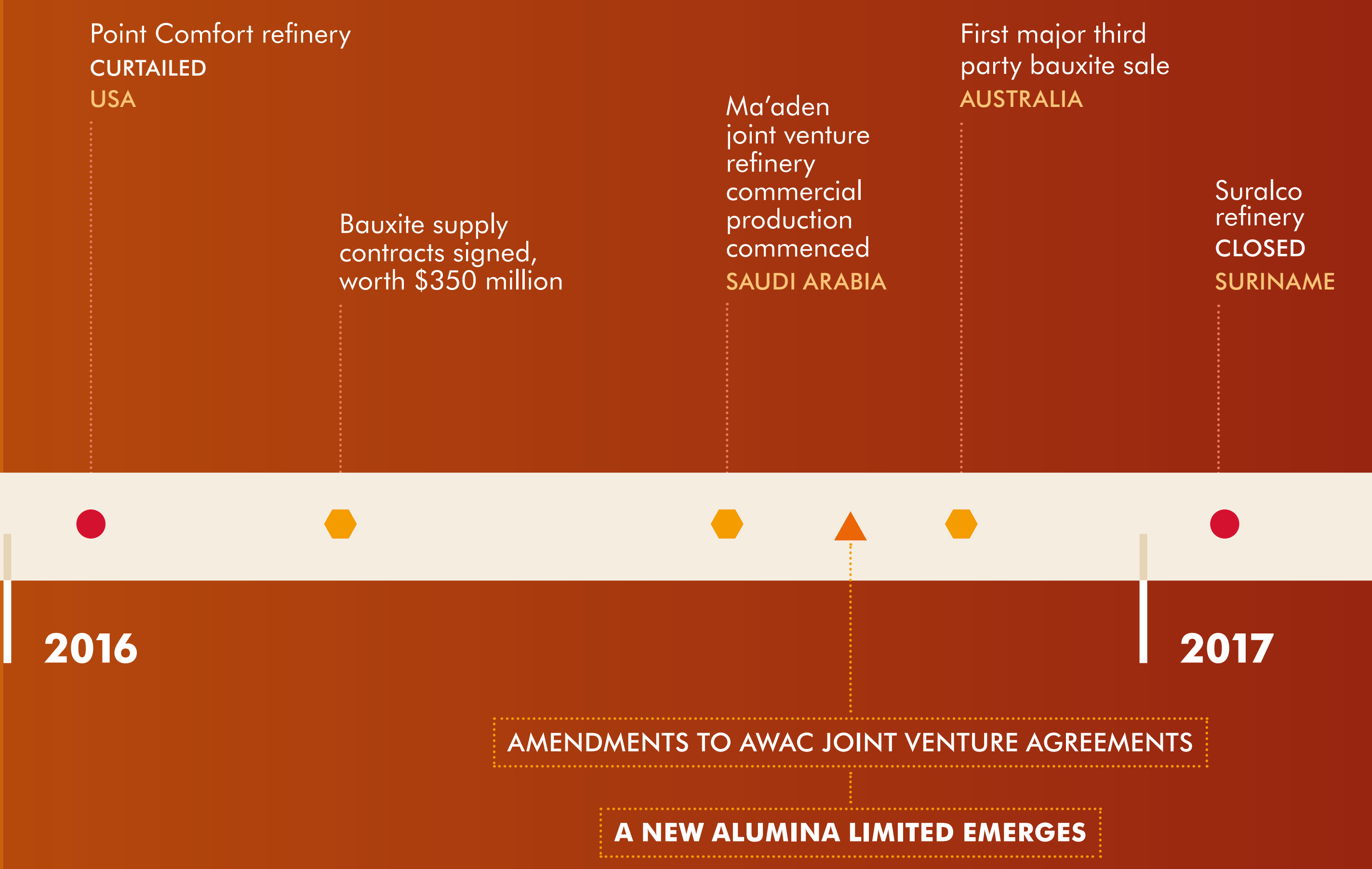
3RD PARTY BAUXITE SALES (MT)



REFINERY COST CURVE PERCENTILE

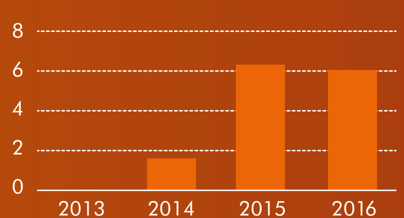


The transformation process culminated in 2016 with significant amendments to the joint venture agreements negotiated by Alumina Limited with its then joint venture partner Alcoa Inc., that ensure Alumina's shareholders benefit from the improved performance of AWAC.

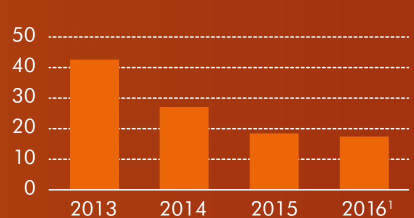


ALUMINA LIMITED

DIVIDENDS DECLARED US CENTS PER SHARE

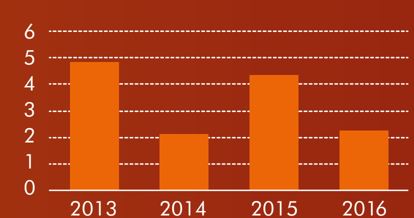


CORPORATE AND FINANCE COSTS ($M)



1. Excluding $13.7m relating to Alcoa separation

NET DEBT AS A % OF MARKET CAPITALISATION



A TRANSFORMATIONAL CHANGE TO THE AWAC *joint venture*

Alumina Limited has had limited flexibility to change or restructure its interest to increase shareholder value. It has sought to restructure the AWAC joint venture for many years. Agreements to give effect to transformational changes were executed on 1 September 2016 following lengthy negotiations.

IMPROVED CONTROL OVER OUR INVESTMENT IN AWAC

- Greatly enhanced supermajority decision matters and thresholds.
- Veto over capacity changes:
  - acquisitions or divestitures, expansions and curtailments exceeding certain value ($50 million) or volume limits (0.5 million tonnes of alumina, 2 million tonnes of bauxite).
- Veto over implementation of derivatives and hedges or AWAC entering into related party transactions over $50 million.
- Veto over AWAC companies filing for insolvency protection or changing pricing formulas for sale of bauxite or alumina to Alcoa or Alumina.
- Improved information rights and sharing of information.
- Streamlined process for resolving disputes: reduced from up to a year to 35 days.

IMPROVED CASH FLOW AND CAPITAL STRUCTURE

- Greater certainty and control of cash flows from AWAC:
  - AWAC will pay minimum distributions on a quarterly basis of:
    (i) 50 per cent of the prior quarter's profit; and
    (ii) surplus cash above $140 million.
- Ability to debt fund AWAC:
  - debt will be raised to fund growth projects within certain limits.

REMOVAL OF EXCLUSIVITY AND SOLE RISK RIGHTS: CONTESTABLE FOR THE FIRST TIME

- Immediately on and from a change of control of Alumina or Alcoa, the exclusivity and non compete provisions in the JV Agreement will terminate:
  - it removes the impediment for bauxite/alumina producers from seeking to acquire Alumina;
  - Alumina or Alcoa may unilaterally proceed to:
    – expand an existing AWAC operation;
    – develop a new project on AWAC tenements; or
    – pursue a bauxite/alumina project outside of AWAC.

OFFTAKE RIGHTS: PROVIDING SECURE ACCESS TO BAUXITE AND ALUMINA FOR AN ACQUIRER OF ALUMINA LIMTIED

- Upon a change of control of Alumina, the acquirer (or consortium member) is entitled to purchase at market prices:

  Alumina:
  - for its internal consumption, less its existing production and purchases;
  - up to 1 million tonnes per annum of alumina, which it may sell as it sees fit;

  Bauxite:
  - its net short position of bauxite for internal consumption.

Both are subject to a cap of Alumina's equity share of AWAC's production and subject to AWAC's own consumption and existing third party agreements.

These additional rights increase the attractiveness of Alumina Limited to industry participants who seek to become an AWAC joint venture partner and long term customer.

AT A *glance*

Lower average realised alumina prices and charges associated with the continuing portfolio restructuring and repositioning, resulted in a reduction of the overall operating performance of AWAC and negatively impacted Alumina Limited's results for the year. Whilst portfolio restructuring results in additional costs to AWAC, these actions are necessary to strengthen its competitive position. In 2016 Alumina Limited (Alumina) recorded a net loss after tax of $30.2 million compared to a net profit of $88.3 million in 2015. In context, the Company would have made a net profit of $84.7 million (2015: $258.2 million) excluding significant items.

Alumina Limited is a leading Australian company listed on the Australian Securities Exchange (ASX) and trades in the US on the OTCQX market. We invest worldwide in bauxite mining, alumina refining and selected aluminium smelting operations through our 40% ownership of Alcoa World Alumina and Chemicals (AWAC).

Our partner, Alcoa Corporation (Alcoa), owns the remaining 60% of AWAC, and is the manager. The AWAC joint venture was formed in 1995 and our relationship with Alcoa dates back to 1961.

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

AWAC – A GLOBAL *business*

In 2016 AWAC recorded a net profit after tax of $49.0 million compared to a net profit after tax of $318.2 million in 2015. In both years, AWAC's results were affected by one-off significant items related to the restructuring and repositioning of AWAC's portfolio. AWAC's EBITDA, excluding significant items declined by $607.3 million to $757.2 million. Cash from operations was also affected by significant items as well as timing differences, such as tax payments and movements in working capital. Adjusted for these items, operating cash flow improvement would be more in line with EBITDA growth.

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

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

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

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

Following the separation of Alcoa Inc. into Alcoa Corporation and Arconic Inc., on 1 November 2016, Alcoa Corporation replaces Alcoa Inc. as Alumina's joint venture partner in the AWAC joint venture.

The completion of the separation also saw changes to the joint venture agreements which are intended to align more closely the partners' interests in AWAC, while establishing greater strategic flexibility and autonomy for both partners.

ALUMINA LIMITED

$(30.2)M

NET LOSS AFTER TAX US$30.2 MILLION (2015: NET PROFIT AFTER TAX: US$88.3 MILLION)

$84.7M

PROFIT EXCLUDING SIGNIFICANT ITEMS OF US$84.7 MILLION (2015: PROFIT: US$258.2 MILLION)

$83.8M

NET DEBT US$83.8 MILLION (2015: US$101.2 MILLION)

$232.8M

CASH RECEIPTS OF US$232.8 MILLION (2015: US$106.3 MILLION)

AWAC

$49.0M

AWAC NET PROFIT AFTER TAX US$49.0 MILLION (2015: NET LOSS AFTER TAX: US$318.2 MILLION)

$355.2M

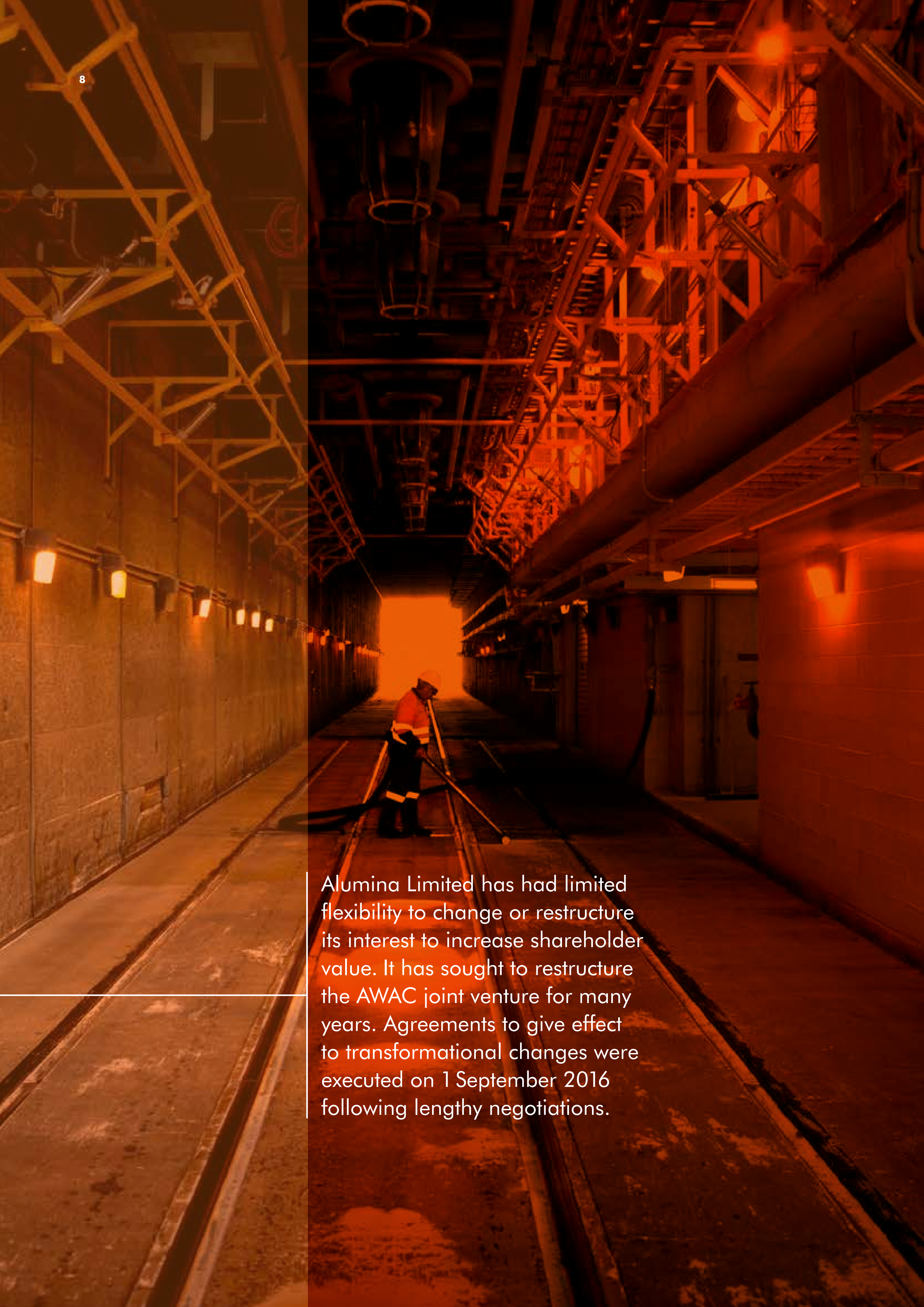
NET PROFIT EXCLUDING SIGNIFICANT ITEMS US$355.2 MILLION (2015: NET PROFIT EXCLUDING SIGNIFICANT ITEMS US$703.6 MILLION)

12.6M TONNES

ALUMINA PRODUCTION OF 12.6 MILLION TONNES (2015: 15.1 MILLION TONNES)

6.3M BONE DRY TONNES (BDT)

BAUXITE THIRD PARTY SALES OF 6.3 BDT (2015: 2.0 MILLION BDT)



Alumina Limited has had limited flexibility to change or restructure its interest to increase shareholder value. It has sought to restructure the AWAC joint venture for many years. Agreements to give effect to transformational changes were executed on 1 September 2016 following lengthy negotiations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S *report*

INTRODUCTION

2016 was a watershed year for Alumina Limited (Alumina).

Alumina pursued and agreed fundamental and far reaching changes to the AWAC Joint Venture agreements (largely unchanged since inception), effectively strengthening its position in the Joint Venture in a number of significant respects.

The changes to the agreements followed Alcoa Inc's decision to separate its upstream and downstream assets, in effect replacing Alumina's AWAC joint venture partner with a new one. They were agreed by Alcoa Inc. and Alumina as key elements of Alumina's acceptance of Alcoa Inc's Separation.

The changes:

- strengthen Alumina's influence over its investment in AWAC
- increase Alumina's strategic flexibility and autonomy as a corporate entity
- improve capital efficiency and cash distributions

2016 also saw the substantial completion of the restructuring of the AWAC asset portfolio, largely concluding a fundamental re-casting of the portfolio initiated over the last three years. The Suralco, Pt Comfort and Jamalco refineries and Point Henry smelter are no longer active assets within AWAC. Decisions to sell, curtail or close assets are never easy but are necessary to ensure a strong business for the long term. However, the active restructuring maintains AWAC's competitive portfolio of assets.

Total shareholder returns over the past three years have been 95 per cent, putting Alumina in the top decile of performance against ASX100 and international aluminium peers. Dividends, which recommenced in 2014 to shareholders, have also increased from US1.6 cents per share to US6.0 cents per share over the three years.

ALCOA INC SEPARATION

Our AWAC partner, Alcoa Inc, announced in September 2015 a plan to separate into two independent publicly traded companies. The Separation was completed in November 2016, with one of the separated companies (Alcoa Corporation) comprising Alcoa's upstream business, including its 60 per cent interest in AWAC.

Alumina held concerns that the Alcoa Inc Separation would in effect replace Alumina's familiar and long-standing joint venture partner with a new one, resulting in an adverse change in the nature of Alumina's partner in AWAC. Alumina was also of the view that the Alcoa Inc Separation created rights of first offer over various interests in its favor and also required Alumina's consent.

Alumina raised these concerns with Alcoa Inc and proposed amendments to the AWAC joint venture agreements to protect the interests of Alumina's shareholders. Alumina undertook detailed negotiations with Alcoa Inc on its Separation until late May 2016.

On 27 May 2016, Alcoa Inc filed an application in the Chancery Court in Delaware seeking declarations regarding Alumina's rights in the context of the Alcoa Inc Separation.

Alumina's objective throughout the discussions with Alcoa Inc and the conduct of the Delaware litigation was to resolve these issues in a manner that protected the interests of its shareholders yet remained within the framework of the consent and offer rights in the AWAC joint venture agreements.

Alcoa Inc and Alumina agreed in September 2016 to make certain changes to the AWAC joint venture and terminate the litigation in the Delaware Court. Among other improvements, the changes provided Alumina with enhanced supermajority rights and greater certainty over cash flows. The changes also provided for the removal of the poison pill effect that is created by the joint venture exclusivity provisions. These changes are outlined in greater detail on page 4.

The changes to the AWAC joint venture and its agreements are the first substantive changes since AWAC's formation in 1995. The expenses incurred in undertaking this process were significant but necessary and we believe resulted in a transformational change in our position as 40 per cent co-venturer.

Alumina Limited has enjoyed a successful relationship with Alcoa for over 50 years, and look forward to working together in this next phase. We believe Alumina's interests are now more aligned with Alcoa Corporation and there is the opportunity to deepen the working relationship between the two companies. Alumina's partner in AWAC, Alcoa Corporation is now focused solely on upstream assets, including AWAC. The early stages of working with the new management of Alcoa have been very productive.

OPERATING HIGHLIGHTS

AWAC's world class assets continued to produce solid returns for shareholders in 2016. This was underpinned by recent restructuring of the asset portfolio and strong productivity improvements which enabled the AWAC to withstand the low alumina prices prevailing through much of 2016.

In the past 3 years the AWAC joint venture has improved its position on the alumina industry cost curve from the 25th percentile to the 17th percentile. This has enabled AWAC to generate average EBITDA alumina margins of $69 per tonne of alumina produced over that period.

Alumina Limited's full year net profit after tax was US$84.7 million, excluding significant items. The curtailment and closure of the Point Comfort and Suralco refineries resulted in restructuring charges of $69.9 million. Those charges, together with non cash writedowns of $45.0 million reduced the Company's result to a loss of $30.2 million.

AWAC's EBITDA margin for alumina production in 2016 was $63 per tonne, lower than the $91 margin for 2015. This reflected the 15.5 per cent decline in alumina spot prices for the year. Alumina prices traded in a range between $197 and $351 per tonne in 2016.

AWAC responded quickly to the low pricing environment in 2016 – it achieved an excellent cost reduction in the alumina operations of $25 per tonne during 2016. Lower energy costs, a stronger US dollar and productivity initiatives in materials, maintenance and transport all contributed to the reduction. This has positioned AWAC well to deliver strong cash flows in 2017.

AWAC's low cost operations in Australia and Brazil again achieved production records in 2016. AWAC's operating portfolio now reflects bauxite and alumina assets located in the first and second quartile on the industry cost curve. The Australian and Brazilian refineries have achieved average annual production increases of one per cent since 2013.

The ramping up of the Saudi Arabian bauxite mine and alumina refinery with Ma'aden proceeded during 2016 and will add low cash cost production to AWAC. The refinery is expected to reach its full production capacity of 1.8 million mtpy during 2017 and be within the lowest quartile on a cash cost basis.

There was a continued progression by AWAC to sales on a spot or index basis, which also contributed to improved margins. During 2016, 84 per cent of AWAC's total sales were on an indexed or spot basis. The move to have alumina priced on its own fundamentals has been beneficial to AWAC and should continue to be so.

Alumina prices have experienced significant volatility in recent years, similar to many other commodities. From record lows in early 2016, alumina prices rebounded in late 2016 and 2017. A number of market developments have resulted in this price recovery, including supply restrictions and increased demand in China.

While alumina prices were at low levels for the year, Alumina Limited continued to receive cash distributions from AWAC. This enabled payment of a final dividend of US3.1 cents per share, bringing the total declared dividend for the year to US6.0 cents per share.

AWAC continued to develop bauxite mining as a separate business unit during 2016. The bauxite business unit has made great strides in implementing its strategy of developing bauxite sales to third parties.

AWAC also secured its first major third party contract to supply approximately 400,000 tonnes of bauxite from its Huntly mine in Western Australia. The Western Australian State Government has also granted approval for AWAC to export up to 2.5 million metric tonnes per annum of bauxite for five years to third party customers. Bauxite exports from the Western Australian operations have the potential to create a supplementary income stream for AWAC.

AWAC now supplies over 6 million tonnes annually to the third party bauxite market.

The Juruti mine has been successfully expanded from an initial design capacity of 2.6 million mtpa to 6 million mtpa with very little additional capital investment. The resource potential is very significant and additional installed but latent capacity exists at the port and other key infrastructure components. Together these provide the scope for significant and profitable expansions in the future as the bauxite market continues to grow.

Further investment to grow the bauxite business is planned for 2017. Alumina is supportive of AWAC growing third party sales to meet market demand and seeking forms of index pricing for bauxite that reflects its fundamentals.

CAPITAL MANAGEMENT

Alumina Limited is a vehicle that primarily passes through to shareholders the cash flow from its interest in AWAC. Alumina's dividend policy is that 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.

Corporate costs for Alumina Limited in 2016 were higher as a result of expenses incurred to reach agreement on the Alcoa Inc Separation. The expenses (including legal, financial and other advisors) also included significant costs for the Delaware litigation. Whilst these expenses were substantial, they were required to protect Alumina's interests and ultimately enabled a substantial improvement in our joint venture interest. Corporate costs are expected to revert in 2017 to historical norms.

The Company's strategy is to maintain a balance sheet that can meet the demands of the commodity cycle and enable cash flows to be readily distributed to shareholders. Alumina's debt levels have been, on average below $140 million since 2014, whilst consistent dividends have been paid to shareholders. A total of US13.9 cents per share has been distributed to shareholders for the last 3 years.

Alumina's debt is currently at low levels and gearing is 4.0 per cent. The resilience of the Alumina's balance sheet served it well during the challenging market conditions in 2016. The Company's debt levels enabled total dividends to shareholders of US6.0 cents per share to be paid in respect of 2016. This is particularly pleasing as the 2016 dividends were paid in a year of record low alumina prices.

ALUMINA LIMITED STRATEGY

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

Alumina ensures it has a thorough understanding of the industry so that it can effectively participate in the AWAC joint venture and manage its own position in the industry. There are many facets to the joint venture which require discussion and resolution with our partner, such as the Alcoa Inc Separation. A key part of Alumina's strategy is to protect the value of our joint venture interest.

The bauxite and alumina industry continues to change rapidly. The bauxite industry in particular has seen production spikes move from Indonesia to Malaysia and now Guinea. It is difficult to predict the future stance by various governments on bauxite exports.

AWAC's strategy over several years has been to achieve an asset portfolio of tier one assets and ensure other refineries are cash positive throughout the cycle. AWAC has tier one assets in the Pinjarra, Wagerup, Sao Luis and Ma'aden refineries and their associated mines. Substantial improvements have been made to the Kwinana and San Ciprian refineries. AWAC's strategy has seen its portfolio rationalised with assets sold, curtailed or closed. Together with cost reduction programs over the last 3 years, this has resulted in cash production costs reducing by $67 per tonne.

The 30 year electricity contract for the Portland smelter expired in October 2016. The smelter was faced with a very substantial increase in energy costs, including transmission costs. The smelter's position was further hampered by an interruption in energy supply in December 2016, which disabled approximately 80 per cent of production capacity. In 2017, Alcoa of Australia entered into arrangements for a new 4 year power supply and agreements with Victorian and Australian Federal Governments for the restart of the smelter. These arrangements enable the smelter's challenges to be better managed while a long term energy solution is sought. Power prices paid by the smelter are approximately 50 to 100 per cent higher than prices paid by similar operations in the Western World.

Portland's future is secured only for the medium term. It faces numerous uncertainties now gripping Eastern Australia in the wake of many years of energy policy-making that have weakened the economy's traditional competitive energy strengths. The closure of Hazelwood power station in Victoria will raise Victoria's energy costs for industry. Victoria and other Australian States have imposed limits on gas exploration, delays on coal project developments and over-ambitious intermittent energy targets, which together inspire great concerns about the case for reinvestment in energy intensive manufacturing industries.

Although the Company's core alumina assets are not yet impacted by these East Coast developments, there is no room for complacency. The Company is seriously concerned and intends to support collective industry initiatives to submit current policies to scrutiny and where appropriate to support raising the quality of the policy debate.

GOVERNANCE

The Remuneration Report reviews Alumina's remuneration strategy, policy and outcomes. The transformation of our joint venture position achieved by executives in 2016 was recognised in awarding of short term incentives above target levels. The 2016 Remuneration Report provides full details of this and assessment of performance against personal objectives in awarding short term incentives for the year.

Alumina Limited reports its governance practices consistent with the 3rd Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council. Alumina's compliance with the Corporate Governance Principles and Recommendations is defined in the Appendix 4G lodged with the ASX.

For Non-Executive directors, there is no increase in fees for the 2016 year and fees have been unchanged since 1 January 2011.

SUSTAINABILITY

AWAC is a substantial energy and capital intensive global business and its social, environmental and economic impacts extend like a ripple effect to affect direct and indirect stakeholders. Management at Alumina Limited and Alcoa Corporation (the manager/operator) have identified a number of material aspects of the business that impact stakeholders and provide a challenge to achieve improved outcomes. Alcoa has developed a number of stretch targets to improve the efficiency of the business. The material aspects and their targets are disclosed on page 12 of the 2016 Annual Report. The underlying approach to improving sustainability outcomes is the incorporation of the targets into business strategy and ultimately, the day to-day operation of the business. AWAC continues to focus on achieving those goals and assessing its performance. This dedication at an operational level has resulted in positive outcomes, such as reducing energy consumption and greenhouse gas emission intensity. Other critical targets, such as the elimination of fatalities, require a sustained effort. Alumina Limited's Sustainability Update on the Company website discloses the approach to sustainability, goals and results.

OUTLOOK

The alumina price increased by 78 per cent over the course of 2016. This was primarily due to widespread refining curtailments around the start of the year, an increase in smelter production over the year and Chinese alumina supply restrictions.

The Chinese alumina utilization rate was reported to be running at 93 per cent of installed capacity in January 2017, and there will be relatively few additions to alumina capacity brought on outside China this year. Supply and demand for alumina over 2017 is expected to be broadly balanced.

There are various uncertainties in the industry's outlook which will impact bauxite and alumina prices. For example, there have been recent reports that China is considering compulsory cuts to production of energy intensive industries for seasonal pollution control reasons from November 2017 to March 2018. This could include alumina and aluminium. Also, Indonesia may resume bauxite exports.

CONCLUSION

The last year has been a very significant one for Alumina Limited. The changes and developments which occurred should see a different and exciting future.

Alumina Limited was well prepared for and withstood the weak alumina prices during 2016. The AWAC asset portfolio is stronger than ever and we are well positioned to benefit from the recent price recovery. At the level of commodity prices and exchange rates in early 2017, AWAC is positioned to produce strong cash flows.

We thank our employees for their work to sustain and improve Alumina Limited during 2016.

Peter Wasow Chief Executive Officer

GJ Pizzey Chairman

SUSTAIN
FOSTER, NUTURE, PRESERVE, SUPPORT, BOLSTER

ABILITY
RESOURCEFULNESS, COMPETENCY, CAPABILITY, STRENGTH, APTITUDE

AWAC harnesses the resourcefulness, competency, capability and strength of its workforce to develop the business responsibly and create a positive legacy for its numerous stakeholders.

SUSTAIN*ability*

Alumina Limited shares a common belief with Alcoa Corporation, that is, the impacts of a business stretch beyond its corporate boundaries to affect economic, social and environmental aspects of stakeholders. Stakeholders range from people directly affected by the business; employees, shareholders, suppliers, customers and the people of the localities in which the business operates to people indirectly impacted such as product end users. To operate sustainably means to recognise the responsibility to these various interested parties and to act accordingly. AWAC harnesses the resourcefulness, competency, capability and strength of its workforce to develop the business responsibly and create a positive legacy for its numerous stakeholders.

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 Alcoa World Alumina and Chemicals (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

GOVERNANCE AND RISK

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

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

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

- AWAC's long-term strategy
- detailed reporting of sustainability performance against targets and key indicators
- industry and market outlook
- occupational health, safety and environmental performance.

In addition, Alumina Limited's management holds regular discussions with AWAC management 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 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.

SUSTAINBILITY 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 23% of all alumina costs and 28% 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 operations (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 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.	From a 2005 baseline, a 30% reduction in total (direct and indirect) carbon dioxide equivalent intensity for global operations (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.	Aggressive minimum environmental footprints for each mine to achieve by 2020.
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. From a 2005 baseline, reduce bauxite residue land requirements per unit of alumina produced by 15% by 2020; 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 and serious injuries and illnesses.
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 Corporation's global 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 a 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, approach and outcomes, please refer to Sustainability on the Company's website at http://www.aluminalimited.com/sustainability-update-2015/

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.

BOARD OF *directors*

The Company's Directors in office as at 31 December 2016 were:

MR G JOHN PIZZEY

B.E (CHEM), FELL. DIP. MANAGEMENT., FTSE, FAICD

Independent Non-Executive Director and Chairman

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

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

MS EMMA R STEIN

BSC (PHYSICS) HONS, MBA, FAICD, HON FELLOW WSU

Independent Non-Executive Director

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

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

MR PETER C WASOW

BCOM, GRADDIPMGMT, FCPA

Managing Director and Chief Executive Officer

Mr Wasow was appointed Managing Director and Chief Executive Officer effective from 1 January 2014. He has responsibility for the overall management of Alumina Limited in accordance with the strategy, policies and business processes adopted by the Board. Prior to his appointment as CEO, Mr Wasow was a Non-Executive Director of the Company, appointed on 26 August 2011 and was a member of the Nomination Committee and Compensation Committee and a former member and Chair of the then Audit Committee (December 2011 to November 2013). Mr Wasow served more than eight years at major Australian oil and gas producer Santos Limited from 2002 to 2010. Initially appointed as CFO, he assumed the additional role of Executive Vice President from 2008. Prior to joining Santos in 2002, Mr Wasow held several senior roles over a 23 year career at BHP including Vice President of Finance. Mr Wasow brings to the Board extensive financial skills and experience in the resource and energy industries.

MR G JOHN PIZZEY MS EMMA R STEIN MR PETER C WASOW MR CHEN ZENG MR W PETER DAY MR MICHAEL P FERRARO

MR CHEN ZENG

MIF

Non-Executive Director

Mr Zeng was appointed as a Non-Executive Director of the Company on 15 March 2013. He is a member of the Nomination, Compensation and Audit and Risk Management Committees (appointed 7 August 2014). Mr Zeng is also currently a director of CITIC Pacific Limited, Chief Executive Officer of CITIC Pacific Mining and Chief Executive Officer of CITIC Mining International, the new holding company of CITIC Pacific Mining. He is a former director of CITIC Limited (listed on the Hong Kong Exchange), CITIC Dameng (listed on the Hong Kong Exchange), Macarthur Coal Limited (2007 to 2011) and Marathon Resources Limited (resigned 31 January 2014). Mr Zeng also served as a director on the Board of CITIC Group between 2010 and 2011. Before joining CITIC Pacific Mining, Mr Zeng was the Vice Chairman and CEO of CITIC Resources, a CITIC Group controlled Hong Kong listed company focused on crude oil production, metal mining and refining, and commodity trading. Mr Zeng is also the Chairman of CITIC Australia. Mr Zeng has over 26 years of experience in project development, management, and a proven record in leading cross-cultural professionals in the resources sector. He has been working in Australia since 1994 and has extensive experience in various industries including aluminium smelting and coal mining.

MR W PETER DAY

LLB (HONS), MBA, FCA, FCPA, FAICD

Independent Non-Executive Director

Mr Day was appointed as a Non-Executive Director of the Company on 1 January 2014. He is a member of the Nomination and Compensation Committees and is Chair of the Audit and Risk Management Committee. Mr Day is also currently a Non-Executive Director of Ansell (appointed August 2007), Australian Office Fund (appointed September 2015), and Boart Longyear (appointed February 2014), and a former director of Federation Centres (October 2009–February 2014), Orbital Corporation (August 2007–February 2014) and SAI Global (August 2008–December 2016). Mr Day brings extensive experience in the resource, finance and manufacturing sectors, having held a number of senior positions with Bonlac Foods, Rio Tinto, CRA, Comalco and the Australian Securities and Investments Commission. He is a former CFO of Amcor Limited. He also supports initiatives in disability services and mentoring.

MR MICHAEL P FERRARO

LLB (HONS)

Independent Non-Executive Director

Mr Ferraro was appointed a Non-Executive Director of the Company on 5 February 2014. He is a member of the Audit and Risk Management and Compensation Committees and is Chair of the Nomination Committee. Mr Ferraro is Partner, Client Development-Asia Pacific at Herbert Smith Freehills, a global law firm, and was formerly head of the Corporate Group at the firm. He was also a member of their executive management team. Mr Ferraro is also a Non-Executive Director of Helloworld Limited (appointed January 2017).

Between 2008 and 2010 Mr Ferraro was Chief Legal Counsel at BHP Billiton Ltd. Mr Ferraro has considerable experience in the resources sector and has over 30 years of experience in joint ventures, mergers and acquisitions, fund raising, and regulatory issues across a wide range of sectors and countries. He also has considerable experience in the commercial and financing aspects of large transactions gained from a number of years in investment banking as a corporate adviser.

SENIOR *management*

Alumina Limited's senior management team comprises:

PETER WASOW

BCOM, GRADDIPMGMT, FCPA

Chief Executive Officer

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

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

CHRIS THIRIS

BA (ACC) MBA, CA CFTP (SNR)

Chief Financial Officer

Chris Thiris joined Alumina Limited in September 2011 as Interim CFO and became CFO 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 at Orchard Funds Limited and Coles Group Limited.

STEPHEN FOSTER

BCOM LLB (HONS) GDIPAPPFIN (SEC INST)
GRADDIP CSP ACIS

General Counsel and 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 30 years, at Village Roadshow and WMC Limited, after working with the legal firm of Arthur Robinson & Hedderwicks (now Allens).

ANDREW WOOD

BA LLB GDIPAPPCORPGOV (GIA) FGIA, FCIS

Group Executive Strategy & Development

Andrew Wood is responsible for strategy and business development, including market analysis, pursuing strategic investments and developing industry relationships. He has over 20 years' resources' experience in commercial and legal roles, mainly at WMC Resources Ltd and Sibelco.

PETER WASOW   CHRIS THIRIS   STEPHEN FOSTER   ANDREW WOOD

LETTER BY CHAIR OF THE COMPENSATION committee

Dear Shareholders,

It gives me pleasure to present Alumina's 2016 remuneration report. The annual report has highlighted that 2016 has been a year of transformation for your company.

In the past, the limitations of the old AWAC joint venture structure were very real and hampered Alumina's autonomy and strategic options. Our small executive team worked on many ideas to reshape the joint venture. However, in September 2015 when Alcoa Inc. announced their intended company separation, there was a catalyst for change. Throughout 2016, facing the prospect of the substitution of a quite different joint venture partner to replace the formerly unified Alcoa, the team worked tirelessly to protect Alumina's shareholders' interests and to develop and pursue strategies to strengthen the Company's position. Whilst the board considered carefully the risks of particular negotiating strategies, Alumina's CEO and senior executives built and positioned our case, developing and crystallising options as negotiations ebbed and flowed. Without any doubt, the final achievement has strengthened the relationship with Alcoa Corporation and enabled Alumina Limited to participate significantly in decisions determining the growth of AWAC in the short term and allowed for more positive developments of the joint venture in the future.

In the course of the year, the Compensation Committee re-considered whether Alumina's remuneration tools remained appropriate. The Committee concluded that a combination of the company's Short Term Incentives (STI) and Long Term Incentive (LTI) schemes remained structurally appropriate but that the rewards could only be decided when shareholders could readily identify and value the achievements too.

For the 2016 STI determinations, the Compensation Committee tested the scorecard for performance against all elements. Then it considered the quantum of rewards in the context of returns to shareholders in the year. The Company's 2016 financial result was a $30.2 million loss (which after excluding significant items was an $84.7 million profit). However, returns to shareholders through dividends and share price performance was strong during the year. The Committee's view of value created as a result of the company transformation was aided by positive feedback from shareholders. In the Committee's judgement, the achievements of the senior executive team were so significant that it recommended to the Board uplifts to the 2016 STI scorecard results, based on each executive's role in the transformation and, their specific and demonstrable achievements.

The transformation of the Company was an exceptional achievement not anticipated by the design of the STI framework. Accordingly, the 2016 STI payments exceeded the designed maximum benefits of our scheme.

In particular, I am pleased that the board recognised the CEO and the company's General Counsel and Company Secretary for their skilful navigation and delivery of shareholder benefits ranging from improved access to cash, enhanced decision making rights, governance disciplines and an unimpeded platform for future strategic partnerships. The CEO received an STI payment of $725,000 and General Counsel and Company Secretary $500,000 for their efforts and outcomes.

On other remuneration matters:

- The Company's continued share price growth of 58 per cent over the year triggered 2016 LTI vesting.
- Having kept executives' Fixed Annual Remuneration (FAR) flat in 2016, and drawing on market data, their FAR will increase by 2.5% in 2017.
- Non-Executive Director (NED) fees have not increased since 2011. The Compensation Committee has introduced a policy to review fees every other year, but with judgements still made in the context of company performance. This work considered ongoing workloads with these main conclusions – in 2017, our Chairman's fee will increase from $375,000 to $410,000p.a., Committee chairmanship fees will be aligned with market practice and NED base fees will remain unchanged.

Finally, our CEO has moved into his fourth year of employment and delivered significant value for shareholders in his period of continued service. As a result, the Compensation Committee recommended to the Board that the share rights in his FAR (which aligns his base pay with shareholder experience) should remain subject to a three year holding lock, but vest after six months for the 2017 grant rather than eighteen months. This will allow for more flexibility in an eventual succession.

I look forward to your continued support and welcome discussion on the report.

Emma Stein Chair

REMUNERATION *summary*

This Remuneration Summary is an abridged version of the 2016 Remuneration Report. This summary provides some understanding of the Director and executive remuneration arrangements and outcomes of Alumina Limited.

For a more comprehensive disclosure of the Company's remuneration arrangements and outcomes, please review the 2016 (Remuneration Report) Annual Report on the Company website at www.aluminalimited.com/annual_report_2016.

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

PERSONS COVERED BY THIS REPORT

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

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

REMUNERATION *summary*

REMUNERATION FRAMEWORK

REMUNERATION IN BUSINESS CONTEXT

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

Alumina Limited owns a 40 per cent interest in the multi-billion dollar world-wide enterprise, AWAC, one of the world's largest bauxite and alumina producers. AWAC is a large capital-intensive business operating in a number of jurisdictions, some in remote locations. Alumina Limited's executives are responsible for protecting and advancing the interests of its 53,000 shareholders in actions undertaken to manage the AWAC portfolio of assets. This was never more evident than in 2016 when the Company's joint venture partner Alcoa Inc. (Alcoa) pursed a process to separate it into two separate entities.

With only four key executive officers, Alumina Limited requires high calibre people with strong skills sets and commercial experience to ensure the Company and its investment are managed well. The Company and its investment are also subject to rigorous governance regimes and financial and reporting controls.

CEO AND SENIOR EXECUTIVES REMUNERATION MIX AND COMPARABLES

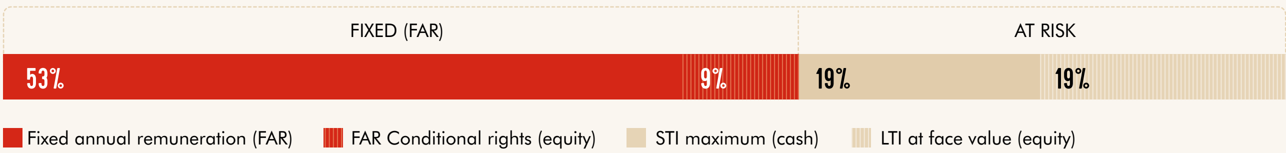
Remuneration Mix Overview

The CEO and Senior Executives share the same remuneration principles. However, there are differences in the structures and relativities.

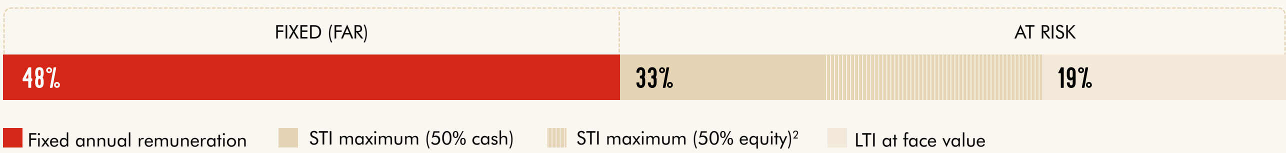
In setting the CEO and Senior Executive remuneration quantum and mix, the Board takes into account a number of factors including:

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

CEO 2016 TOTAL OPPORTUNITY REMUNERATION MIX



SENIOR EXECUTIVES[1] 2016 TOTAL OPPORTUNITY REMUNERATION MIX



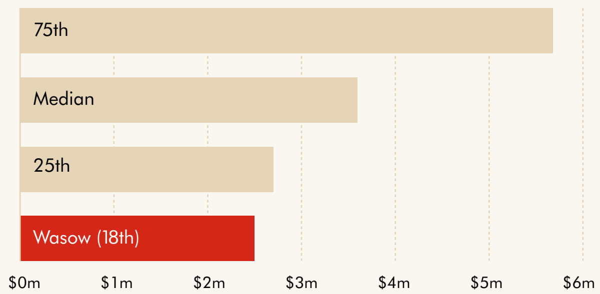
1. Mr Wood's remuneration mix differs from the other senior executives. His maximum potential award is FAR 55%, STI 28% and LTI 17%. Mr Wood's STI is received in cash only.
2. Under the terms of the STI rules, Senior Executives (other than Mr Wood) are required to apply 50 per cent of their after tax STI award in purchasing shares that must be held for three years.

CEO

The CEO's 2016 'at target' repositioned remuneration package is significantly different to the 'at target' profile of the previous CEO:

- The CEO's remuneration has a higher weighting to fixed remuneration, reflective of the fact his STI and LTI opportunity have been substantially reduced when compared to his predecessor. ('At target remuneration 22 percent lower. 'At target' STI 30 percent lower).
- The reweighting of the CEO's package aligns with Alumina Limited's remuneration strategy, in particular to have lower levels of maximum short term incentives when compared with peers, reflecting the Board's intention that executive reward should not peak merely because commodities are at the 'top of cycle'.
- The CEO's fixed remuneration also includes an annual share right component. As mentioned in the letter by the Chair of the Compensation Committee, the share rights are subject to a service condition and if satisfied are deferred for three years from the date of the grant. This component of the CEO's pay is therefore subject to share price fluctuations.
- Including the LTI component of 19 per cent, the CEO has approximately 30 percent of his 'at target' remuneration allocated as equity. This reinforces the remuneration policy that the CEO acts in the longer term interests of the Company and its shareholders.
- The CEO's fixed remuneration remained unchanged for 2016 when compared to the previous year.

ASX51–100 TOTAL AWARDED REMUNERATION 2016 ($M)[1]



1. Data valid for 12 months to 30 June 2016.

The Board is satisfied that the CEO's target remuneration is appropriate for Alumina Limited, as a non-operating partner of the AWAC joint venture, (and his total opportunity is very modest at the 4th percentile when compared to peers of the ASX51–100). That said, the bauxite, alumina and aluminium industry is global, complex and dynamic. Moreover in 2016, Alumina's CEO led and successfully concluded the Company's negotiations with Alcoa Inc, reshaping the joint venture and lifting Alumina's standing within it. So, as detailed further in Remuneration Decisions and Outcomes on page 27 of this report, his 2016 awarded remuneration reached the 18th percentile within the ASX51–100, which in the circumstances, and with reference to the enhanced shareholder value unlocked, the Board does not consider to be excessive.

COMPANY PERFORMANCE & EXECUTIVE REMUNERATION OUTCOMES

Tough market conditions prevailed in the first half of 2016 which witnessed a decline in alumina prices over the period of 33 per cent. However, despite the challenging market, the progressive strategy of restructuring AWAC's asset portfolio and a focus on cost cutting within AWAC resulted in a solid financial performance. At the same time, considerable management resources were dedicated to pursuing the Company's rights in the AWAC joint venture stemming from Alcoa's proposed separation into two separate entities. Senior management vigorously sought to protect its rights in the timeframe imposed by the Alcoa separation process and legal action taken by Alcoa. In the second half of 2016, management's diligence and endeavour resulted in amended terms of the AWAC joint venture agreements which resulted in meaningful transformational benefits that include:

- Improved control over the investment in AWAC (via enhanced governance rights) and improved capital efficiency
- Increased strategic flexibility and autonomy as a corporate entity via termination of exclusivity provisions and increased opportunity for development of projects and expansion and offtake rights for bauxite and alumina on a change of control situation.

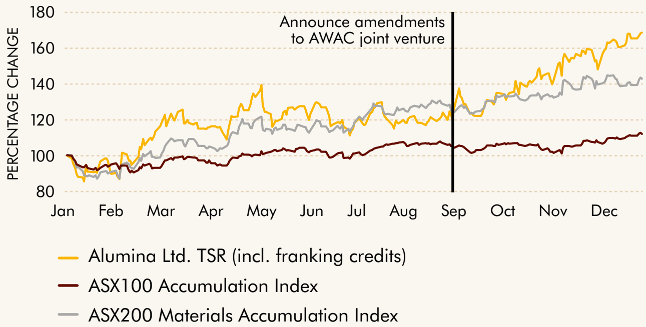
REMUNERATION summary

These outcomes are the most transformational and commercially significant changes in Alumina Limited's business since the formation of AWAC in 1995. The removal of the "poison pill" resulting from exclusivity provisions in the joint venture agreements and transforming the Company's rights in the joint venture have unlocked significant long-term value. The changes also provide greater certainty and control of the cash flows from AWAC including the potential for access to product. There was an immediate recognition by the investors of the potential benefits of the changes to the joint venture agreements with the Company's share price rising approximately 15 per cent in the 48 hours following the announcement.

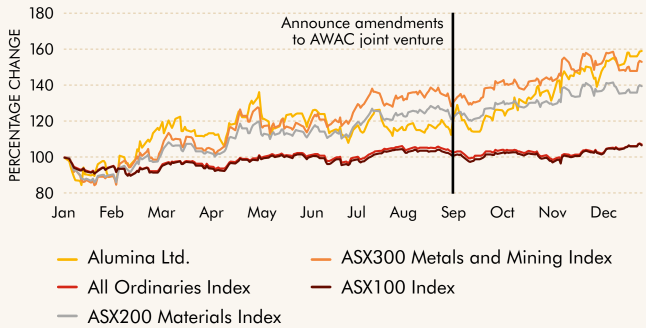
The second half of the year also benefited from a rising alumina price. However, AWAC's decision to close its alumina refinery and bauxite mines in Suriname, which have been fully curtailed since November 2015, resulted in restructuring-related charges, after tax, to Alumina Limited of $57.5 million. Alumina Limited had a statutory loss of US$(30.2) million (a decrease of $118.5 million compared to the previous year) including restructuring related charges. Without those restructuring charges, Alumina Limited would have reported a profit of US$84.7 million. Earnings per share were negative US1.0 cents in 2016, (US3.1 cents in 2015). AWAC distributed US$150.9million in dividends and distributions and Alumina Limited distributed 4.7 US cents per share in dividends to shareholders.

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

ALUMINA FY16 TSR VS ASX INDICES 2016 (A$)



ALUMINA FY16 SHARE PRICE PERFORMANCEVS ASX INDICES (A$)



HISTORICAL COMPANY PERFORMANCE

	2016	2015	2014	2013	2012	2011
Net (Loss)/Profit After Tax ($million)	(30.2)	88.3	(98.3)	0.5	(55.6)	126.6
Dividends declared per share (US cents per share)	6	6.3	1.6	–	–	6.0
Percentage change in share price (US cents per share)	58%	-35%	61%	20%	-21%	-55%
Market Capitalisation (US$million)	3,802	2,418	4,114	2,789	2,282	2,782
Net debt (US$million)	83.8	101.2	86.6	135.2	664.4	471.6

REMUNERATION DECISIONS AND OUTCOMES FOR 2016

FIXED REMUNERATION

2016 outcomes	As disclosed in last year's report, to reflect the challenging market conditions, the fixed remuneration for the CEO and Senior Executives did not increase for 2016.

SHORT TERM INCENTIVE

2016 outcomes

Corporate Scorecard

In 2016, STI payments exceeding the maximum opportunity were awarded to the CEO and Senior Executives.

The catalyst for these payments was the landmark outcome and effort required in transforming the foundational joint venture agreements and relationship between the Company and Alcoa, its joint venture partner.

At the beginning of the year, overall the renegotiation project was given a scorecard weighting of 37.5 per cent in recognition of the likely importance of the project. At the same time, the Compensation Committee emphasised to senior management that meaningful shareholder value was a pre-requisite for 2016's STI awards.

At the end of the year, the Committee assessed performance on each element of the scorecard (Corporate and Individual), with most financial and commercial targets met. The exceedance of targets relating to the joint venture restructuring option and Alcoa separation meant the resultant average score was 107 per cent of target or 83 per cent of the maximum STI award. Having used its discretion, using the uplift factors, the Board's final awards ranged from maximum to 138 per cent of maximum for executives (other than the CEO) reflecting their relative contribution to the restructuring outcomes.

In addition, the Committee concluded that:

- the outcome of the joint venture renegotiation had created immediate shareholder value in terms of a share price uplift and through greater certainty and control of cash flows from AWAC
- the protection measures developed to address changes brought about by Alcoa's separation were the most significant in the history of the Company.
- the joint venture renegotiation had successfully and fundamentally transformed Alumina Limited. The renegotiation project was considered such a pivotal change that the STI framework for measuring its impact was not sufficient
- the significance of the once in a generation event and the transformative outcome of the joint venture re-negotiation was deserving of an uplift to the scorecard results for Mr. Wasow and in varying degrees, to the Senior Executives. The uplift factors ranged from 1.2 to 2.1 across the KMP, judged by role and specific achievements. This resulted in awards above the scorecard maximum, with the CEO and General Counsel and Company Secretary receiving meaningful uplifts.

Mr. Wasow's STI payment of $725,000 (compared with $414,000 maximum on a scorecard basis) recognised his key role in directing the project to a successful outcome, his critical strategic and tactical decisions. He was crucial in resolving negotiations with Alcoa on the fundamental joint venture agreements that have remained virtually intact since 1995.

An independent benchmarking assessment was conducted to crosscheck whether his award was appropriate. The benchmarking was against CEO remuneration in peer group companies in the ASX51–100 and also against a select group of companies that performed strongly in 2016. The analysis indicated that in regard to Mr. Wasow:

- his STI maximum opportunity, in dollar terms , is the lowest in the ASX51–100
- even taking into consideration the uplift provided, Mr Wasow's final STI award fell at the 36th percentile & his total awarded remuneration ranked 18th
- his total remuneration opportunity remains amongst the lowest in the ASX51–100

Mr Wasow was due to receive approximately $339,000 in STI payment compared to his maximum of $414,000 however the Board exercised discretion in recognition of his critical contribution to the project. The Board was satisfied that Mr. Wasow's final award is not 'excessive' in the context of the market and the exceptional outcomes achieved.

See page 44 of the 2016 Annual Report on the Company web site at www.aluminalimited.com/latest-annual-report/

SHORT TERM INCENTIVE CONTINUED

	Personal Scorecard In 2016, in aggregate, executives performed well against the Personal Scorecard. The Compensation Committee recommended individual executive performance ratings and STI payments based on: • assessment of Balanced scorecard outcomes • appropriateness in the context of shareholder returns • consideration of other factors (e.g. highly valuable outcomes which were not on the Personal Scorecard.) For a detailed performance against the Personal Scorecard see page 45 of the 2016 Annual Report. In total, in 2016, Alumina Limited's STI scheme paid $1,910,000 to its KMPs, which was an increase of $784,000 on 2015's level. **Net Profit/(Loss) after tax excluding significant items** The reported full year net loss after tax of US$(30.2) million however, excluding significant items would be US$84.7 million. In 2016, in line with the policy outlined in the 2015 Remuneration Report, when calculating STI outcomes the Board determined to exclude costs associated with the curtailment of Point Comfort and charges associated with the closure of the Suralco operations on the basis that these decisions were consistent with the strategy to reposition AWAC's asset portfolio, and in the best long-term interest of shareholders. Further information outlining the Board's decision to exclude these items are outlined on page 46 of the 2016 Annual Report.

LONG TERM INCENTIVE

2016 outcomes	Two tranches of Performance Rights were tested in 2016, Performance Rights granted in 2013 (retesting) and the Performance Rights granted in 2014 (first and final test). In relation to the year 2013 grant, 98 percent of the Performance Rights tested against the International Comparator Group vested on the initial test conducted in December 2015. The remaining 2 percent of Performance Rights pertaining to the International Comparator Group vested as a result of the first retest in June 2016. For the Performance Rights tested against the ASX Comparator Group (ASX component), none vested at the initial test held in December 2015. Approximately 66 percent of the ASX component tested at the first retest in June 2016 vested, and the remainder vested at the second retest in December 2016. The 2013 year grant was the final tranche subject to retesting. For Performance Right grants from 2014 onwards, retesting has been abolished. In relation to the year 2014 grant, 100 percent of the Performance Rights vested as a result of the Company's TSR performance exceeding the maximum vesting criteria of the 75th percentile result of both the ASX and International Comparator Groups. The ASX Comparator Group consists of Australian listed entities in the S&P/ASX 100 excluding Property Trusts and Alumina Limited; and excluding the top 20 companies by market capitalisation. The International Comparator Group for Performance Rights tested in 2016 consisted of: • United Company Rusal • Shandong Nanshan Aluminium • Hindalco Industries • Norsk Hydro • Century Aluminium • Aluminium Corporation of China • Noranda Aluminium Holdings • Alcoa[1]

1. Alcoa Inc. split into two publicly -traded independent companies, Arconic Inc. and Alcoa Corporation, effective 1 November 2016. The TSR result for Alcoa was independently determined by Mercer Consulting based on a combination of the TSR of Alcoa Inc. up to 31 October 2016, and on the combined TSR of Arconic Inc. and Alcoa Corporation from 31 October 2016. As mentioned in the 2015 Annual Report, in 2015 the Compensation Committee conducted a rigorous review of the applicability of companies in the International Comparator Group. Refer to Table 5 on page 49 of the 2016 Anual Report for further detail on the composition of the International Comparator Group for the 2016 grant.

To review the disclosure of STI scorecard objectives, performance measures and assessment and results, please review Table 3 of the Remuneration Report of the 2016 Annual Report located on the Company website at: www.aluminalimited.com/annual_report_2016.

CHIEF EXECUTIVE OFFICER'S AND SENIOR EXECUTIVES REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2016

		SHORT-TERM BENEFITS					POST-EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS			
KMP	YEAR	FAR[1]	STI[2]	Non-Monetary[3]	Other[4]	Total	Super-annuation[5]	FAR[1]	Performance rights[6]	Total	TOTAL REMU-NERATION
Peter Wasow (CEO)	**2016**	**1,170,838**	**725,000**	**29,676**	**21,997**	**1,947,511**	**19,462**	**207,000**	**310,856**	**517,856**	**2,484,829**
	2015	1,171,254	375,000	30,661	10,344	1,587,259	19,046	213,205	217,109	430,314	2,036,619
Chris Thiris (CFO)	**2016**	**656,458**	**485,000**	**23,278**	**5,484**	**1,170,220**	**34,942**	**–**	**207,649**	**207,649**	**1,412,811**
	2015	656,454	368,000	25,839	–	1,050,293	34,946	–	230,049	230,049	1,315,288
Stephen Foster (General Counsel/ Company Secretary)	**2016**	**483,500**	**500,000**	**18,917**	**15,966**	**1,018,383**	**33,000**	**–**	**155,368**	**155,368**	**1,206,751**
	2015	492,935	275,000	24,866	–	792,801	23,565	–	172,096	172,096	988,462
Andrew Wood (Group Executive Strategy and Development)	**2016**	**345,038**	**200,000**	**9,087**	**11,780**	**565,905**	**19,462**	**–**	**71,052**	**71,052**	**656,419**
	2015	345,454	108,000	11,045	–	464,499	19,046	–	68,698	68,698	552,243
Total Executive remuneration	**2016**	**2,655,834**	**1,910,000**	**80,958**	**55,227**	**4,702,019**	**106,866**	**207,000**	**744,925**	**951,925**	**5,760,810**
	2015	2,666,097	1,126,000	92,411	10,344	3,894,852	96,603	213,205	687,952	901,157	4,892,612

1. Short-Term FAR is the total cost of salary, exclusive of superannuation. In 2016, FAR for Mr Wasow includes a conditional rights share based payment that is amortised over an 18 month (conditional) period. In 2016, Mr Wasow received 177,988 conditional rights calculated by dividing the aggregate grant value of $207,000 by an independently determined Volume Weighted Average Price (VWAP) of $1.163 per right. The grant date was 7 January 2016 with release date of 28 December 2018. The rights vest immediately after the 18 month (conditional) period and only then is Mr Wasow entitled to any benefits or entitlements attaching to the shares. While Mr Wasow is employed by the Company, and unless the Board otherwise determines, he may not dispose of or otherwise deal or purport to deal with any Shares transferred to him upon vesting of the Award, until (and including) the Release Date. In 2015, Mr Wasow was the recipient of 114,930 share rights at a VWAP of $1.801. The grant date was on 7 January 2015 with a release date of 28 December 2017 and the share rights vested on 8 July 2016. In 2016, Mr Foster elected to increase his superannuation contribution (reflected in the superannuation column) which caused a reduction in his recorded 2016 FAR by the same amount.
2. Short-term incentive payments reflect the cash value paid for the years ended 31 December 2016 and 31 December 2015.
3. Non-monetary benefits represent accrued long service leave and value of the car park.
4. Other short-term benefits include personal financial advice allowance and travel allowance and payment in lieu of dividend.
5. Superannuation contributions reflect the SGC payment.
6. In accordance with AASB 2, the value attributed to Performance Rights represents the amortisation for the reporting period of the value at grant date of all previously granted Performance Rights that have neither vested nor lapsed. The value at grant date is amortised over a three year period.

SENIOR EXECUTIVE SHAREHOLDING

SENIOR EXECUTIVE SHAREHOLDINGS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2015

		BALANCE OF SHARES AS AT 1 JANUARY[1]	SHARES ACQUIRED DURING THE YEAR UNDER EMPLOYEE SHARE PLAN[2]	OTHER SHARES ACQUIRED DURING THE YEAR	SHARES SOLD DURING THE YEAR	BALANCE OF SHARES HELD AT 31 DECEMBER
Peter Wasow	**2016**	**214,908**	**404,000**	**114,930**	**(278,000)**	**455,838**
	2015	50,000	–	164,908	–	214,908
Chris Thiris	**2016**	**263,224**	**418,176**	**132,600**	**–**	**814,000**
	2015	69,500	143,224	50,500	–	263,224
Stephen Foster	**2016**	**511,842**	**312,337**	**125,538**	**(210,000)**	**739,717**
	2015	346,304	168,035	37,503	(40,000)	511,842
Andrew Wood	**2016**	**111,010**	**110,166**	**–**	**(71,176)**	**150,000**
	2015	51,769	59,241	–	–	111,010

1. Balance of shares held at 1 January and 31 December of the respective years include directly held, and nominally held shares, and shares held by personally related entities.
2. Includes vested 2013 Performance Rights that were tested in June 2016 and December 2016 and 2014 Performance Rights that were tested in December 2016.

NON-EXECUTIVE DIRECTORS REMUNERATION

The maximum remuneration for Non-Executive Directors is determined by resolution of shareholders. At the 2016 AGM, shareholders approved a maximum aggregate remuneration of $1,500,000 per annum for Non-Executive Directors. A total of $1,117,670 was paid in Non-Executive Director fees in 2016.

In 2016 Non-Executive Director's base fees remained unchanged from the fee level set in 2011. In addition to the base fee, Non-Executive Directors receive fees for participation on the Board Committees and Superannuation Guarantee Contributions.

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

Non-Executive Directors participation on Board Committees is set out on page 16 of the 2016 Annual Report.

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

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

REMUNERATION OUTCOMES

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

		SHORT-TERM BENEFITS		POST EMPLOYMENT	TOTAL REMUNERATION
		FEES – CASH	NON-MONETARY BENEFITS	SUPERANNUATION GUARANTEE[1]	
John Pizzey	**2016**	**357,008**	**–**	**19,462**	**376,470**
	2015	357,425	–	19,045	376,470
Emma Stein	**2016**	**174,193**	**–**	**16,557**	**190,750**
	2015	174,174	–	16,576	190,750
Chen Zeng	**2016**	**159,262**	**–**	**15,138**	**174,400**
	2015	159,430	–	14,969	174,399
Peter Day	**2016**	**174,193**	**–**	**16,557**	**190,750**
	2015	174,174	–	16,576	190,750
Mike Ferraro	**2016**	**169,216**	**–**	**16,084**	**185,300**
	2015	169,198	–	16,102	185,300
Total	**2016**	**1,033,872**	**–**	**83,798**	**1,117,670**
	2015	1,034,216	–	82,033	1,117,669

1. Non-Executive Directors receive, in addition to their fees, a SGC. The applicable rate for 2016 was 9.5 per cent. For 2015, the applicable rate was 9.5 per cent. Non-Executive Directors do not receive any other retirement benefits.

NON–EXECUTIVE DIRECTOR SHARE HOLDINGS

Each Non-Executive Director is required to hold shares in the Company having a value at least equal to 50 per cent of their annual base fees at the expiry of five years from appointment as a director. The requirement is satisfied when shares are acquired or by the expiry of the five year term. In 2016, all Non-Executive Directors satisfied this Company policy for minimum shareholding.

NON–EXECUTIVE DIRECTOR SHAREHOLDINGS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2015

		BALANCE OF SHARES AS AT 1 JANUARY[1]	OTHER SHARES ACQUIRED DURING THE YEAR	BALANCE OF SHARES HELD AT 31 DECEMBER
John Pizzey	**2016**	**82,111**	–	**82,111**
	2015	65,445	16,666[2]	82,111
Emma Stein	**2016**	**75,808**	–	**75,808**
	2015	58,408	17,400	75,808
Chen Zeng[3]	**2016**	**4,804**	–	**4,804**
	2015	4,804	–	4,804
Peter Day[1]	**2015**	**75,720**	–	**75,720**
	2015	54,800	20,920	75,720
Mike Ferraro[4]	**2016**	**25,000**	**43,000**	**68,000**
	2015	–	25,000	25,000

1. Balance of shares held at 1 January and 31 December of the respective years include directly held shares, nominally held shares, and shares held by personally related entities.
2. Shares acquired in November 2015 were inadvertently not reported in 2015 and have been inserted for completeness.
3. Mr Zeng is a nominee of CITIC and CITIC holds 527,032,812 ordinary fully paid shares in Alumina Limited.
4. Mr Ferraro purchased 43,000 shares indirectly via the trustee company of the Ferraro Super Fund, of which Mr Ferraro is a beneficiary.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	US$ MILLION	
	31 DEC 2016	31 DEC 2015
CURRENT ASSETS		
Cash and cash equivalents	8.6	9.3
Receivables	0.1	–
Other assets	3.0	3.3
Total current assets	**11.7**	**12.6**
NON-CURRENT ASSETS		
Investment in associates	2,106.0	2,098.0
Property, plant and equipment	0.1	0.1
Total non-current assets	**2,106.1**	**2,098.1**
TOTAL ASSETS	**2,117.8**	**2,110.7**
CURRENT LIABILITIES		
Payables	1.3	1.7
Provisions	0.3	0.2
Other liabilities	0.1	0.2
Total current liabilities	**1.7**	**2.1**
NON-CURRENT LIABILITIES		
Borrowings	92.4	110.5
Derivative financial instruments	16.2	14.7
Provisions	0.6	0.5
Total non-current liabilities	**109.2**	**125.7**
TOTAL LIABILITIES	**110.9**	**127.8**
NET ASSETS	**2,006.9**	**1,982.9**
EQUITY		
Contributed equity	2,682.9	2,682.9
Treasury shares	–	(1.4)
Reserves	(1,125.3)	(1,305.9)
Retained earnings	449.3	607.3
TOTAL EQUITY	**2,006.9**	**1,982.9**

FINANCIAL *history*

ALUMINA LIMITED AND CONTROLLED ENTITIES

AS AT 31 DECEMBER	2016 US$ MILLIONS	2015 US$ MILLIONS	2014 US$ MILLIONS	2013 US$ MILLIONS	2012 US$ MILLIONS
Revenue from continuing operations	**0.6**	0.1	0.1	0.3	0.1
Share of net profit/(loss) of associates accounted for using the equity method	**18.1**	109.9	(73.6)	(97.4)	(7.5)
Other income	**–**	–	1.5	137.1	–
General and administrative expenses	**(25.7)**	(11.9)	(13.5)	(17.2)	(19.0)
Change in fair value of derivatives/foreign exchange losses	**(14.1)**	(3.2)	1.6	3.0	0.6
Finance costs	**(9.1)**	(6.6)	(13.6)	(25.3)	(29.4)
Income tax (expense)/benefit from continuing operations	**–**	–	(0.8)	–	(0.4)
Net (loss)/profit attributable to owners of Alumina Limited	**(30.2)**	88.3	(98.3)	0.5	(55.6)
Total assets	**2,117.8**	2,110.7	2,543.2	2,964.0	3,311.4
Total liabilities	**110.9**	127.8	119.2	170.6	682.9
Net assets	**2,006.9**	1,982.9	2,424.0	2,793.4	2,628.5
Shareholders' funds	**2,006.9**	1,982.9	2,424.0	2,793.4	2,628.5
Dividends paid	**135.3**[2]	171.2	–	–	73.2[2]
Dividends received from AWAC	**150.2**	61.4	16.0	100.0	86.0
Statistics					
Dividends declared per ordinary share	**US6.0c**	US6.3c	US1.6c	–[3]	–[3]
Dividend payout ratio	**–**	202%	–	–	–
Return on equity[1]	**(1.5)%**	3.9%	(3.5)%	0.02%	(2.0)%
Gearing (net debt to equity)	**4.0%**	4.8%	3.4%	4.6%	20.1%
Net tangible assets backing per share	**$0.61**	$0.60	$0.77	$0.91	$0.97

1. Based on net (loss)/profit attributable to owners of Alumina Limited.
2. Final dividend for the financial year ended 31 December 2015, declared and paid in 2016 and interim dividend for the year ended 31 December 2015, declared and paid in 2015.
3. No interim or final dividend declared for the years ended 31 December 2013 and 31 December 2012.

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