ASX Announcement

28 March 2019

Alumina Limited 2018 Annual Report

Attached, is a copy of Alumina Limited's Annual Report 2018 that will be issued to shareholders.

Stephen Foster
Company Secretary

28 March 2019

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ALUMINA LIMITED

ONE OF A KIND

ALUMINA LIMITED ANNUAL REPORT **2018**

OUR EXPOSURE TO THE ALUMINA MARKET AND PRICE IS UNIQUE AND MAKES ALUMINA LIMITED ONE OF A KIND.

Alumina Limited is one of a kind. Its 40 per cent joint-venture interest in AWAC (Alcoa World Alumina and Chemicals) provides exposure to the most profitable part of the aluminium supply chain. The Company is uniquely positioned in the world alumina market.

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

The Annual Report is presented in US dollars, unless otherwise specified.

ABOUT ALUMINA LIMITED

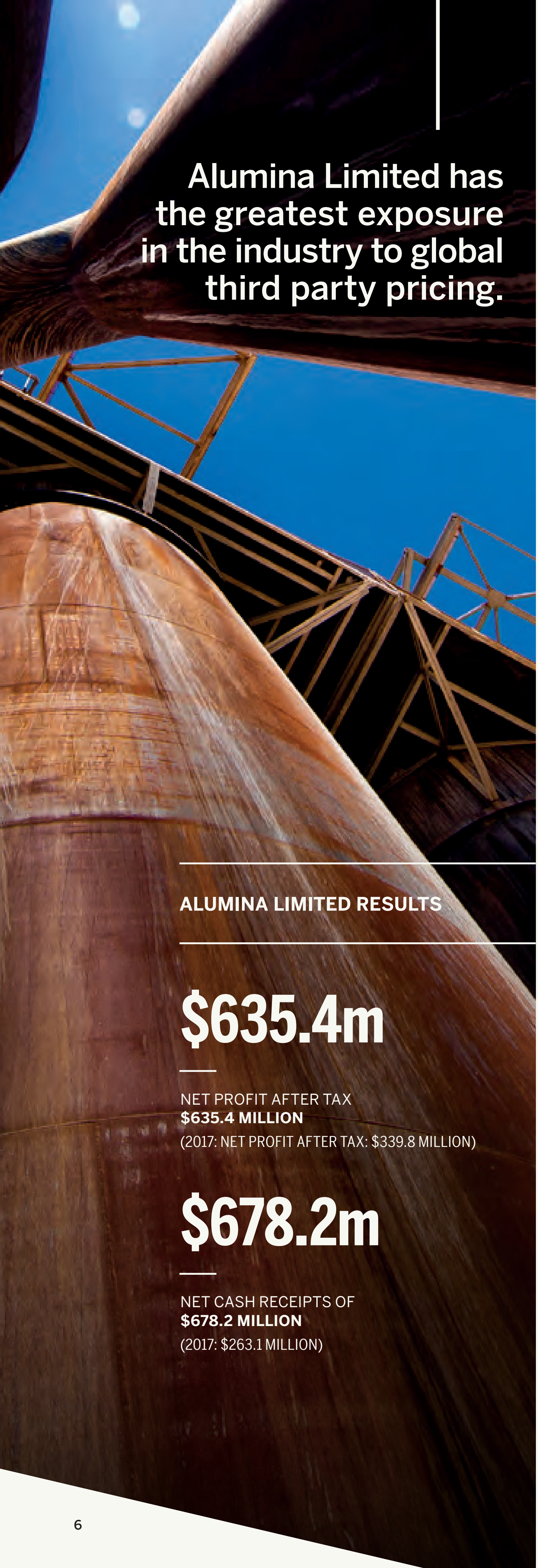
Alumina Limited is a leading Australian company listed on the Australian Securities Exchange (ASX).

Alumina Limited is the 40 per cent partner in the AWAC joint venture whose assets comprise globally leading bauxite mines and alumina refineries in Australia, Brazil, Spain, USA, Saudi Arabia and Guinea. AWAC also has a 55 per cent interest in the Portland aluminium smelter in Victoria, Australia.

AWAC's joint venture partner and operator is Alcoa Corporation. The AWAC joint venture was formed in 1994 and our relationship with Alcoa dates back to the early 1960s when Western Mining Corporation (now called Alumina Limited) began to explore bauxite deposits and other resources in the Darling Ranges of Western Australia. 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 through acquiring the interests of other minority participants, other than Alcoa.

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.



Alumina Limited has the greatest exposure in the industry to global third party pricing.

AT A GLANCE

In 2018 Alumina Limited posted a record profit after tax of $635 million compared to a net profit of $340 million in 2017, an increase of 87 per cent and also paid the largest annual dividend to shareholders since inception of the Company. The Company made a net profit of $690 million (2017: $363 million) excluding significant items.

While a number of one-off factors contributed to this remarkable result, the year as a whole demonstrated the impact on global alumina markets of Alumina Price Index (API) structures that reflect and price the commodity on its fundamentals.

In 2018, Alumina Limited's 40 per cent interest in AWAC benefited from Western world alumina market supply disruptions that created a shortage in the market. Average realised prices for alumina increased 33 per cent on 2017 prices. In 2018, AWAC sold about 92 per cent of its smelter-grade alumina on an alumina index or spot pricing basis.

AWAC's globally leading tier one assets are almost entirely focused on the upstream sector of the aluminium supply chain, which has been the most profitable part within the industry. Alumina Limited has the greatest exposure in the industry to third party alumina pricing, with limited exposure to aluminium smelting.

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

ALUMINA LIMITED RESULTS

$635.4m

NET PROFIT AFTER TAX
$635.4 MILLION
(2017: NET PROFIT AFTER TAX: $339.8 MILLION)

22.7 CENTS PER SHARE

2018 DIVIDENDS OF
22.7 CENTS PER SHARE
(2017: DIVIDEND: 13.5 CENTS PER SHARE)

$678.2m

NET CASH RECEIPTS OF
$678.2 MILLION
(2017: $263.1 MILLION)

$(95.8)m

NET (CASH)/DEBT
$(95.8) MILLION
(2017: $58.4 MILLION)

AWAC - A GLOBAL BUSINESS

In 2018 AWAC recorded a net profit after tax of $1,640 million compared to a net profit after tax of $901 million in 2017. AWAC's results were influenced by an average realised alumina price for the year of $447 per tonne, an increase of $112 from last year. Growth in profit was underpinned by higher alumina prices due to:

- increasing alumina demand,
- alumina supply constraints following the partial curtailment of Alunorte, the world's largest alumina refinery and sanction-related supply disruptions at Rusal,
- Chinese structural reforms and
- limited alumina capacity growth outside China.

AWAC's EBITDA, excluding significant items rose to $2,797 compared to $1,685 million in 2017. Cash from operations, spurred by the higher alumina sales price, increased to $1,970 million up from $1,102 million. In 2018, with approximately 92 per cent of shipments priced on a spot or an index basis, AWAC was well positioned to capitalise on the steep upward price movement.

Alumina Limited is the 40 per cent partner in the AWAC joint venture whose assets comprise, globally leading bauxite mines and alumina refineries in Australia, Brazil and other countries. AWAC also has a 55 per cent interest in the Portland aluminium smelter in Victoria, Australia.

AWAC's 60 per cent managing partner is Alcoa Corporation. The AWAC joint venture was formed in 1994 and our relationship with Alcoa dates back to 1961.

AWAC RESULTS (USGAAP)

$1,640.2m

AWAC NET PROFIT AFTER TAX
$1,640.2 MILLION
(2017 NET PROFIT AFTER TAX: $901.3 MILLION)

$447/tonne

REALISED ALUMINA PRICE OF
$447 PER TONNE
(2017: $335 PER TONNE)

$1,969.6m

AWAC CASH FROM OPERATIONS
$1,969.6 MILLION
(2017: $1,102.4 MILLION)

$2,796.8m

AWAC EBITDA EXCLUDING SIGNIFICANT ITEMS
$2,796.8 MILLION
(2017: $1,685.3 MILLION)

CHAIRMAN AND CEO REPORT

After excellent results in 2017, it is pleasing to be able to report a further outstanding year for shareholders. 2018 has seen the Company report record profits of $635.4 million and distribute record fully franked dividends to shareholders of 22.7 cents.

Of all the global aluminium industry participants, Alumina Limited is uniquely exposed to the currently most profitable part of the aluminium supply chain - alumina production - through its 40 per cent interest in the AWAC joint venture. This year's impressive result reflects the stand-out benefits of Alumina's unique and substantial exposure to the alumina market – together with the direct benefits of the scale, low cost of production and quality of AWAC's tier one alumina refineries.

To understand the 2018 results, it is helpful to reflect on what drives the AWAC business and the markets it operates in.

The Lead Up to 2018

In the five years prior to 2017, the Company performance suffered as AWAC focussed on weathering poor market conditions. During these difficult years AWAC closed, sold or restructured its higher cost assets and became one of the lowest cost producers of alumina globally.

AWAC emerged from these challenging years after the global financial crisis with an improved asset portfolio of five refineries, three bauxite mines, the Portland smelter and investment in three non-operated mines and one refinery.

Our continuing alumina refineries are positioned low on the cost curve. This cost competitiveness of the Company's refining assets places the Company in a strong position relative to its competitors throughout the commodity cycle. The Company's limited exposure to aluminium smelting also sets it apart from most industry participants.

Alumina Pricing

The most important development in recent years has been the impact of the higher alumina price.

In 2017, alumina prices started to improve and increased by 44 per cent compared to 2016 as Chinese Government pollution reduction and efficiency policies had an impact. Those policies were of great importance in signalling a change to the excess capacity within China. These developments in China continued to be relevant in 2018.

The global fundamentals of the alumina industry have also been positive in 2017 and 2018. Older and less efficient capacity in the western world has closed. There has been limited new green field refinery growth and it has proved difficult and costly to restore idle capacity.

Alumina Price Index (API) pricing has reflected the fundamentals of global alumina markets and not metal markets. In 2018 market dynamics reflected the inherent characteristics of alumina as a standalone commodity albeit within an integrated end product.

The chemical characteristics of alumina also dictate that it deteriorates over time, it cannot be exposed to moisture nor stored in the open air and there are limited alumina storage facilities outside China. Thus, when market disruptions occur in an already tight market, this inability to store alumina easily can see API prices react in a significant way.

Mr Peter Day

Mr Mike Ferraro

There were some major disruptions to the alumina market in 2018 which caused prices to spike upwards. The world's largest alumina refinery, Alunorte in Brazil, curtailed 50 per cent of its capacity following extreme rainfall and subsequent environmental issues. Together with US economic sanctions imposed on Rusal, the world's largest non-Chinese aluminium producer, this caused average monthly alumina prices to be driven upwards in excess of $500 per tonne in April, May, August, September and October.

Average API alumina prices for 2018 were $473 per tonne and represented a 36 per cent increase over 2017. AWAC sold 92 per cent of its alumina using API in 2018.

These higher prices drove margins for AWAC of $221 per tonne and an AWAC net profit for 2018 of $1,640 million (2017: $901m) on a US GAAP basis. The year demonstrated that alumina index pricing now effectively reflects market fundamentals and these flow through to, and drive the profits and performance, of your Company.

The events of 2017 and especially 2018 contradict the conventional wisdom which assumes that aluminium supply chain markets automatically share the same dynamics. Indeed, the Company's uniquely high exposure to alumina markets – without significant participation in smelting and downstream activities – is proving to be a clear source of strength and shareholder value. Our focus on, and leverage to API, and thus global alumina prices, is unmatched globally.

BAUXITE

The bauxite market has been different to that of alumina in 2018. There has been unprecedented growth in bauxite production in Guinea, as Chinese refineries seek supply sources to address a supply shortage of Chinese domestic bauxite. China's demand for bauxite is high and increasing but it is well supplied currently, substantially from Guinea.

AWAC is a 22.5 per cent participant in the CBG bauxite mine in Guinea which is nearing completion of a 5 million bone dry tonne expansion. The Juruti mine in Brazil has undergone two separate expansions from 2016, which will increase production capacity to 6.5 million bone dry tonnes per annum. The Juruti expansions have been made at a very low capital investment by utilising existing infrastructure.

PRODUCTION

AWAC operations produced 39.2 million bone dry tonnes of bauxite and 12.2 million tonnes of alumina of which 30 per cent was supplied to Alcoa Corporation's smelters and 70 per cent to third party customers. AWAC is the largest Western World supplier of alumina to third party smelters.

AWAC's alumina production of 12.2 million tonnes in 2018, declined by approximately 300,000 tonnes compared to the previous year. This reflected an industry wide trend of alumina production disruptions as producers pushed to meet market demand. However, there has been a high degree of focus on addressing the causes of the decline in production.

OUTLOOK

Alumina's strategy is to invest in worldwide bauxite mining and alumina refining operations through AWAC. The AWAC alumina refining assets stand out for the Company and are the foundation for AWAC generating strong cash flows to shareholders while allowing investment for the future.

Shareholders will naturally ask what does 2019 and future years hold for the Company. We continue to have confidence in the quality of the AWAC assets and the attractiveness of the alumina and bauxite markets. However, we must assume that the two major alumina market disruptions in 2018 will not repeat nor continue to the same degree this year and alumina prices will be lower. Nonetheless, your Company is well placed to achieve attractive returns as AWAC remains one of the lowest cost and largest producers of alumina globally.

There will undoubtedly be new challenges for the Company in 2019. The US/China trade wars and pressure on global equity and credit markets are of concern, as are declines in aluminium prices. We have also seen pressure on alumina production costs which have risen 18 per cent over the two years.

Higher caustic soda prices, logistics and maintenance costs have been the principal causes. AWAC is well aware of the need to maintain its low-cost position over the long-term, and is expecting some cost reductions this year.

AWAC is well placed as a leading alumina producer and there is limited new Western World alumina capacity on the horizon.

Industrialisation in the developing world and the benefits of aluminium as a light metal favour continuing growth in demand for aluminium and alumina. With the changes that have occurred to the alumina market structure, we believe it is now time for AWAC to consider organically growing its best assets. It has been over 10 years since the last period of significant growth by AWAC. We would expect to be able to report next year on the potential for growth prospects that can add to shareholder value. For 2019, AWAC is expecting $110 million in growth capital expenditure (largely for alumina) which indicates a greater focus on growing its business.

The fundamentals for the alumina market remain positive.

CAPITAL MANAGEMENT/SHAREHOLDER RETURNS

The Company's AWAC interest has provided strong cash flows in recent years. The exceptional performance of AWAC in 2018 and its strong balance sheet means our share of those cash flows are directly passed through to your Company. Alumina Limited received $678 million in net cash distributions from AWAC in 2018 (2017: $263m).

This enabled payment of a final dividend of 14.1 cents per share, bringing the total declared dividends for the year to 22.7 cents per share. It is pleasing for shareholders to receive the rewards from the outstanding results of 2018. This is a substantial increase on 13.5 cents per share for 2017 and has delivered a yield of 11.5 per cent to shareholders for 2018 based on the share price, immediately before the final dividend was declared. The dividend yield to shareholders has averaged 9.3 per cent, excluding the effect of franking, over the last three years.

Unlike other industry participants, Alumina has been able to pay most of its free cash flow to shareholders by way of dividends.

Alumina's dividend policy is that the Board intends on an annual basis to distribute cash from operations after debt servicing, corporate costs and capital commitments have been met for the AWAC business.

We do not expect to be able to continually maintain dividends at 2018 levels. With an expected decline from record alumina prices, 2019 dividends will likely be lower. The Board will also need to be particularly cognisant of growth plans and their cash flow requirements when considering future dividends.

Alumina held net cash of $96 million at year end. The Company's low debt levels has enabled cash received from AWAC to be readily distributed to shareholders.

The Company's A$125 million corporate bond matures in late 2019 and we expect it to be replaced with a syndicated bank facility.

SUSTAINABILITY

The impact of AWAC operations extends beyond economic and financial outcomes and includes social and environmental matters relevant to the community. Strategic goals have been set by AWAC for a variety of environmental impacts including emissions, energy, water, land and waste management. The Company has also recently completed a high-level materiality assessment of the Company and the AWAC business. That led to consideration of the linkages between the topics material to the Company and the UN Sustainability Development Goals to understand the impact of AWAC's operations; these are documented in the sustainability section of this report. The annual sustainability report due for release later this year will provide updated disclosure.

GOVERNANCE

The Remuneration Report reviews the Company's remuneration strategy, policy and outcomes. The Company's 2018 Remuneration Report provides full details of the CEO's and Senior Executives' objectives and an assessment of performance against those objectives.

The Company reports its governance practices consistent with the 3rd Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council. A copy of the 2018 Corporate Governance Statement is available on the Company website. Alumina's compliance with the Corporate Governance Principles and Recommendations is defined in the Appendix 4G lodged with the ASX.

BOARD AND MANAGEMENT

In November 2017, John Pizzey announced his decision to retire as Non-Executive Director and Chairman of Alumina Limited on 31 March 2018. The Board appointed Peter Day to succeed Mr Pizzey as Chairman of the Company from 1 April 2018.

John Bevan joined as a Director on 1 January 2018. John was previously Chief Executive Officer of Alumina Limited from 2008 to 2013. Mr Bevan brings a valuable understanding of the markets and the joint venture in which the Company operates.

An improving market structure encourages us to assess expansions in alumina and bauxite. Doing this sensibly and carefully, together with a focus on growing sustainability, will secure the future of your Company for the long term.

CONCLUSION

Shareholders have a globally unique and valuable position in some of the highest quality bauxite and alumina assets in the aluminium supply chain. The alumina refineries and bauxite deposits in Western Australia are one of Australia's great resource stories over several decades. The value of those long life, high quality assets and our unmatched exposure to global alumina markets, with limited exposure to aluminium smelting, was demonstrated in our performance again in 2018.

An improving market structure encourages us to assess expansions in alumina and bauxite. Doing this sensibly and carefully, together with a focus on growing sustainability, will secure the future of your Company for the long term.

We are confident your investment in AWAC will continue to provide sustainable long-term value for shareholders throughout 2019 and beyond.

The Board thanks the employees of Alumina Limited and AWAC for their work in 2018.

Mike Ferraro
Chief Executive Officer

W Peter Day
Chairman

Above: Pinjarra refinery residue press filtration plant prior to commissioning.

SUSTAINABILITY

As a resource-intensive extractives business, sustainability is critical to how AWAC operates. It is the cornerstone of the safety and well-being of the workforce, and the resilience and prosperity of the local communities and natural environment.

We do not have operational control of the assets in which we are a joint-venture partner. However, we recognise the influence we have through our governance and joint venture agreements. Investors, and society more broadly, have increasing expectations of AWAC to understand and manage our sustainability risks and opportunities, and to transparently communicate these.

Sustainability risks and opportunities in the mining industry are constantly evolving due to developments in research, global and regional regulation, technology, knowledge and understanding of how mining operations impact the environment and the social well-being of communities.

In 2018 we undertook an assessment of our sustainability and climate-related risks and opportunities to better inform our strategy and disclosures. This holistic assessment was designed to ensure that Alumina's sustainability reporting scope, principles, governance and metrics are appropriate and take into account the role it plays in the AWAC Joint Venture. This also provides us the opportunity in 2019 to consider further the implications of new and emerging reporting requirements such as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and legislative changes such as the *Modern Slavery Act*, as they may apply to AWAC.

MATERIALITY

We identified which risks and opportunities are important to our stakeholders and our business through interviews with key external stakeholders, and a peer and media review. The findings were then overlaid with Alcoa's materiality assessment outcomes to determine a preliminary list of material topics. These were validated by Alumina's senior management at a workshop which assessed the relative importance of the material topics to the Company and its interest in the AWAC business and the impact the Company has on the economy, the environment, and/or society.

The following topics were determined to be most material to Alumina:

- Climate change
- Energy and emissions
- Waste (including dam management)
- Safety and health
- Community engagement and investment
- Business integrity

Topics that had increased in importance since our previous materiality process included land management and closure, biodiversity, waste management (including dam management) process emissions and diversity and inclusion.

This year, we considered the outputs of our materiality assessment in the context of emerging global trends, specifically the UN Sustainable Development Goals (SDGs).

The SDGs are a collection of 17 global goals which aim to address some of the world's most pressing environmental, economic and social issues. We wanted to understand which SDGs were most relevant to our operations and activities, and identify the potential positive and negative impact of AWAC's operations on the relevant SDGs. The following SDGs were found to be most aligned to Alumina's material topics:

GOVERNANCE

- Business integrity
- Supply chains and human rights
- Government and industry relations

COMMUNITY

- Community engagement and investment
- Economic contribution

ENVIRONMENT

- Energy emissions
- Climate change
- Waste
- Land management and closure
- Water
- Process emissions
- Biodiversity

PEOPLE

- Safety and health
- Employee engagement and agreements
- Diversity and inclusion

CLIMATE CHANGE

Climate change was identified as a material issue for our business and our stakeholders. Alumina is committed to providing meaningful and relevant disclosures of climate-related risks and opportunities for AWAC. We recognise that due to our interest in AWAC, an energy and emissions-intensive business, we have a role to play in seeking to reduce emissions and build resilience to climate change impacts.

In 2018, a review was commenced to identify climate-related risks and opportunities for AWAC/Alumina over the short to long-term. This assessment considered AWAC's current energy mix, opportunities for transitioning to less emissions-intensive energy use, downstream demand forecasts for aluminium, physical risks to AWAC operations, regulatory and market risks (including carbon and energy prices) and standards for disclosure of climate risks.

We will continue to work with Alcoa to assess climate change risks and opportunities across AWAC.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Alumina Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2018 (the Group).

DIRECTORS

Unless otherwise indicated, the following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

G J Pizzey (Chairman)
(part year – retired 31 March 2018)

W P Day (appointed Chairman – 1 April 2018)

E R Stein

C Zeng

W P Day

D O'Toole

J Bevan

M P Ferraro (Managing Director and Chief Executive Officer)

BOARD OF DIRECTORS

The Company's Directors in office as at 31 December 2018.

MR W PETER DAY

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

Independent Non-Executive Director

Mr Day was appointed as a Director of the Company on 1 January 2014, and was appointed Chairman of the Board on 1 April 2018. He is a member of the Nomination and Compensation Committees and the Audit and Risk Management Committee. Mr Day is also currently a Non-Executive Director of Ansell (appointed August 2007), Non-Executive Chairman of Australian Unity Office Fund (appointed September 2015), and a former Director of: Boart Longyear (February 2014–September 2017), 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.

MS EMMA R STEIN

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

Independent Non-Executive Director

Ms Stein was elected as a Director of the Company on 3 February 2011. Ms Stein is currently a Non-Executive Director of Cleanaway Waste Management Limited (formerly known as Transpacific Industries Group Ltd) (appointed August 2011) and Infigen Energy Limited (appointed September 2017). She is a former Non-Executive Director of Programmed Maintenance Services Ltd (appointed June 2010 and resigned October 2017), Diversified Utilities Energy Trust (appointed June 2004 and resigned May 2017) and 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 from 28 November 2013 to 31 December 2013) and current member and former Chair of the Nomination Committee (from 22 June 2017 to 31 March 2018). 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 15 years' experience as a listed Non-Executive Director and Board Committee Chair for capital intensive companies spanning resources, oil and gas and related sectors.

MR CHEN ZENG

MIF

Non-Executive Director

Mr Zeng was appointed as a Director of the Company on 15 March 2013. He is a member of the Nomination, Compensation and Audit and Risk Management Committees.

Mr Zeng is also currently the Vice Chairman and President of CITIC Pacific Limited, as well as the Chairman and Chief Executive Officer of CITIC Pacific Mining Management Pty Ltd.

These companies are all wholly-owned subsidiaries of CITIC Limited (listed on the Hong Kong Stock Exchange). CITIC Limited is in turn a majority-owned subsidiary of CITIC Group Corporation, a Chinese state-owned enterprise.

Mr Zeng has previously served as a Director on the Board of CITIC Group Corporation (2010 to 2011). He is also a former Director of CITIC Limited. Before joining CITIC Pacific Mining, Mr Zeng held various senior management positions within CITIC Group. Mr Zeng was also previously a Director of Macarthur Coal Limited (2007 to 2011) and Marathon Resources Limited (2006 to 2014), both were ASX listed companies. Mr Zeng has over 30 years of experience in management and project development, 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, coal and iron ore mining.

MS DEBORAH O'TOOLE

LLB, MAICD

Independent
Non-Executive Director

Ms O'Toole was appointed as a director on 1 December 2017. She has been appointed as a member of the Nomination Committee, the Compensation Committee and was appointed Chair of the Audit and Risk Management Committee on 1 April 2018. Ms O'Toole is a Non-Executive Director of Sims Metal Management Limited (appointed November 2014), the Asciano Rail Group of Companies operating as Pacific National Rail (appointed October 2016), Credit Union Australia Ltd (appointed March 2014) and the Wesley Research Institute (appointed March 2013). She is a former Non-Executive Director of Boart Longyear Limited (appointed 1 October 2014 and resigned September 2017), CSIRO, Norfolk Group, various companies in the MIM and Aurizon Groups and government and private sector advisory boards. She has acted as Chairperson of the Audit Committees of CSIRO, Norfolk Group and Pacific Aluminium.

Ms O'Toole has extensive executive experience across a number of sectors including over 20 years in the mining industry and, more recently, in transport and logistics which included managerial, operational and financial roles. She has been Chief Financial Officer of three ASX listed companies: MIM Holdings Limited, Queensland Cotton Holdings Limited and, most recently, Aurizon Holdings Limited.

MR JOHN A BEVAN

BCom

Independent
Non-Executive Director

Mr Bevan was appointed Non-Executive Director on 1 January 2018. He has been appointed a member of the Audit and Risk Management Committee, the Compensation Committee and the Nomination Committee and was appointed Chair of the Nomination Committee from 1 April 2018. Mr Bevan is currently a Director and Chairman of BlueScope Steel Limited (appointed March 2014), a Director and Deputy Chairman of Ansell Limited (appointed August 2012) and a former Director of Nuplex Industries Limited (September 2015–September 2016).

Mr Bevan was formerly the Chief Executive Officer and Executive Director of Alumina Limited (June 2008–December 2014). Prior to his 2008 appointment to Alumina Limited, he spent 29 years in the BOC Group Plc where he was a member of the Board of Directors and held a variety of senior management positions in Australia, Korea, Thailand, Singapore and the United Kingdom. Mr Bevan brings to the Board extensive commercial and operational experience gained through operating joint ventures in many parts of the world, particularly Asia.

MR MIKE FERRARO

LLB (HONS)

Managing Director and
Chief Executive Officer

Prior to his appointment as Chief Executive Officer and Managing Director, Mr Ferraro was a Non-Executive Director of Alumina Ltd from 5 February 2014 to 31 May 2017 and Partner, Client Development-Asia Pacific at Herbert Smith Freehills, a global law firm. He was also formerly global head of the firm's Corporate Group and a member of its executive management team. Mr Ferraro is also currently a Non-Executive Director of Helloworld Travel 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 35 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.

MR STEPHEN FOSTER

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

General Counsel/ Company Secretary

Mr Foster is responsible for legal, company secretarial, shareholder services, insurance and human resources. He has a wide range of legal and commercial experience gained over 30 years, more recently at Village Roadshow and WMC Limited, after working with the legal firm of Arthur Robinson & Hedderwicks (now Allens). The appointment of the Company Secretary/General Counsel is ratified by the Board. As defined in the Board Charter, the Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The role of Company Secretary/General Counsel for Alumina Limited includes:

- providing legal advice to the Board and management as required;
- advising the Board on corporate governance principles;
- generally attending all Board meetings and preparing the minutes;
- monitoring that the Board and Committee policies and procedures are followed;
- facilitating the induction of Directors; and
- managing compliance with regulatory requirements

MEETINGS OF DIRECTORS

Particulars of the number of meetings of the Company's Directors (including meetings of committees of Directors) during the financial year, and the number of those meetings attended by each Director (as applicable), are detailed in the table on page 19.

INTERESTS OF DIRECTORS

Particulars of relevant interests in shares in the Company, or in any related body corporate held by the Directors as at the date of this report are set out in the Remuneration Report on page 58 of this report. Particulars of rights or options over shares in the Company, or in any related body corporate, held by the Directors as at the date of this report are set out in the Remuneration Report on page 58 of this report.

INSURANCE OF OFFICERS

During or since the end of the financial year, the Group has paid the premiums in respect of a contract to insure Directors and other officers of the Group against liabilities incurred in the performance of their duties on behalf of the Group. The officers of the Group covered by the insurance policy include any natural person acting in the course of duties for the Group who is or was a Director, secretary or executive officer as well as senior and executive staff. The Company is prohibited, under the terms of the insurance contract, from disclosing details of the nature of liability insured against and the amount of the premium.

INDEMNITY OF OFFICERS

Rule 75 of the Company's Constitution requires the Company to indemnify each officer of the Company (and, if the Board of the Company considers it appropriate, any officer of a wholly-owned subsidiary of the Company) out of the assets of the Company against any liability incurred by the officer in or arising out of the conduct of the business of the Company or the relevant wholly-owned subsidiary or in or arising out of the discharge of the duties of the officer, where that liability is owed to a person other than the Company or a related body corporate of the Company. This requirement does not apply to the extent that the liability arises out of conduct on the part of the officer which involved a lack of good faith, or to the extent that the Company is otherwise precluded by law from providing an indemnity. It also does not apply to the extent and for the amount that the officer is not otherwise entitled to be indemnified and is not actually indemnified by another person (such as an insurer under any insurance policy). 'Officer' in this context means: a Director, secretary, senior manager or employee; or a person appointed as a trustee by, or acting as a trustee at the request of, the Company or a wholly-owned subsidiary of the Company, and includes a former officer. The Constitution also permits the Company, where the Board considers it appropriate, to enter into documentary indemnities in favour of such officers. The Company has entered into such Deeds of Indemnity with each of the Directors, which indemnify them consistently with rule 75 of the Constitution.

DIVIDENDS

Details of the dividends paid to members of the Company during the financial year are referred to in Note 6(b) of the Consolidated Financial Statements found on page 81.

PRINCIPAL ACTIVITIES

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

Alumina Limited Directors' Attendance At Meetings January to December 2018

	Board meeting		Board Committee meetings		Audit and Risk Management Committee meetings		Compensation Committee meetings		Nominations Committee meetings	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
G J Pizzey[1]	3	3	0	0	3	3	1	1	1	1
E R Stein	9	9	0	0	6	6	4	4	2	2
C Zeng	9	9	0	0	6	6	4	4	2	2
P Day	9	9	0	0	6	6	4	4	2	2
M Ferraro[2]	9	9	0	0	n/a	n/a	n/a	n/a	n/a	n/a
D O'Toole[3]	9	7	0	0	6	5	4	3	2	2
J Bevan[4]	9	8	0	0	6	6	4	3	2	2

Notes:

[1] Mr Pizzey retired as Non-Executive Director and Chairman of the Board on 31 March 2018

[2] Mr Ferraro is Managing Director and Chief Executive Officer and is not a member of the Committees of the Board however may attend in his capacity as CEO

[3] Ms O'Toole was granted Leave of Absence for one Board meeting and one Compensation Committee meeting

[4] Mr Bevan was granted Leave of Absence for one Board meeting and one Compensation Committee meeting

REVIEW OF OPERATIONS AND RESULTS

The financial results for the Group include the 12-month results of AWAC and associated corporate activities.

The Group's net profit after tax for the 2018 financial year attributable to members of the Company was $635.4 million (2017: $339.8 million). Excluding significant items, there would have been a net profit after tax of $689.9 million (2017: $363.1 million). For further information on the operations of the Group during the financial year and the results of these operations refer to the Operating and Financial Review on pages 22 to 37 of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as reported in Note 15 of the Consolidated Financial Statements (refer to page 90), there are no significant matters, circumstances or events that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in the financial years subsequent to the financial year ended 31 December 2018.

LIKELY DEVELOPMENTS

In the opinion of the Directors, it would prejudice the interests of the Group to provide additional information, except as reported in this Directors' Report (including the Operating and Financial Review on pages 22 and 37 of this report), relating to likely developments in the operations of the Group and the expected results of those operations in the financial years subsequent to the financial year ended 31 December 2018.

ENVIRONMENTAL REGULATION

AWAC's Australian operations are subject to various Commonwealth and state laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation, and access to and use of ground water. In particular, most operations are required to be licensed to conduct certain activities under the environmental protection legislation of the state in which they operate, and such licences include requirements specific to the subject site.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Amounts shown in the Financial Report and this Directors' Report have been rounded off to the nearest hundred thousand dollars, except where otherwise required, in accordance with that legislative instrument.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

AUDITOR

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

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act is set out on page 20 of this report.

NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided by (or on behalf of) the auditor and its related practices are disclosed in Note 13 of the Notes to the Consolidated Statements in the Financial Report on page 89.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the financial year by (or on behalf of) the auditor and its related practices, is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors are satisfied that the provision of those non-audit services did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.* The fees paid or payable during the financial year for services provided by (or on behalf of) the auditor of the parent entity are disclosed in Note 13 of the Notes to the Consolidated Statements in the Financial Report on page 89.

CORPORATE GOVERNANCE STATEMENT

The Company has, for the 2018 reporting year, elected to disclose the Corporate Governance Statement only on the Company's website. The Corporate Governance Statement can be found at URL **http://www.aluminalimited.com/governance/.**

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AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of Alumina Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

(b) no contraventions of any applicable code of professional conduct in relation to the audit other than as noted below.

The spouse of a partner in the lead audit engagement office, who joined PricewaterhouseCoopers on 1 August 2018 as part of a business acquisition, held an AUD 1,647 investment in Alumina Limited until 11 September 2018. The investment was immediately disposed of when the matter was identified. The partner did not provide any services to Alumina Limited and the audit team was not aware of the investment. On this basis I do not believe this matter has impacted the objectivity of PricewaterhouseCoopers in relation to the audit.

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

John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
22 March 2019

PricewaterhouseCoopers, ABN 52 780 433 757

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Alumina has been able to pay most of its free cash flow to shareholders by way of dividends.

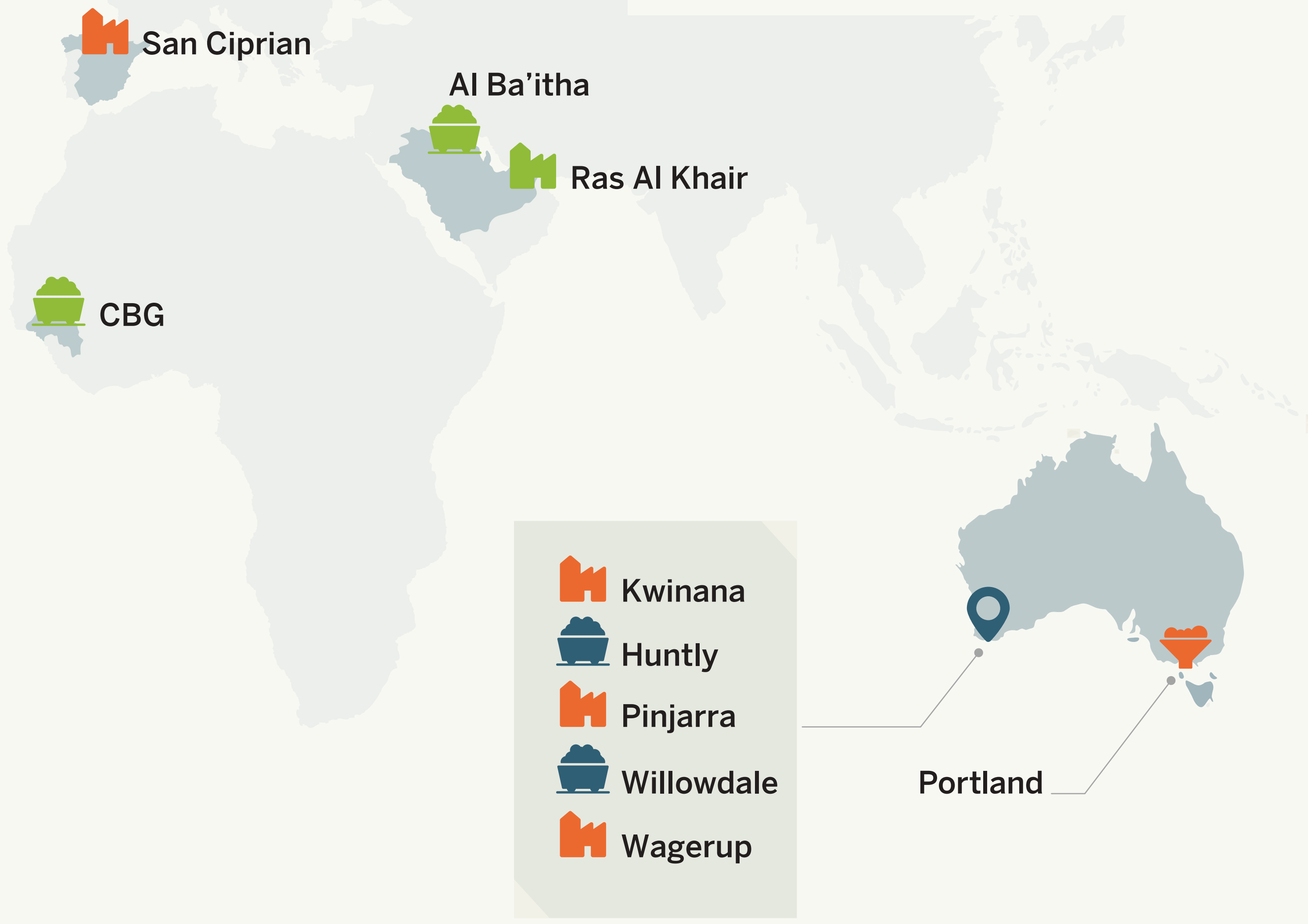
OPERATING AND FINANCIAL REVIEW

NOTE REGARDING NON-IFRS FINANCIAL INFORMATION

The Operating and Financial Review contains certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior year periods and to assess the operating performance of the business.

Alcoa World Alumina & Chemicals (AWAC) financial information, is extracted from audited financial statements prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP).

CONTENTS



1. STRATEGY AND BUSINESS MODEL

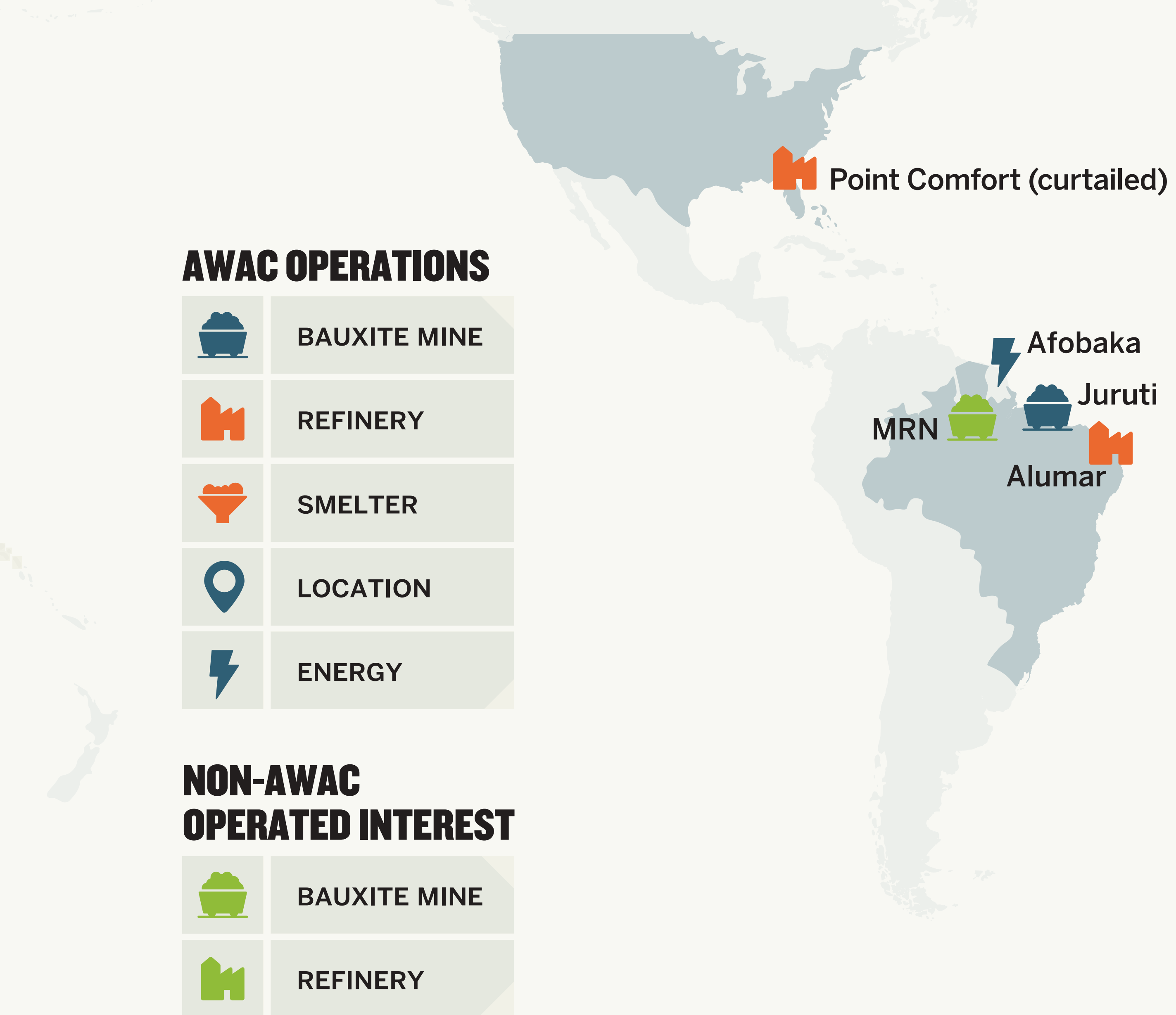
BUSINESS MODEL

Alumina Limited represents a unique investment in globally leading bauxite mines and alumina refineries through its 40% investment in Alcoa World Alumina and Chemicals (AWAC). AWAC also has a 55% interest in the Portland smelter in Victoria, Australia.

The Company provides a clean look-through to AWAC's underlying performance. This is possible because the financial policies of both Alumina Limited and AWAC ensure there is modest leverage in both the Company and AWAC, the Company's own costs are minimal and the distribution policies of Alumina Limited and AWAC require free cash flows to be paid to their respective shareholders.

Alumina Limited's net profit/(loss) is principally comprised of a return on its equity investment, and otherwise revenues are limited to small amounts of interest income and occasional one-off revenues.

AWAC was formed on 1 January 1995 by Alumina Limited and Alcoa Inc. combining their respective global bauxite, alumina and alumina-based chemicals business and investments and their respective aluminium smelting operations in Australia. Following the separation of Alcoa Inc. into Alcoa Corporation and Arconic Inc. on 1 November 2016, Alcoa Corporation (Alcoa) replaced Alcoa Inc as Alumina Limited's partner in the AWAC joint venture. Alcoa owns the 60% interest in the joint venture and manages the day-to-day operations.



The Strategic Council is the principal forum for Alcoa and Alumina Limited to provide direction and counsel to the AWAC entities in respect of strategic and policy matters. The Alcoa and Alumina Limited representatives on the boards of the AWAC entities are required, subject to their general fiduciary duties, to carry out the directions and the decisions of the Strategic Council. The Strategic Council has five members, three appointed by Alcoa (of which one is Chairman) and two by Alumina Limited (of which one is the Deputy Chairman). Decisions are made by majority vote except for matters which require a "super-majority" vote, which is a vote of at least 80% of the members appointed to the Strategic Council.

The following matters require a super-majority vote:

- change of the scope of AWAC
- change in the dividend policy
- equity calls on behalf of AWAC totalling, in any one year, in excess of $1 billion
- acquisitions, divestitures, expansions and curtailments exceeding 2 million tonnes per annum of bauxite or 0.5 million tonnes per annum of alumina or which have a sale price, acquisition price, or project total capital cost of $50 million or greater
- implementation of related party transactions in excess of $50 million
- implementation of financial derivatives, hedges and other commodity price or interest rate protection mechanisms
- decision to file for insolvency in respect of any AWAC company.

Under the general direction of the Strategic Council, Alcoa is the "industrial leader" and provides the operating management of AWAC and of all affiliated operating entities within AWAC.

Alumina Limited is entitled to representation in proportion to its ownership interest on the board of each entity in the AWAC structure and is currently represented on the boards of Alcoa of Australia Ltd (AofA), Alcoa World Alumina Brazil Ltda. (AWA Brazil), AWA Saudi Ltda., Alumina Espanola S.A. and Alcoa World Alumina LLC (AWA LLC). In addition to the Strategic Council meetings, Alumina Limited's Management and Board visit and review AWAC's operations regularly.

Subject to the exclusivity provisions of the AWAC agreements, AWAC is the exclusive vehicle for the pursuit of Alumina Limited's and Alcoa's (and their related corporations as defined) interests in the bauxite, alumina and inorganic industrial chemicals businesses, and neither party can compete with AWAC so long as they maintain an ownership interest in AWAC. In addition, Alumina Limited may not compete with the businesses of the integrated operations of AWAC (being the primary aluminium smelting and fabricating facilities and certain ancillary facilities that existed at the formation of AWAC). The exclusivity provisions would terminate immediately on and from a change in control of either Alumina Limited or Alcoa.

Also effective immediately on and from a change of control of Alcoa or Alumina Limited there is an increased opportunity for development projects and expansions, whereby if either Alumina Limited or Alcoa Corporation wishes to expand an existing AWAC operation, develop a new project on AWAC tenements or pursue a project outside of AWAC, it is entitled to do so on a sole basis after providing 180 days for the other party to explore joint participation in the proposed project. A partner that avails itself of such an opportunity would pay for all costs related to the project, including for AWAC resources and shared facilities used, and would be entitled to all of the project's resulting off-take.

If there is a change of control of Alumina Limited then, from a date nominated by Alumina Limited:

- Future alumina off-take rights, whereby from a date nominated by Alumina Limited, Alumina Limited or its acquirer will be entitled to buy, subject to its 40% ownership cap:
  - its net short position (calculated as total consumption less total owned production per annum) of alumina at market price for its internal consumption; plus
  - up to 1 million tonnes per annum alumina off-take, at market prices, which it may market and sell as it sees fit;
  - in all cases subject to AWAC third party customer contracts being satisfied;
- Future bauxite off-take rights, whereby from a date nominated by Alumina Limited, Alumina Limited or its acquirer will be entitled to buy, at market prices, up to its net short position of bauxite for internal consumption, subject to its 40% ownership cap and pre-existing bauxite sales contracts.

STRATEGY ANALYSIS

AWAC is primarily focused on bauxite and alumina assets, and this is the key investment concern of Alumina Limited. That is, to invest in long-life, low cost bauxite and alumina assets through AWAC.

Alumina Limited and Alcoa are different companies with different shareholders and different governance requirements. While AWAC is governed by constitutional documents, in a practical sense, the reconciliation of the differing interests requires challenge, debate and negotiation. To do this well, Alumina Limited needs to have (and has) an independent understanding of the bauxite, alumina and aluminium market and views on the impact of changes in the market, in particular around capacity investment, pricing and the development of the Chinese industry. Through the role of Alumina Limited representatives on the Strategic Council and AWAC entity boards and working with Alcoa, Alumina Limited contributes to the strategic and high-level commercial actions of AWAC.

2. PRINCIPAL RISKS

The risk management processes are summarised in the Corporate Governance Statement located on the Company web site at **www.aluminalimited.com/governance/**

Alumina Limited's risk management framework provides for the production of a Group risk matrix, which sets out Alumina Limited's most significant risks and the steps taken to mitigate those risks. These risks are rated on the basis of their potential impact on the current operations and profitability and/or the long term value of the Group. Set out below are some of the key risks faced by Alumina Limited. However, there are other risks not listed below associated with an investment in Alumina Limited.

Movements in the market prices of bauxite, alumina and aluminium – AWAC's, and hence Alumina Limited's, performance is predominantly affected by the market price of alumina, and to some extent the market prices of bauxite and aluminium. Market prices are affected by numerous factors outside of Alumina Limited's control. These include the overall performance of world economies, the related cyclicality of industries that are significant consumers of aluminium and movement in production disproportionate to demand (whether as a result of changes to production levels at existing facilities or the development of new facilities by competitors). A fall in the market prices of bauxite, alumina and aluminium can adversely affect Alumina Limited's financial performance. AWAC seeks to identify ways in which to lower costs of production and thus achieving a low position on the cost curve. Achieving a low position on the cost curve allows AWAC to remain competitive in the event of unfavourable market movements. AWAC and Alumina Limited generally do not undertake hedging to manage this risk.

Fluctuations in exchange rates – while a significant proportion of AWAC's costs are incurred in Australian dollars, its sales are denominated in US dollars. Accordingly, AWAC and Alumina's Limited's future profitability can be adversely affected by a strengthening of the Australian dollar against the US dollar and a strengthening against the US dollar of other currencies in which operating or capital costs are incurred by AWAC outside Australia, including the Brazilian Real. Also, given that China is a significant part of the world alumina and aluminium markets, fluctuations in the Chinese Renminbi against the US dollar could have some impact on other parts of the industry. AWAC and Alumina Limited generally do not undertake hedging activities to manage this risk.

Increases in AWAC's production costs or a decrease in production – AWAC's operations are subject to conditions beyond its control that may increase its costs or decrease its production, including increases in the cost of key inputs (including energy, raw materials, labour, caustic and freight), the non-availability of key inputs (including secure energy), weather and natural disasters, fires or explosions at facilities, unexpected maintenance or technical problems, key equipment failures, disruptions to, or other problems with, infrastructure and supply. In addition, industrial disruptions, work stoppages, refurbishments and accidents at operations may adversely affect profitability. Some cost inputs are subject to long term contracts to increase the certainty of input pricing. AWAC's operating and maintenance systems and business continuity planning seek to minimise the impact of non-availability of key inputs. AWAC's portfolio restructuring and repositioning continues to ensure that operations as a whole remain competitive. AWAC also invests in capital expenditure projects that will reduce cash costs over the long term. Planned development and capital expenditure projects may not result in anticipated construction costs or production rates being achieved.

AWAC structure – 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. There is also a risk that Alumina Limited and Alcoa may have differing priorities. During 2016, the joint venture agreements were modified to ensure that certain key decisions require Alumina Limited's consent by a super-majority vote.

Greenhouse gas emission regulation – energy, particularly to generate steam, and electricity, is a significant input in a number of AWAC's operations, making AWAC an emitter of greenhouse gases. The introduction of regulatory change by governments in response to greenhouse gas emissions may represent an increased cost to AWAC and may affect Alumina Limited's profitability. AWAC and Alumina Limited monitor regulatory changes, and understand their effect on AWAC.

Political, legal and regulatory impacts – AWAC and Alumina Limited operate across a broad range of legal, regulatory or political systems. The profitability of those operations may be adversely impacted by changes in the regulatory regimes. AWAC and Alumina Limited's financial results could be affected by new or increasingly stringent laws, regulatory requirements or interpretations, or outcomes of significant legal proceedings or investigations adverse to AWAC or Alumina Limited. This may include a change in effective tax rates, additional tax liabilities or becoming subject to unexpected or rising costs associated with business operations or provision of health or welfare benefits to employees, regulations or policies.

AWAC is also subject to a variety of legal compliance risks. These risks include, among other things, potential claims relating to product liability, health and safety, environmental matters, intellectual property rights, government contracts, taxes and compliance with foreign export laws, anti-bribery laws, competition laws and sales and trading practices. Failure to comply with the laws regulating AWAC's businesses may result in sanctions, such as fines, additional tax liabilities or orders requiring positive action by AWAC, which may involve capital expenditure or the removal of licenses and/or the curtailment of operations. This relates particularly to environmental regulations. Alumina Limited and AWAC undertake a variety of compliance training and governance functions to mitigate these risks.

Furthermore, AWAC maintains a spread of assets and customers across a portfolio of countries and regions to minimise disruption and concentration risk.

Closure/impairment of assets – Alumina Limited may be required to record impairment charges as a result of adverse developments in the recoverable values of its assets. To the extent that the carrying value of an asset is impaired, such impairment may negatively impact Alumina Limited's profitability during the relevant period. Closure, curtailment or sale of AWAC's operations may result in a change in the timing or amount of required remediation activities and/or an impairment being incurred as a result of the carrying value of an asset exceeding its recoverable value, but may be necessary to ensure the ongoing competitiveness of AWAC operations.

Customer risks – AWAC's relationships with key customers for the supply of alumina (including Alcoa) are important to AWAC's financial performance. The loss of key customers or changes to sales agreements could adversely affect AWAC's and Alumina Limited's financial performance. AWAC mitigates customer risk by having a broad customer base across many countries and regions.

Debt refinancing – Alumina Limited's ability to refinance its debt on favourable terms as it becomes due or to repay its debt, its ability to raise further finance on favourable terms, and its borrowing costs, will depend upon a number of factors, including AWAC's operating performance, general economic conditions, political, capital and credit market conditions, external credit ratings and the reputation, performance and financial strength of Alumina Limited's business. If a number of the risks outlined in this section eventuate (including the cyclicality of the alumina industry and adverse movements in the market prices of aluminium and alumina) and Alumina Limited's operating performance, external credit rating or profitability is negatively impacted as a result of these risks, there is a risk that Alumina Limited may not be able to refinance expiring debt facilities or the costs of refinancing its debt may increase substantially.

Other risks include:

- an alumina and/or aluminium market in supply surplus may lead to downward price pressure;
- Chinese growth slowing and affecting aluminium consumption and hence aluminium and alumina demand;
- greater Chinese aluminium production at lower cost, combined with lower demand in China, may lead to a greater level of Chinese primary aluminium and semi-finished product exports, depressing the world prices of aluminium which may put downward pressure on alumina prices;
- Alcoa and its subsidiaries have a variety of obligations to Alumina Limited and AWAC, the fulfilment of which depends on their financial position. Adverse changes to the financial position of Alcoa and its subsidiaries could result in such obligations not being met;
- AWAC's operations generate hazardous waste which are contained in tailing facilities, residue storage areas and other impoundments. Unanticipated structural failure or over-topping caused by extreme weather events could result in injury or loss of life, damage to the environment or property. These events could result in material civil or criminal fines, penalties, and curtailment or closure of facilities;
- a greater outflow of aluminium stocks from warehouses' inventories could impact the world alumina market;
- a sustained increase in the supply of cheap bauxite from Asia to China, could lower Chinese alumina production costs;
- Chinese refineries being built outside China at a much lower capital cost than the rest of the industry;
- A sustained increase in freight costs disadvantaging AWAC's competitiveness;
- a technology breakthrough could lower Chinese alumina production costs;
- emerging competitors, that may be subsidised directly or indirectly by government, entering the alumina market may cause overcapacity in the industry which may result in AWAC losing sales or in depressed prices.

3. REVIEW OF AWAC OPERATIONS

Since the beginning of this decade, AWAC has undergone business improvement and transformation, which have significantly increased the competitiveness of its portfolio of assets in a global market. The current refining portfolio is comprised mostly of tier one assets that allows AWAC to generate higher returns during the highs and lows of the commodity cycle.

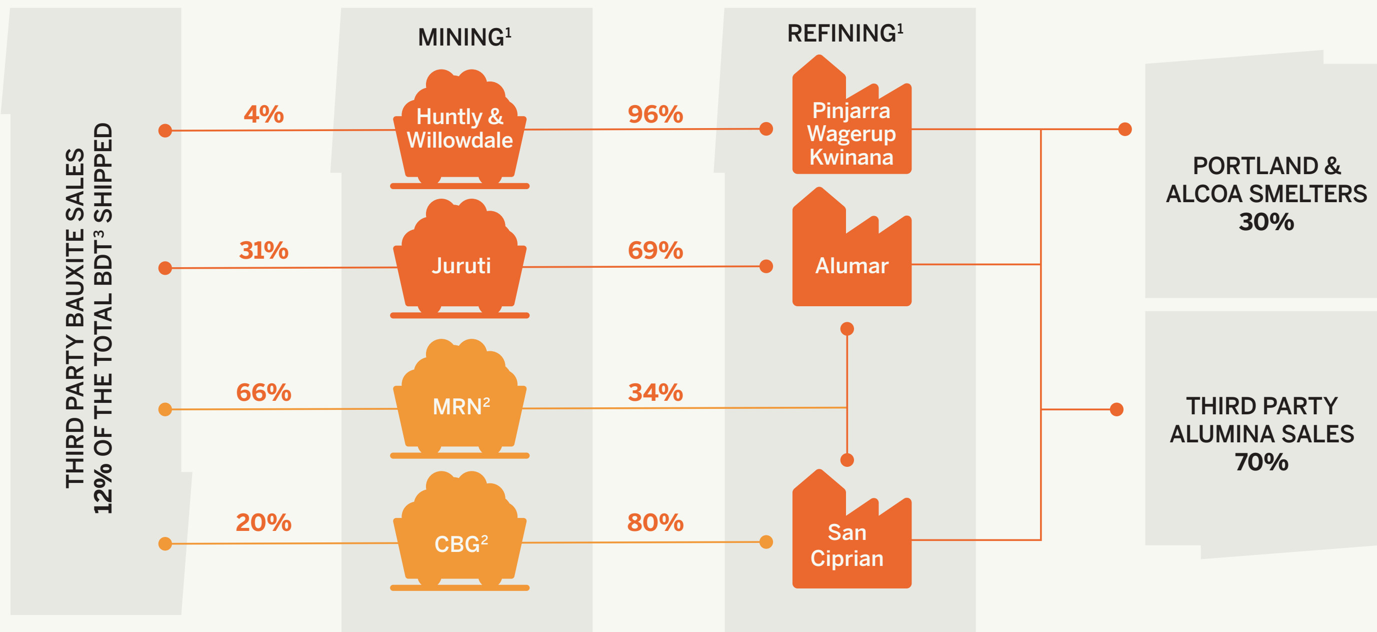
In addition, AWAC's bauxite resources in Australia, Brazil and Guinea continue to cater for third party customers in both the Pacific and the Atlantic regions, providing AWAC with an additional earnings stream.

The significant growth in AWAC's 2018 earnings and cash generation was mainly due to higher realised prices for alumina, as most of AWAC's alumina sales are priced on an alumina index basis.

In 2018 alumina index prices had a growth rate higher than aluminium by 27% (implied 22% linkage in 2018 versus 18% in 2017). This reflected structurally superior alumina market fundamentals, which were supported by alumina supply disruptions in the Atlantic and the Pacific, US trade sanctions against one alumina producer and the impact of China's supply-side and environmental reforms.

For a second year running, AWAC's overwhelming exposure to alumina index pricing (during a time when aluminium pricing has not been as favourable), and AWAC's low position on the cost curve, have delivered an outstanding profit for Alumina Limited shareholders. Alumina Limited's principal exposure to alumina should continue to support a favourable outcome for the Company in a balanced alumina market.

DIAGRAM OF AWAC VALUE CHAIN



MINING HIGHLIGHTS:

- Completed Juruti's expansion to 6.5 million BDT
- CBG's Phase 1 expansion completed its first ore shipment
- Annual production records at Huntly and Juruti mines

ALUMINA HIGHLIGHTS:

- Platts FOB Australia averaged $473 per tonne (one month lag)
- 92% of smelter grade alumina shipments on a spot or index basis
- Monthly production record for Pinjarra and Wagerup during December 2018
- Ma'aden at 98% of nameplate capacity for 2018

AWAC operated asset   Non-AWAC operated asset

[1] Excludes Al Ba'itha mine and Ras Khair refinery [2] AWAC equity interest
[3] Bone dry tonnes (BDT)

MINING

	31 DEC 2018	31 DEC 2017	CHANGE	CHANGE (%)
AWAC OPERATED MINES				
Production (million BDT)	39.2	38.8	0.4	1.0
Cash cost ($/BDT of bauxite produced)	11.4	11.1	0.3	2.7
NON-AWAC OPERATED MINES				
AWAC equity share of production (million BDT)[1]	4.0	4.6	(0.6)	(13.0)
THIRD PARTY SALES				
Shipments to third parties (million BDT)	5.6	6.6	(1.0)	(15.2)
Total third party revenue[2] ($ million)	250.5	334.0	(83.5)	(25.0)

[1] Based on the terms of its bauxite supply contracts, AWAC bauxite purchases from Mineração Rio do Norte S.A. ("MRN") and Compagnie des Bauxites de Guinée (CBG) differ from its proportional equity in those mines.

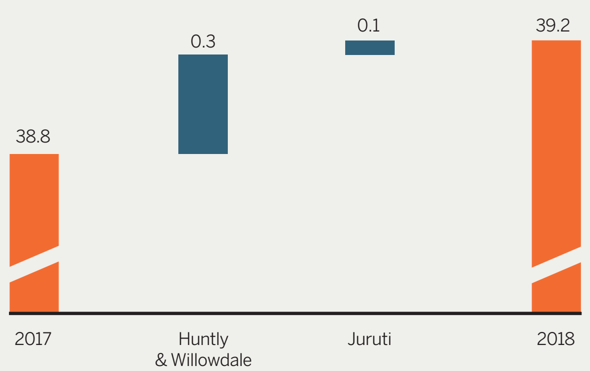
[2] Includes freight revenue of $68.1 million for 2018 (2017: $98.1 million).

AWAC Operated Mines

AWAC operated mines increased production by 1.0%. The growth was facilitated by creep at the Huntly mine in Western Australia, and a capacity increase at the Juruti mine to 6.5 million BDT per annum.

Huntly and Juruti mines achieved an annual production record with Huntly further achieving a monthly production record in December.

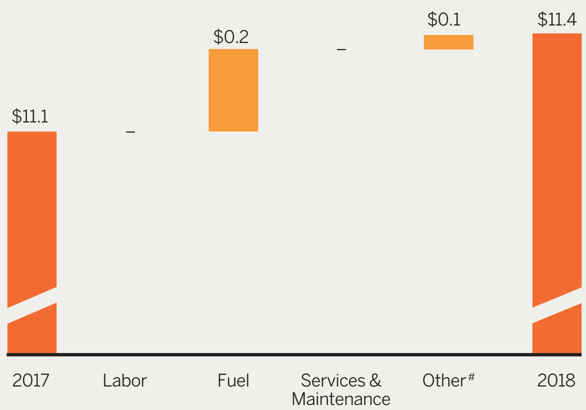
BAUXITE PRODUCTION: CHANGE BY MINE (MILLION BDT)



Capital expenditure on the Western Australian bauxite export infrastructure project has been deferred as an alternative medium-term solution has been found.

AWAC's cash cost per BDT of bauxite produced increased by 2.7% to $11.4. Contributors to this increase included higher royalties and higher diesel costs particularly at the Juruti mine. The weaker Australian dollar and Brazilian real against the US dollar had a favourable effect on cash cost of bauxite produced.

CASH COST PER BDT OF BAUXITE PRODUCED^



Other includes: energy, supplies, PAE, royalties and other.
^ AWAC operated mines

Non-AWAC Operated Mines

AWAC's equity share of production at MRN and CBG mines decreased by 13% to 4.0 million BDT.

The MRN mine in Brazil decreased production in response to a partial curtailment of a third party alumina refinery in Brazil and issues caused by a severe dry season in 2017.

The CBG mine in Guinea decreased production as a consequence of an expansion project, which temporarily reduced the availability of mine infrastructure. This project is now in the completion phase and expected to ramp up in 1H 2019, which will increase AWAC's equity share of production by approximately 1.1 million BDT per annum.

The equity accounted share of profit after tax derived from CBG and MRN was $13.7 million (2017: $23.1 million).

Third Party Bauxite Sales

AWAC's shipments to third party customers decreased by 15.2% to 5.6 million BDT in 2018, predominantly due to the decline in production at the CBG and MRN mines. Increased inter-segment shipments from CBG to replenish low 2017 stockpiles at AWAC's San Ciprian refinery further reduced bauxite availability to third parties. Increases in Huntly and Juruti shipments partially offset the decline in MRN and CBG volume.

Third party revenue declined by 25% compared to 2017, caused by lower shipments and a decrease of 9% in the average FOB realised price due to both changes in the product mix and lower FOB prices.

Third party bauxite shipments are expected to increase to 6.2 million BDT in 2019.

REFINING

	31 DEC 2018	31 DEC 2017	CHANGE	CHANGE (%)
AWAC OPERATED REFINERIES				
Shipments (million tonnes)	12.9	13.1	(0.2)	(1.5)
Production (million tonnes)	12.2	12.5	(0.3)	(2.4)
Average realised alumina price ($/tonne)	447	335	112	33.4
Platts FOB Australia - one month lag ($/tonne)	473	349	124	35.5
Cash cost per tonne of alumina produced	226	198	28	14.1
Margin[1] ($/tonne)	221	137	84	61.3
Smelter Grade Alumina ("SGA") shipments on spot or index basis (%)	92	85	7	8.2
MA'ADEN JOINT VENTURE				
Production (million tonnes)	1.8	1.5	0.3	20
AWAC's share of production (million tonnes)	0.5	0.4	0.1	25

[1] Calculated as average realised price less cash cost of production.

AWAC Operated Refineries

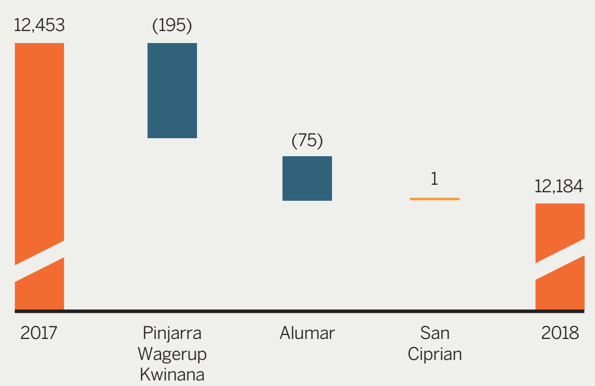
Production from AWAC operated refineries was 12.2 million tonnes, down 0.3 million tonnes compared to 2017.

Whilst production slightly improved at the San Ciprian refinery, production at all other refineries decreased as a result of operational and equipment issues throughout 2018. With issues being progressively addressed, Pinjarra and Wagerup completed the year strongly with monthly production records in December.

Alumina shipments declined by 1.5% to 12.9 million tonnes in 2018, as a result of the lower production.

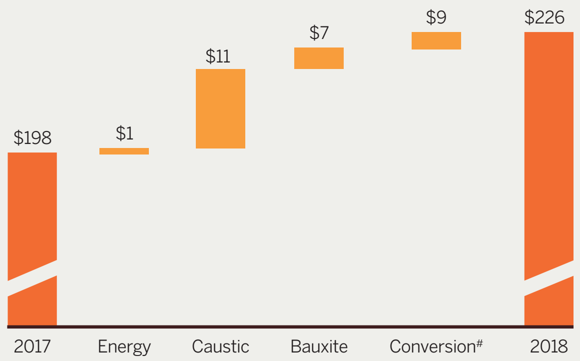
The 2018 average realised price was $447 per tonne, an improvement of $112 per tonne over the previous corresponding period. As approximately 92% of AWAC's alumina shipments were priced on a spot or index basis, AWAC was able to benefit from the 36% increase in the Alumina Price Index ("API"), which was supported by a tight alumina market. The average AWAC realised price was $26 lower than the index price (one-month lag), which reflects the impact of legacy contracts and lower-priced chemical grade alumina.

ALUMINA PRODUCTION: CHANGE BY REFINERY (KT)



The cash cost per tonne of alumina produced increased to $226 per tonne (14.1% increase on 2017). The increase is mostly attributable to higher input prices, with further impact from higher conversion costs.

CASH COST PER TONNE OF ALUMINA PRODUCED^



^ Includes thre mining business unit at cost
# Conversion includes: employee costs, indirect costs and other raw material costs

The rise in energy costs was mainly due to the increase in the underlying oil reference price for the San Ciprian and Alumar refineries.

The increase in the caustic cost is mainly related to price.

The cost of bauxite increased due to an increase in the underlying production cost of bauxite, as well as higher logistics and demurrage costs.

Conversion costs were higher at all refineries due to an increase in maintenance, as a result of the impact of operational and equipment issues. This was partially offset by the weaker Australian dollar and Brazilian real against the US dollar.

Ma'aden Joint Venture

During 2018, the Ma'aden refinery produced 1.8 million tonnes of alumina (AWAC's share of production was 0.5 million tonnes), representing a 20% improvement compared to 2017. The Ma'aden refinery operated at 98% of nameplate capacity during 2018.

The equity profit relating to the Ma'aden joint venture was $32.5 million during 2018 (2017: $5.0 million equity loss). The improvement in performance was mainly as a result of higher alumina prices and production.

PORTLAND

	31 DEC 2018	31 DEC 2017	CHANGE	CHANGE (%)
AWAC'S 55% EQUITY SHARE				
Production (thousand tonnes)	164	112	52	46.4
LME aluminium cash - 15 day lag ($/tonne)	2,119	1,950	169	8.7
EBITDA ($ million)	(29.7)	(25.6)	(4.1)	(16)

Aluminium production increased by 46%, compared to 2017, when production was significantly affected by a power outage in December 2016. The smelter reached the pre-outage capacity of approximately 167 thousand tonnes per year (AWAC equity share) in October 2017.

The decline in 2018 earnings was primarily as a result of higher alumina and carbon input prices, partially offset by a higher production rate and improved metal prices.

4. AWAC FINANCIAL REVIEW

The improvement in AWAC's net profit was due to higher realised alumina prices during 2018 which more than offset higher input costs and higher charges for significant items.

The increases in income tax charges were driven by higher taxable income, particularly in AWAC's Australian operations.

AWAC PROFIT AND LOSS (US GAAP)	US$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Net profit after tax	1,640.2	901.3
Add back: Income tax charge	701.3	443.7
Add back: Depreciation and amortisation	290.4	274.5
Add back: Net interest income	(1.8)	(2.6)
EBITDA	**2,630.1**	**1,616.9**
Add back: Significant items (pre-tax)	166.7	68.4
EBITDA excluding significant items	**2,796.8**	**1,685.3**

AWAC's net profit included the following significant items:

SIGNIFICANT ITEMS (US GAAP)	US$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Suralco restructuring related charges	(9.7)	(8.3)
Point Comfort restructuring related charges	(34.3)	(48.6)
Bauxite mining service contract final arbitration[1]	(29.0)	–
Derecognition of Brazil state VAT receivables[2]	(77.6)	–
Other[3]	(16.1)	(11.5)
Total significant items (pre-tax)	**(166.7)**	**(68.4)**
Total significant items (after-tax)	**(149.0)**	**(65.7)**

[1] On December 16, 2016, Boskalis International B.V. (Boskalis) initiated a binding arbitration proceeding against Suriname Aluminum Company, LLC (Suralco), an AWAC company, seeking $47 million plus prejudgment interest and associated taxes in connection with a dispute arising under a contract for mining services in Suriname between Boskalis and Suralco. In February 2018, the arbitration hearing was held before a three-person panel. The panel awarded Boskalis $29 million, including prejudgment interest of $3 million. The award is final and cannot be appealed. The cash payment of $29 million to Boskalis was made on 6 June 2018.

[2] AWAC derecognised VAT receivables from certain Brazilian states. The company retains the ability to utilise the VAT credits in the future.

[3] Other significant items include net charges related to Point Henry and Anglesea restructuring, severance and other payments.

AWAC BALANCE SHEET (US GAAP)	US$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Cash and cash equivalents	740.3	631.9
Receivables	497.5	560.3
Inventories	565.4	530.8
Property, plant & equipment	3,317.2	3,753.9
Other assets	2,030.4	2,372.9
Total Assets	**7,150.8**	**7,849.8**
Short term borrowings	0.4	4.6
Accounts payable	623.9	715.1
Taxes payable and deferred	546.3	401.1
Capital lease obligations & long term debt	84.4	17.5
Other liabilities	1,028.4	1,261.0
Total Liabilities	**2,283.4**	**2,399.3**
Equity	**4,867.4**	**5,450.5**

The decrease in the value of assets and liabilities includes the effect of the weaker Australian dollar and Brazilian real against the US dollar as at 31 December 2018.

The high average alumina prices in the fourth quarter of 2018 resulted in higher cash and cash equivalents as at year-end, whereas lower alumina prices in December 2018 relative to December 2017 resulted in lower receivables.

The increase in inventory includes the effect of a higher bauxite inventory at San Ciprian compared to 2017.

The decrease in property, plant and equipment was mainly due to foreign currency rate movement partially offset by the Pinjarra press filtration construction and growth projects such as the Juruti mine capacity increase.

Other assets and other liabilities decreased due to changes in the fair value of derivatives associated with Portland's hedging arrangements and the effect of the weaker Australian dollar against the US dollar as at 31 December 2018. The decrease in other assets is also due to derecognition of Brazil state VAT receivables. The decrease in other liabilities was also due to the final payment of $74 million for the Alba settlement.

The rise in taxes payable and deferred is mainly attributable to an increase in the taxable income for Australian operations.

The increase in capital lease obligations and long-term debt relates to funds drawn from a newly establish bilateral bank facility. The funds were used for various growth projects.

AWAC CASH FLOW (US GAAP)	US$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Cash from operations	1,969.6	1,102.4
Capital contributions arising from the allocation agreement[1]	74.0	74.0
Capital contributions from partners	371.9	200.0
Net movement in borrowings	63.3	17.4
Capital expenditure	(234.1)	(191.6)
Other financing and investing activities[2]	–	7.9
Effects of exchange rate changes on cash and cash equivalents	(68.4)	27.7
Cash flow before distributions	**2,176.3**	**1,237.8**
Distributions paid to partners	(2,067.9)	(857.1)
Net change in cash and cash equivalents	**108.4**	**380.7**

[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 in 2018 increased primarily due to higher average realised alumina prices. Consequently, gross distributions paid to partners increased to $2,067.9 million.

Cash from operations includes the payment for the Alba settlement of $74 million (2017: $74 million) and a $29 million payment relating to the arbitration settlement of Suralco's mining services contract.

In 2018, sustaining capital expenditure was $210.9 million (2017: $146.0 million). The most significant expenditure was for the Pinjarra refinery where press filtration is currently being constructed.

Growth capital expenditure was $23.2 million. The largest growth project related to the expansion of the Juruti mine.

5. ALUMINA LIMITED FINANCIAL REVIEW

ALUMINA LIMITED PROFIT AND LOSS	US$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Share of net profit of associates accounted for using the equity method	653.5	360.4
General and administrative expenses	(11.6)	(13.6)
Finance costs	(6.7)	(8.3)
Foreign exchange losses, tax and other	0.2	1.3
Profit for the year after tax	**635.4**	**339.8**
Total significant items after tax	54.5	23.3
Net profit after tax excluding significant items	**689.9**	**363.1**

SIGNIFICANT ITEMS (IFRS, POST-TAX)	US$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Suralco restructuring related charges and deferred tax assets adjustment	(1.2)	(2.2)
Point Comfort restructuring related charges	(13.8)	(19.5)
Bauxite mining service contract final arbitration	(11.6)	–
Derecognition of Brazil state VAT receivables	(25.8)	–
Other[1]	(2.1)	(1.6)
Total significant items	**(54.5)**	**(23.3)**

[1] Other significant items include net charges related to Point Henry and Anglesea restructuring, severance and other payments.

Alumina Limited recorded a net profit after tax of $635.4 million (2017: $339.8 million).

The increase in net profit was due to AWAC's higher average realised alumina price and partially offset by AWAC's higher production costs, and higher net charges for significant items.

Excluding significant items, net profit would have been $689.9 million (2017: $363.1 million).

General and administrative expenses in 2018 includes $0.3 million associated with the CFO's retirement (2017: $1.0 million associated with the CEO's retirement and $0.4 million of costs from the Company's actions in relation to Alcoa's corporate separation).

Excluding these costs, 2018 general and administrative expenses were lower than 2017 by approximately $1.0 million, which was primarily attributable to a weaker Australian dollar against the US dollar.

The Company's finance costs in 2017 included $1.1 million of charges related to the renegotiation of the syndicated bank facility. Adjusting for this, 2018 finance costs were still marginally lower than 2017 reflecting changes in the fixed interest rate note's coupon rate, which were triggered by changes in the credit rating of Alumina Limited.

ALUMINA LIMITED BALANCE SHEET	US$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Cash and cash equivalents	183.8	40.0
Investment in associates	2,060.2	2,301.0
Other assets	1.1	1.9
Total assets	**2,245.1**	**2,342.9**
Payables	1.2	1.3
Interest bearing liabilities	88.0	98.4
Other liabilities	20.1	9.2
Total liabilities	**109.3**	**108.9**
Net Assets	**2,135.8**	**2,234.0**

The decrease in investments in associates was due to foreign currency balance sheet revaluations and AWAC's increased distributions to shareholders.

Alumina Limited's net debt/(cash) as at 31 December 2018 was $(95.8) million (2017: $58.4 million).

Alumina Limited has $250 million of committed bank facilities which expire as follows:

- $150 million in July 2020 (no amounts drawn under these facilities as at 31 December 2018).
- $100 million in October 2022 (no amounts drawn under these facilities as at 31 December 2018).

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

ALUMINA LIMITED CASH FLOW	US$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Dividends received	657.2	278.1
Distributions received	0.2	1.2
Net finance costs paid	(7.5)	(8.6)
Payments to suppliers and employees	(10.7)	(12.1)
GST refund, interest received & other	2.1	0.9
Cash from operations	**641.3**	**259.5**
Net receipts/(payments) – investments in associates	20.8	(16.2)
Free cash flow[1]	**662.1**	**243.3**

[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 AWAC entities offset by the Company's general, administrative and finance costs.

Alumina Limited's total gross receipts from AWAC during 2018 were $787.0 million compared to $343.1 million in 2017.

Alumina Limited's gross cash contributions to AWAC during 2018 were $108.8 million (2017: $80.0 million).

Contributions to AWAC in 2018 were mainly to support one AWAC entity's purchases of alumina on a spot basis from other AWAC entities in order to meet the former's long term customer supply commitments which are on different pricing mechanisms.

Lower cash finance costs reflect the note's decreased coupon rate following the changes in the Company's credit rating.

As a result, free cash flow was $418.8 million higher in 2018 compared to 2017.

Alumina Limited's dividend policy is based on distributing the free cash up until the date of declaration by the Directors of the Company. The Board will also consider the capital structure of Alumina Limited, the capital requirements for the AWAC business and market conditions. Since 31 December 2018, AWAC has announced an additional $193.6 million of net distributions, which are included in the Company's 14.1 cents per share 2018 final dividend to be paid on 14 March 2019.

6. MARKET OUTLOOK AND GUIDANCE

ALUMINIUM

As forecast by Alumina Limited a year ago, China's aluminium production growth was lower in 2018 due to curtailments and closures of smelting capacity as a result of environmental and supply-side reform policies. Further and unforeseen Chinese smelting capacity was curtailed due to low aluminium prices and higher alumina costs.

Global primary aluminium production in 2018 rose by 1.5% to just over 64 million tonnes, according to the International Aluminium Institute. China, the largest aluminium producer, increased output by only 1.6%, to an estimated 36.5 million tonnes, while other Asian nations increased production by 11.7% to an estimated 4.4 million tonnes over 2018.

Primary aluminium production increased in Oceania by 5.5% to an estimated 1.92 million tonnes and in Gulf Co-operation Council States by 3.6% to 5.3 million tonnes. The main decreases in smelting production in 2018 were in South America, where output fell by 15.5% to an estimated 1.2 million tonnes and in North America, down 4.5% to an estimated 3.7 million tonnes. The fall in production in South American smelting was mainly related to the 50% reduction in alumina production at the Alunorte refinery, ordered by a Brazilian court in February.

The fall in North American production was related to industrial action at the Bécancour smelter in Canada, which was only partially offset by the restart of capacity in the USA in the second half of the year.

Other matters which had a significant impact on primary aluminium product flows and the aluminium price in 2018 were the U.S. imposition in March of a 10% tariff on imported aluminium products and the imposition of sanctions on UC Rusal and others by the U.S in April.

The above-mentioned American and Chinese factors resulted in the production of aluminium, and hence the demand for metallurgical alumina, not growing as fast as the 4% global rate forecast by Alumina Limited a year ago.

In late January 2019, the U.S. lifted sanctions against Rusal, which should help restore more typical market conditions and trade flows in the aluminium supply chain.

It is expected that during March and April 2019, increased aluminium production will gradually come online under the capacity replacement program and the re-start of some idled capacity.

Outside China, 2019 primary aluminium production is forecast to resume at smelters affected in 2018 by operational issues and industrial action as well as modest restarts in the US and other regions, where idling was related to alumina shortages. New production has commenced in Bahrain and is also expected in India, Norway and Iran during 2019.

Aluminium demand growth outside China is expected to be modest. On-going trade tensions between the U.S. and China are affecting sentiment. Higher demand growth in China is expected in electric vehicles and high-speed rail and growing exports of higher value products.

ALUMINA

Over 2018, the alumina price indices reached a high of \$710 and a low of \$357 per tonne, averaging approximately \$473. The prices were primarily due to the alumina supply constraints, following the Alunorte curtailment, Rusal sanction-related supply disruptions, Chinese policies and increased costs.

Prior to the Alunorte curtailment in the first quarter of 2018, the Atlantic market was short alumina, due to previous curtailments and closures of Atlantic refineries by AWAC and others. However, the global alumina market was broadly balanced. Once the Alunorte curtailment took hold, the ex-China market was unable to respond sufficiently quickly to meet alumina demand, nor has it been able to store large inventories. As a result, the alumina index price soared to \$710 and a price arbitrage emerged between China and the rest of world market, which Chinese refiners quickly took advantage of by exporting their more expensive alumina from China to fill the gap. In 2018, China exported 1.46 million tonnes of alumina and imported only 510,000 tonnes of alumina, according to Chinese Customs.

It remains unknown when Alunorte will receive Brazilian court permission to resume full production and how long it will take to reach it. In the meantime, it is likely that Chinese refiners would respond quickly to fill any further supply gaps, if the price arbitrage becomes sufficiently attractive for them to do so. The recent Chinese domestic alumina price has been above prices outside China, so there is currently a financial disincentive for Chinese alumina exports.

The Chinese Government has recently announced a supply-side reform focus on its domestic alumina sector. In addition to on-going environmental and safety audits in China, which are expected to continue to reduce production and increase costs, specific alumina supply-side reforms are likely to ensure domestic alumina and primary aluminium production are more closely aligned as well as ensure that over-capacity does not re-emerge in the industry.

Once Alunorte resumes full production, Chinese alumina exports are unlikely to resume.

Additional alumina production in 2019 outside China is expected from a number of refineries in Australia and Brazil, which experienced operational issues in 2018. In addition, increased production is expected from refineries ramping up in Guinea and Jamaica, as well as in India.

First alumina is also expected from the Al Taweelah greenfields refinery in the UAE in 2019. There are reports that Nanshan has commenced construction of a refinery on Bintan Island in Indonesia. Otherwise, there is no other committed greenfields refining capacity on the horizon and any further restarting of curtailed capacity looks challenging outside China.

Alumina Limited forecasts that alumina growth will broadly match aluminium growth, with on-going modest alumina imports into China, and a global alumina balance in 2019, assuming a full resumption at Alunorte.

BAUXITE

China's total bauxite imports reached nearly 83 million tonnes in 2018, up 20.5% on 2017. Third party bauxite remained well-supplied in 2018 and this is expected to continue into 2019. Predominantly supply is expected to continue to come from Guinea and Australia. The next highest source country in 2018 was Indonesia.

Bauxite supply disruptions were experienced in China's domestic market throughout 2018, caused by on-going audits for environmental, safety, licensing and tax reasons. They are expected to continue into 2019, resulting in higher than average prices over the year. Chinese domestic bauxite quality continues to deteriorate, which is likely to accelerate the demand for imported bauxite (or alumina) into China and to increase Chinese alumina production costs.

AWAC GUIDANCE

The following 2019 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 AWAC results. 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	2019 GUIDANCE
Production – alumina	Approximately 12.6 million tonnes
Production – aluminium	Approximately 165,000 tonnes
Third party bauxite sales	Approximately 6.2 million BD tonnes
Alumina Price Index sensitivity[1]: +$10/t	Approximately +$110 million EBITDA
Caustic price sensitivity[2]: +$100/dry metric tonne	Approximately -$90 million EBITDA
Australian $ Sensitivity: + 1¢ USD/AUD	Approximately -$25 million EBITDA
Brazilian $ Sensitivity: + 1¢ BRL/USD	Minimal impact
SGA shipments expected to be based on alumina price indices or spot	Approximately 94% for the year
AWAC sustaining capital expenditure	Approximately $155 million
AWAC growth capital expenditure	Approximately $110 million
AWAC Point Comfort after tax restructuring[3] Charges (IFRS) Cash Flows	 Approximately $40 million Approximately $40 million
AWAC Suralco after tax restructuring[3] Charges (IFRS) Cash Flows	 Approximately $15 million Approximately $50 million
AWAC Point Henry and Anglesea after tax restructuring[3] Charges (IFRS) Cash Flows	 Approximately $5 million Approximately $30 million

[1] Excludes equity accounted income/losses for the Ma'aden joint venture.

[2] Caustic inventory flow is 5-6 month.

[3] Ongoing costs will be recognised in future financial years relating to the curtailments and closures.

ALUMINA LIMITED GUIDANCE

The financial results of Alumina Limited are dependent upon AWAC's operational performance and profitability, and the ability of Alumina Limited to influence the performance of AWAC to ensure that the Company's interests are protected. Alumina Limited's objectives are to achieve the position where AWAC is sustainable in the long term, that it has adequate governance procedures in place, and that long term capital allocation is implemented to maximise AWAC's returns. Alumina Limited's expectations for cash receipts from AWAC in 2019 are that total receipts by Alumina Limited should exceed its corporate needs.

In 2019, Alumina Limited anticipates there could be equity calls by AWAC entities in relation to working capital support. However, this is subject to market conditions.

LETTER BY CHAIR OF COMPENSATION COMMITTEE

Dear Shareholders,

I am pleased to present Alumina Limited's 2018 remuneration report.

Company performance and strategic priorities

2018 represented a very good year for Alumina Limited, posting a record profit and returns to shareholders. The financial performance of the Company correlates to the improved market conditions coupled with the benefits of the asset portfolio transformation of recent years. Your Company's total shareholder return performed strongly in 2018 against its peers.

In 2016 the Alumina team completed the restructuring of the AWAC joint venture. In previous years and in more difficult market conditions, Alumina's executives have worked with Alcoa to improve the asset portfolio with resultant benefits in terms of cost quartile positioning. As the price of alumina increased, the improved cost base has resulted in superior returns for shareholders. In the more recent past, Alumina's Board charged Senior Executives to turn their minds to the future strategy of the business in the context of industry trends and development.

Within Alumina Limited, a series of objectives were formulated for 2018. A priority was to engage with Alcoa to assess the potential growth and synergies within the alumina and bauxite segments, whilst maintaining good working relationships with our joint venture partner. Alumina Limited's management provided Alcoa with, and contributed to, discussion and analysis of various potential projects within AWAC, providing a sounding board. This work draws on the knowledge, skills and experience of Alumina's senior team and goes to the heart of their value add for Alumina's shareholders.

Remuneration outcomes in 2018

In terms of the remuneration outcomes for 2018:

- base remuneration for the CEO (Chief Executive Officer) was increased by 2.5 per cent.
- for Executive KMP other than the CEO, and interim Chief Executive Officer, Short Term Incentives (STI's) awarded ranged from 60 per cent to 71 per cent of maximum, and 82 per cent to 89 per cent of target as they achieved most of the objectives set by the Board, either completely or partially. The Board believes these outcomes reflect the achievements and contributions of Executive KMP during the year, though note the STI outcomes were not driven exponentially upwards by the increased 2018 profit or dividend performance because this is a key tenet within Alumina's remuneration policy.
- Alumina's CEO's remuneration does not contain an STI. He is remunerated through fixed base pay and two equity-based components. Since his appointment* part way through 2017, his equity base has grown through the grant of rights and the rise in value of the company's share price. Of course, his experience will continue to mirror that of our shareholders.
- the Company's LTI scheme vested at a level of 96.88 per cent as shareholders enjoyed a Total Shareholder Return (TSR) of approximately 140 per cent over the three years of the scheme's performance period.
- the Board decided to defer reviewing Non-Executive Director fees by another year, and therefore will review them for 2020 rather than 2019 and so base fees remain unchanged since 2011.

We welcome your feedback on our remuneration report and I look forward to engaging with you on it.

Emma Stein - Chair

*2018 represents the first full year of his service as the data in the report shows.

REMUNERATION REPORT

This Remuneration Report forms part of the Directors' Report and outlines the remuneration framework and outcomes for Key Management Personnel ("KMP") for the year ended 31 December 2018.

The information provided is in accordance with the requirements of the Corporations Act and has been audited. All contracts for KMP are denominated in Australian dollars and accordingly all figures in the Remuneration Report are presented in Australian dollars unless otherwise indicated.

CONTENT

The Remuneration Report is presented in the following sections:

1. REMUNERATION FRAMEWORK

1.1. PERSONS COVERED BY THIS REPORT

In this report, KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of the group, either directly or indirectly. They comprise:

- Non-Executive Directors (NED)
- Executive Directors
- Other Executives considered KMP.

NAME	ROLE	
NON-EXECUTIVE DIRECTORS		
Peter Day	Non-Executive Chairman	Appointed Chairman 1 April 2018 Director since 1 January 2014
John Pizzey	Non-Executive Chairman (retired)	Chairman from 1 December 2011 to 31 March 2018 Director from 8 June 2007 to 31 March 2018
Emma Stein	Non-Executive Director	Appointed 3 February 2011
Chen Zeng	Non-Executive Director	Appointed 15 March 2013
Deborah O'Toole	Non-Executive Director	Appointed 1 December 2017
John Bevan	Non-Executive Director	Appointed 1 January 2018
EXECUTIVE DIRECTORS		
Mike Ferraro	Chief Executive Officer (CEO)	Appointed CEO from 1 June 2017
Peter Wasow	Chief Executive Officer (CEO)	From 1 January 2014 to 31 May 2017
OTHER KMP		
Chris Thiris	Chief Financial Officer (CFO)	Appointed 13 December 2011 to 31 December 2018
Stephen Foster	General Counsel/Company Secretary	Appointed 4 December 2002
Andrew Wood	Group Executive Strategy & Development	Employed 1 September 2008
Galina Kraeva	Interim Chief Financial Officer (ICFO)	Appointed 19 November 2018

1.2. 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 global 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 with some in remote locations. Alumina Limited's executives are responsible for protecting and advancing the interests of its approximately 53,000 shareholders in the management of AWAC. Consistent with the governing joint venture agreements, Alumina executives are responsible for providing strategic input and advice into the joint venture.

This, in turn, draws on their abilities to persuade and influence our joint venture partner to a common or at times, different conclusion. To do so, they are required to have a deep understanding of the complex trends and drivers of the global bauxite, aluminium and volatile alumina industry.

At the Board's direction, the CEO and Senior Executives are required to maintain Alumina Limited's financial metrics consistent with an investment grade rating, maximize cash flow from AWAC and support the joint venture in its efforts to improve its relative cost position and strategic options.

The latter responsibilities rest with a small team of four key executive officers. Alumina Limited requires and must retain, high calibre people with strong skills sets and commercial experience to ensure the Company and its investment are managed well. Hence, Alumina Limited's remuneration needs to be competitive, valued and relevant.

1.3. REMUNERATION STRATEGY, COMPONENTS AND MIX

REMUNERATION STRATEGY

Alumina Limited's remuneration strategy is based on the following principles, which determine remuneration components, their mix and way of delivery.

REMUNERATION PRINCIPLES

ALIGNMENT
Our remuneration is designed to aid alignment of Company, Executive, Board and Stakeholder interests.

RELEVANCE
Appropriate mix of fixed and at risk components, short and long incentives reflecting a balance of financial and non-financial objectives relevant to the non-operating nature of the Company and specific executive roles.

SUSTAINABILITY
Remuneration that is market competitive, that attracts and retains executives with capabilities and expertise to deliver our strategy.

TRANSPARENCY
Remuneration outcomes that are based on a set of clear objectives and expectations linked to Company strategy.

CEO AND EXECUTIVE KMP COMPONENTS AND PAY MIX

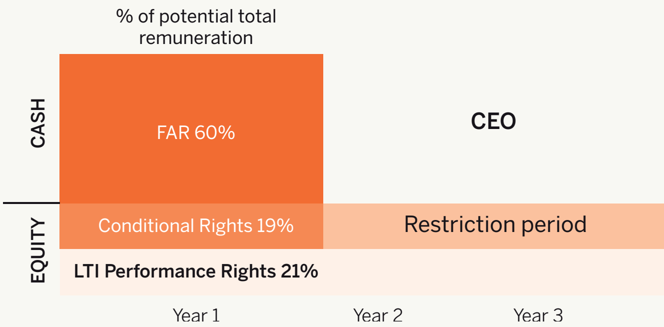
The following section sets out the different components of remuneration for the CEO and Senior Executives, the performance measures used to determine the amount of remuneration executives will receive and how they are aligned with Alumina Limited's remuneration strategy.

EXECUTIVE REMUNERATION COMPONENTS	FIXED REMUNERATION ("FAR")	CEO EQUITY BASED AWARD	SHORT-TERM INCENTIVE FOR SENIOR EXECUTIVES	LONG-TERM INCENTIVE (LTI)[1]
STRATEGIC INTENT	Attract and retain executives with the capability and experience to deliver our strategy.	Align performance focus with the long-term business strategy and shareholder experience.	Performance incentive directed to achieving Board approved targets, reflective of market circumstances.	Align performance focus with the long-term business strategy and shareholders experience.
PERFORMANCE MEASURE	FAR is set based on market relativities, reflecting responsibilities, qualifications, experience and effectiveness.	There is a 3-year trading restriction on the shares from grant date. The value of the equity remains subject to performance of the Company's share price.	STI performance criteria are set by reference to: • A minimum performance threshold requirement (the "Corporate Gate") • Financial metrics • Strategic Objectives • Individual performance and effort relevant to the specific objective.	LTI vesting is subject to service and performance tested three years from the grant date. The testing criteria is three-year Company TSR equal to or outperforming the median of the two (one local, one international) comparator groups (half of the LTI is attributable to each comparator group).
DELIVERY	Cash Payment	Conditional Rights	Mix of cash and equity • GE Strategy & Development: 100% cash • Company Secretary and CFO: 50% cash, 50% equity with three years trade restriction period	Performance Rights

[1]More detail on the STI and LTI remuneration components and their link to company performance is included in section 2 of this report.

CEO

In 2017, the Board changed the remuneration components of the CEO's remuneration package, whilst retaining existing remuneration structures for Senior Executives. The CEO's remuneration package comprises FAR, an annual grant of Conditional Rights subject to dealing restrictions, and an LTI. The package has been specifically designed to exclude an STI, which has been replaced with the restricted equity grant to focus the CEO on the long term.



In creating a new remuneration structure for the CEO, and in particular deciding whether an STI was relevant to the CEO role, the Board identified remuneration elements most aligned with the role of the CEO at Alumina Limited and the skills and experience of the individual who was appointed. The aspects considered most important centred on strategic influence, long term value creation, joint venture and industry relationships, identification of portfolio opportunities and leadership skills. A greater proportion of equity exposure (delivered via the Conditional Rights) within overall remuneration was thought to be more meaningful, drive long-term focus and a better measure of the CEO's performance. The value of CEO Conditional Rights will change over time, for example, any sustained retraction of the Company's share price will cause a drop in the value of the CEO's Conditional Rights and mirror the experience of shareholders. The table in section 4.2 demonstrates the changes in value of CEO's Conditional Rights between the grant date, vesting date or as at 31 December 2018.

When considering the value of each of the remuneration elements for the CEO's package, the Board also thought it continued to be appropriate to maintain total reward opportunity positioning in the lowest quartile when comparing the CEO's remuneration to that of companies of a comparable size, and ensure upswings in the cycle don't generate excessive incentive outcomes. As a total reward opportunity, the Board set the CEO remuneration at a level that would be attractive and yet reflect the non-operating nature of the company.

The Board continues to set specific annual objectives for the CEO. Progress is reviewed quarterly and at the end of the year. This process ensures there is a formal and transparent process

- from which to assess, discuss and hold accountable CEO performance in the short-term
- for the Board's expectations of the CEO to be communicated and ensure there is a shared understanding of how performance will be assessed (for example, what exceptional looks like versus good, or business as usual); and
- to align the CEO and Board's understanding of the priorities that will underpin long-term shareholder value creation.

The Board has turned its mind to the CEO's performance assessment framework and process in the last year, and has further refined its approach so that reward and recognition decisions for the CEO are underpinned by the performance assessment process.

SENIOR EXECUTIVES

Senior Executive remuneration packages comprise FAR, STI and a LTI. The STI component for the Senior Executives is considered appropriate and provides the CEO with a management tool to set annual priorities in the context of the Company's longer-term strategic plans, reinforced through the attachment of an incentive.

In 2018, the Board amended the "Corporate Gate" measure for the STI plan. It is a minimum performance threshold requirement, whereby the Company must pay a dividend or report an underlying profit before significant items. Significant items include any positive or negative one-off items such as profit on asset sales, asset impairments or generally any matter which is not recurring. If the "Corporate Gate" is not satisfied the overall scorecard performance scores will be halved in determining STI payments.

The distinction between Corporate and Personal objectives has been removed, instead the Company strategic, financial and non-financial objectives are identified. Some Company objectives are weighted differently for each of the KMP depending on the expected level of input and responsibilities assigned. At the end of the year performance is evaluated based on the status of objective completion and individual performance relevant to the specific objective.

In the Board's opinion this change to the STI performance scorecard will direct Executive focus to the most significant business priorities, promote teamwork and present transparent and equitable basis of the performance assessment. Change to the STI performance scorecard has no effect on the structure of the CEO's and Senior Executives' remuneration components.

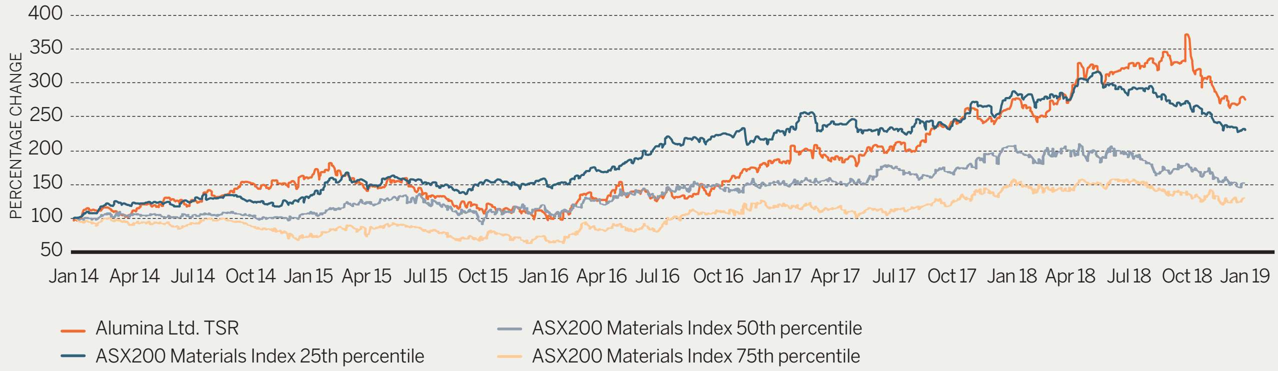
2. COMPANY PERFORMANCE AND EXECUTIVE REMUNERATION OUTCOMES

2.1. COMPANY PERFORMANCE

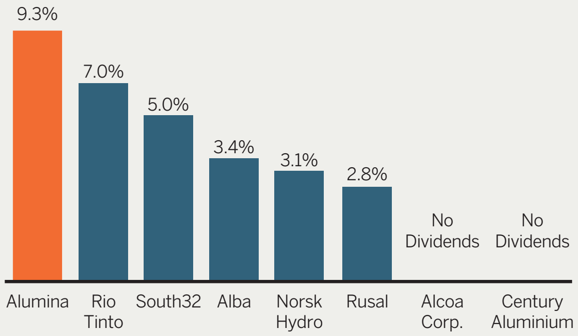
In terms of financial performance, 2018 has been a record year for Alumina Limited and the AWAC business. As market conditions improved over the last couple of years, so did the Company's performance.

Alumina Limited's TSR comparative to relevant ASX indices, reveals a trend of improving returns to investors since 2016 following the completion of AWAC's asset portfolio transformation.

ALUMINA LTD. (INCL. FRANKING CREDITS) (A$) 2014–2018
ASX200 MATERIALS COMPANY TSR'S (INCL. FRANKING CREDITS) (A$)

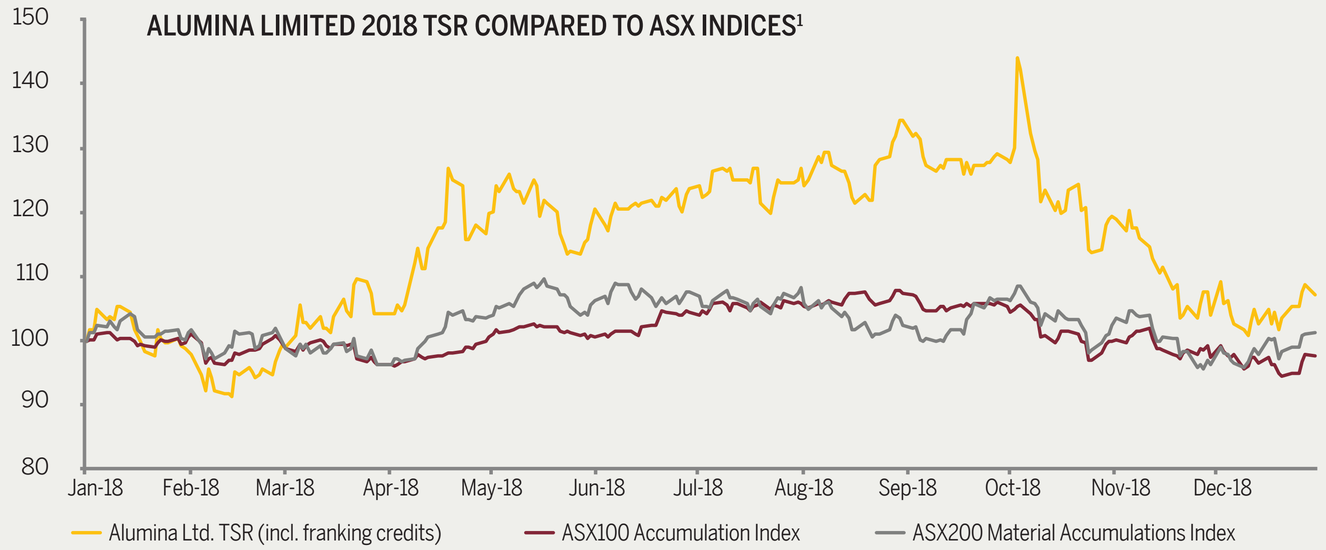


AVERAGE DIVIDEND YIELD
(PAST THREE YEARS EXCLUDING FRANKING CREDITS)

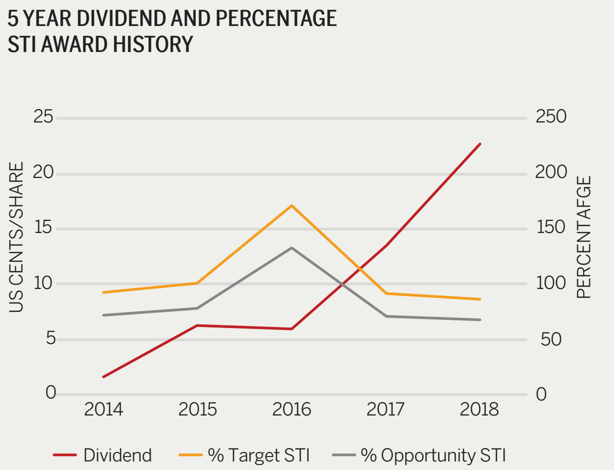


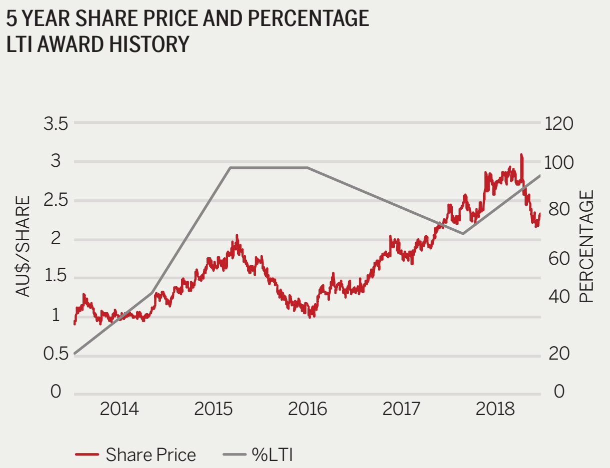
Share price and dividend distributions have improved over the period leading up to record results in 2018 for Alumina Limited and AWAC. The chart shows that Alumina Limited, with an average yield of 9.3% over the last three years, has compared very favourably to the yields of our peers.

Alumina Limited's profit increased from US$339.8 million in 2017 to US$635.4 million in 2018 (an increase of 87%). This increase was largely due to higher alumina prices. AWAC's strong financial performance meant that our net cash receipts for the year more than doubled compared to the previous year and totalled US$787 million. This enabled Alumina Limited to pay record dividends totalling 22.7 US cents per share.



[1] Accumulation indices were used to take into account dividends and both growth and dividend income.





Strong financial results and a positive outlook saw Alumina Limited reinstated to investment grade credit status by S&P in May 2018.

Following the substantial completion of the restructuring of the AWAC asset portfolio in previous years, it was time for Alumina's Board and Management to turn their minds to the future strategy of the business in the context of industry trends and development.

Within Alumina Limited, a series of objectives were formulated for 2018. A priority was to engage with Alcoa to assess the potential growth and synergies within the alumina and bauxite segments, whilst maintaining good working relationships with our joint venture partner. Alumina Limited's management provided Alcoa with, and contributed to, discussion and analysis of various potential projects within AWAC, providing a sounding board.

2018 objectives provided a good blend of financial, non-financial and strategic objectives. The actual remuneration outcomes reflect a balanced approach to objective setting, whereby short-term awards, particularly STI, are not being inflated just because of the favourable market environment and prices, but equally long-term awards represent ongoing effort on strengthening Company performance and matching our shareholder's experience.

2.2. REMUNERATION DECISIONS AND OUTCOMES FOR 2018

	FIXED REMUNERATION
2018 OUTCOMES	Fixed remuneration for the CEO (including conditional rights) and the General Counsel/Company Secretary increased in 2018 by 2.5%, which was in line with the increases paid to staff in the company except for two staff members who received a higher increase in base remuneration due to changes in their respective responsibilities. Fixed remuneration for the Group Executive Strategy & Development increased by 7% in 2018. Following the retirement of long-term CFO, Chris Thiris, Ms Kraeva was appointed interim CFO effective 19 November 2018. Ms Kraeva's FAR was set at $600,000 and will be kept at this level whilst she remains an Interim CFO.
	SHORT TERM INCENTIVE
2018 OUTCOMES	In 2018, STI payments were assessed against nine corporate objectives: two financial objectives, four strategic and three non-financial objectives. "Corporate Gate" requirements were satisfied therefore STI was assessed based on 100% of the potential award. Senior Executives (excluding the interim CFO), achieved on average 66% of the maximum STI. Given Ms Kraeva's short period in the role, her performance was not assessed against the 2018 scorecard, but instead against personal targets set out at the beginning of the year.
	LONG TERM INCENTIVE
2018 OUTCOMES	The FY16 LTI was tested in 2018 (testing period December 2015 to December 2018) with 96.88% of the total award vesting. Alumina Limited's performance against the ASX Comparator group exceeded the 75th percentile and therefore 100 per cent of the potential entitlement vested. In relation to the International Comparator Group, Alumina Limited's performance was just below the 75th percentile. This resulted in an overall average of 97 per cent of the potential entitlement vesting.

2.3. PERFORMANCE UNDER THE STI PLAN

2018	KEY FEATURES OF THE STI PLAN
DESCRIPTION	The Board sets financial and non-financial performance objectives at the start of each year. Performance is then assessed against each objective at the end of each year to determine whether executives receive payment under the STI plan.
PERFORMANCE PERIOD	Financial Year
PERFORMANCE HURDLES	The STI is subject to the "Corporate Gate", a minimum performance threshold requirement under which Alumina Limited must pay a dividend or report an underlying profit before significant items. Significant items may include any positive or negative one-off items such as profit on asset sales, asset impairments or generally any matter which is not recurring. Where scorecard objectives are met and the "Corporate Gate" is satisfied, the STI payment can be at the target level. If the "Corporate Gate" is not satisfied the overall scorecard performance scores will be halved in determining STI payments. Where objectives are significantly exceeded, the STI payment can approach the maximum level indicated below. The level of STI paid to each individual Senior Executive is determined with the reference to the relative weighting of each objective on the scorecard and individual contribution relevant to the specific objective.
PERFORMANCE ASSESSMENT	The Compensation Committee reviews individual performance against the scorecard at year end. It takes into account actual performance outcomes and internal and external factors that may have contributed to the results based on a comprehensive report provided by the CEO. In determining its recommendations to the Board on the level of STI payments, the Compensation Committee decides and, through discussion, tests: • the weighting of each objective • whether each individual element was achieved or surpassed • if an element was not achieved, whether this was due to the element no longer being considered a priority during the year due to changes in the operating environment, or whether due to poor performance (in which case a zero is likely to be given). Given the nature of the building blocks to the Alumina Limited STI scheme, a simple distinction between threshold, at target and stretch performance is not always apparent, especially at the beginning of the year. But in making its assessments as described above, the Compensation Committee is focused on a scheme which is sufficiently demanding and rewards hard-won achievements by executives.
OPPORTUNITY LEVELS	See table below

OPPORTUNITY LEVELS

LEVEL OF PERFORMANCE	PERCENTAGE OF FAR (%)		
	CFO[1]	COMPANY SECRETARY/GENERAL COUNSEL	GE STRATEGY & DEVELOPMENT
Below Expectations	0	0	0
Corporate Gate not met (50% of Target)	28	28	17.5
Corporate Gate satisfied 100% of Target	56	56	35
Maximum	70	70	50

[1] Ms Kraeva (Interim CFO) 2018 maximum STI award was 30% and a target STI award of 24%.

The tables below provide a summary assessment of performance against the STI scorecard, the actual value of STI paid to Senior Executives and the percentage of total maximum STI paid and forfeited for 2018.

2018 STI SCORECARD		
PERFORMANCE MEASURE	PERFORMANCE LEVEL	PERFORMANCE ASSESSMENT
Strategic objective - Engage with Alcoa to assess the potential growth and synergies within the bauxite segment. (weighting 18%)	Partially Achieved	Recommendations developed and communicated to Alcoa and synergies are being reviewed
Strategic objective - Present to the Board revised Company strategy and commence implementation. (weighting 15%)	At target	Revised strategy presented to the Board, implementation commenced
Strategic objective - Engage with Alcoa to assess the potential growth within the alumina segment. (weighting 7%)	At target	Recommendations developed and communicated to Alcoa
Strategic objective - Develop an understanding of AWAC risk management framework. Reach a position of being satisfied with the framework. (weighting 6%)	Partially Achieved	Information on risk management framework developed and provided. In process of developing further actions
Financial objective - Ensure the cash distributions required under the AWAC Joint Venture agreements for 2018 are received. (10% weighting)	At target	Distributions of US$787 million received during 2018
Financial objective - Maintain key financial metrics of Debt / EBITDA<2 times. (weighting 10%)	At target	Net cash position of $US95.8 million as at 31/12/2018
Non-Financial objective - Continue to work with Alcoa on a number of asset specific initiatives. (weighting 15%)	At target	Positive response and action taken
Non-Financial objective - Effective and good working relationship is maintained and enhanced with Alcoa. (weighting 10%)	Partially Achieved	Whilst good working relationships are established with the key stakeholders the depth of the relationship across the organisation can be further improved
Non-Financial objective - Implement revised performance management and career development process. Undertake successor and contingency planning. (weighting 9%)	Partially Achieved	New performance management process implemented. Succession planning for CFO role ongoing

2018 STI OUTCOMES				
KMP	YEAR	STI PAID A$	PAID AS A PERCENTAGE OF MAXIMUM AWARD	FORFEITED AS A PERCENTAGE OF MAXIMUM AWARD
Peter Wasow (previous CEO)[1]	2017	185,653	75%	25%
Chris Thiris (CFO)	**2018**	**335,420**	**66%**	**34%**
	2017	355,000	72%	28%
Galina Kraeva (Interim CFO)[2]	**2018**	**16,000**	**73%**	**27%**
Stephen Foster (Company Secretary)	**2018**	**270,000**	**71%**	**29%**
	2017	265,000	71%	29%
Andrew Wood (GE Strategy & Development)	**2018**	**122,000**	**60%**	**40%**
	2017	119,000	64%	36%
Total Executive STI	**2018**	**743,420**	**68%**	**32%**
	2017	924,653	71%	29%

[1] Mr Wasow retired and ceased employment with Alumina Limited on 31 July 2017. His STI was pro-rated for his time of service.

[2] Ms Kraeva appointed Interim CFO effective 19 November 2018. Her STI is pro-rated for her time as KMP from 19 November 2018 to 31 December 2018.

2.4. PERFORMANCE UNDER THE LTI PLAN

2018	KEY FEATURES OF THE LTI PLAN
DESCRIPTION	The LTI is delivered in the form of Performance Rights that are tested over a three-year performance period. Each Performance Right that vests deliver to the holder an ordinary share in Alumina Limited (for Performance Rights granted prior to 2016) or upon vesting and exercise (for Performance Rights granted from 2016).
PERFORMANCE PERIOD	Three Year
PERFORMANCE HURDLES	Alumina Limited's performance is tested using relative TSR compared against two comparator groups. Relative TSR was chosen as an appropriate means of measuring Company performance as it incorporates both capital growth and dividends. The two comparator groups against which Alumina Limited's performance were tested are: • ASX Comparator Group (Test 1 – 50% weighting): Australian listed entities in S&P/ASX 100 Index, excluding property trusts, the top 20 companies by market capitalisation and Alumina Limited. • International Comparator Group (Test 2 – 50% weighting): reflecting the Company's direct competitors in the market comprising eight selected companies in the alumina and/or aluminium industries that are listed in Australia or overseas, excluding the Company. The following companies were included in the group: South 32 (AUD), Hindalco Industries (INR), Century Aluminium (USD), Norsk Hydro (NOK), China Hongqiao Group (HKD), Arconic (USD), Yunnan Aluminium 'A' (CNY), Aluminium Corp. of China 'A' (CNY).
PERFORMANCE ASSESSMENT	Performance hurdles are independently measured by Mercer Consulting (Australia) at the conclusion of the relevant performance period. Alumina Limited's TSR is ranked against the TSR of companies in each of the comparator groups.

ALUMINA LIMITED'S TSR PERCENTILE RANK	PERCENTAGE OF VESTINGIN (APPLIES INDIVIDUALLY TO EACH COMPARATOR GROUP)
Below 50th	0%
Equal to 50th	50%
Between 50th and 75th (ASX Comparator Group)[1]	An additional 2% of award for each percentile increase
Equal to or greater than 75th	100%
Following testing, any Performance Rights that have not vested will lapse.	

ENTITLEMENTS	The participant is only entitled to proportionally receive dividends and other distributions, bonus issues or other benefits if the performance conditions applicable to Performance Rights are satisfied (or waived) and the Performance Rights vest and are exercised. Shares relating to Performance Rights, are not automatically allocated upon vesting. Instead, participants are entitled to exercise each relevant Performance Right at any time during the applicable exercise period (Exercise Period) after vesting. The Exercise Period will generally end seven years after vesting of the relevant Performance Rights. However, the Exercise Period may be shortened in certain circumstances such as cessation of employment or a change of control event. Performance Rights that do not vest as at the end of the vesting period will lapse.

PERFORMANCE LEVELS[2]

PERCENTAGE OF FAR (%)				
CEO	CFO	INTERIM CFO	COMPANY SECRETARY	GE STRATEGY & DEVELOPMENT
Approx 35	40	20	40	30

[1] If the Company's TSR performance is equal to that of any entity (or security) between the 50th percentile and the 75th percentile of the International Comparator Group ranked by TSR performance, the number of Performance Rights in the relevant half of the LTI award that vest will be equal to the vesting percentage assigned by the Board to that entity (or security). If the Company's TSR performance is between that of any two such entities (or securities) in the International Comparator Group, the number of Performance Rights in the relevant half of the LTI award that vest will be determined on a pro rata basis relative to the vesting percentages assigned by the Board to those entities (or securities).

[2] To determine the number of Performance Rights to be offered, the LTI opportunity is allocated using a face value allocation methodology being the annual dollar value of the LTI grant divided by the average Company share price over the 20 trading days leading up to the time that the Board determined to make offers of Performance Rights to Senior Executives under the LTI plan for the relevant year.

Alumina Limited's performance resulted in 96.88 per cent of the total potential entitlement vesting in 2018. The tables below summarise Alumina Limited's TSR performance against each of the comparator groups, and the number and value of the performance rights vested to KMP as result of this performance. Full reconciliation of number of rights at the beginning and the end of the financial year provided in section 4.3. of this report.

DESCRIPTION	ASX COMPARATOR GROUP	INTERNATIONAL COMPARATOR GROUP
Currency	AUD	USD[1]
Performance Period	8 December 2015 – 7 December 2018	
Alumina Limited's TSR	139.08%	141.33%
Alumina Limited's TSR Percentile Rank	**94.46%**	**71.88%**
75th percentile TSR	58.08%	148.92%
50th percentile TSR	25.22%	41.61%

[1]TSR for the International comparator group is calculated using prices and dividends converted to US dollars on a daily basis.

KMP[1]	NUMBER OF PERFORMANCE RIGHTS VESTED IN 2018	A$ VALUE OF PERFORMANCE RIGHTS VESTED[2]
Michael Ferraro	–	–
Chris Thiris	230,381	502,331
Galina Kraeva	50,087	–
Stephen Foster	172,059	–
Andrew Wood	91,067	198,526

[1] Mr Ferraro was appointed CEO from 1 June 2017, therefore performance rights granted to him are still subject to future performance testing. Performance Rights vested in 2018 were issued based on 2015 employment. Ms Kraeva was appointed Interim CFO effective 19 November 2018, and therefore the Performance Rights vested reflect LTI grants granted to her prior to her becoming a KMP.

[2] The value of Performance Rights vested is determined by the number of vested Rights multiplied by the market price at the exercise date. Mr Foster and Ms Kraeva have not exercised their rights as yet. Had they done so on the vesting date, the value of their respective performance rights vested would have been $375,089 and $109,190.

2.5. CEO AND SENIOR EXECUTIVES STATUTORY REMUNERATION

The following table shows details of the remuneration expense recognised for the Group's KMP for the current and previous financial year measured in accordance with the requirements of the accounting standards. Amounts shown under share-based payments reflect the accounting expense recorded during the year with respect to awards that have or are yet to vest.

KMP	YEAR	SHORT-TERM BENEFITS (A$)				
		FAR[1]	STI	Non-Monetary[2]	Other[3]	Total
Mike Ferraro[7]	**2018**	**1,286,610**	–	**33,047**	**13,261**	**1,332,918**
	2017	731,502	–	18,543	–	750,045
Peter Wasow	2017	899,473	185,653	–	4,065	1,089,191
Chris Thiris	**2018**	**701,400**	**335,420**	**27,607**	–	**1,064,427**
	2017	678,712	355,000	26,371	7,798	1,067,881
Galina Kraeva[8]	**2018**	**70,239**	**16,000**	**1,482**	**–**	**87,721**
Stephen Foster	**2018**	**517,700**	**270,000**	**(8,156)**	–	**779,544**
	2017	499,600	265,000	24,213	–	788,813
Andrew Wood	**2018**	**384,710**	**122,000**	**17,402**	–	**524,112**
	2017	353,768	119,000	11,204	–	483,972
Total Executive Remuneration	**2018**	**2,960,659**	**743,420**	**71,382**	**13,261**	**3,788,722**
	2017	3,163,055	924,653	80,331	11,863	4,179,902

[1] FAR is the total cash cost of salary, exclusive of superannuation.

[2] Non-monetary benefits represent the movement in accrued long service leave and value of the car park.

[3] Other short-term benefits include personal financial advice allowance and travel allowance.

[4] Superannuation and termination reflect the SGC contributions for all KMP and termination payments (payments in lieu) for Mr Chris Thiris (2017: Mr Peter Wasow).

[5] The CEO's remuneration package includes a conditional rights component. In accordance with AASB 2, the value attributed to the conditional rights represents the amortisation for the reporting period of the value at grant date of all previously granted conditional rights that have neither vested nor lapsed.

POST EMPLOYMENT BENEFITS (A$)	SHARE BASED PAYMENTS (A$)			TOTAL REMUNERATION (A$)
Superannuation and termination[4]	Conditional Rights[5]	Performance Rights[6]	Total	
20,290	**507,222**	**181,536**	**688,758**	**2,041,966**
12,248	136,111	59,265	195,376	957,669
1,034,356	292,675	175,436	468,111	2,591,658
452,402	–	**10,256**	**10,256**	**1,527,085**
29,988	–	181,694	181,694	1,279,563
2,488	**–**	**4,923**	**4,923**	**95,132**
25,000	–	**135,253**	**135,253**	**939,797**
29,900	–	135,995	135,995	954,708
20,290	–	**72,998**	**72,998**	**617,400**
19,832	–	71,842	71,842	575,646
520,470	**507,222**	**404,966**	**912,188**	**5,221,380**
1,126,324	428,786	624,232	1,053,018	6,359,244

[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.

[7] Mr Ferraro appointed CEO from 1 June 2017.

[8] Ms Kraeva appointed Interim CFO from 19 November 2018.

2.6. ACTUAL "TAKE HOME" 2018 REMUNERATION AWARDED TO CEO AND SENIOR EXECUTIVES

The actual remuneration awarded during the year comprises the following elements:

- Cash salary including superannuation benefits and any salary sacrifice arrangements, but excluding termination payments;
- Other short-term benefits comprised of the personal financial advice allowance and travel allowance
- STI cash payment;
- Conditional Rights vested (being the number of conditional rights that vested multiplied by the market price at the vesting date);
- LTI vested and exercised (being the number of performance rights that vested and exercised multiplied by the market price at the exercise date).

KMP	YEAR	SHORT-TERM BENEFITS (A$)			
		FAR including superannuation	STI	Other	Total
Mike Ferraro[1]	**2018**	**1,306,900**	–	**13,261**	**1,320,161**
	2017	743,750	–	–	743,750
Peter Wasow[2]	2017	914,293	185,653	4,065	1,104,011
Chris Thiris[2]	**2018**	**726,400**	**335,420**	–	**1,061,820**
	2017	708,700	355,000	7,798	1,071,498
Galina Kraeva[3]	**2018**	**72,727**	**16,000**	**–**	**88,727**
Stephen Foster	**2018**	**542,700**	**270,000**	–	**812,700**
	2017	529,500	265,000	–	794,500
Andrew Wood	**2018**	**405,000**	**122,000**	–	**527,000**
	2017	373,600	119,000	–	492,600
Total Executive Remuneration	**2018**	**3,053,727**	**743,420**	**13,261**	**3,810,408**
	2017	3,269,843	924,653	11,863	4,206,359

[1] Mr Ferraro appointed CEO from 1 June 2017.

[2] Termination payments for Mr Thiris and Mr Wasow are included in the table on page 52.

[3] Ms Kraeva appointed Interim CFO from 19 November 2018.

These values differ from the executive statutory remuneration table and have not been prepared in accordance with statutory requirements and Australian Accounting Standards.

	SHARE BASED PAYMENTS (A$)			TOTAL "TAKE HOME" REMUNERATION, EXCLUDING TERMINATION (A$)	TOTAL STATUTORY REMUNERATION, EXCLUDING TERMINATION (A$)
	Conditional Rights	Performance Rights[6]	Total		
	333,508	–	**333,508**	**1,653,669**	**2,041,966**
	–	–	–	743,750	957,669
	597,973	385,019	982,992	2,087,003	1,572,122
	–	**502,331**	**502,331**	**1,564,151**	**1,099,683**
	–	292,400	292,400	1,363,898	1,279,563
	–	–	–	**88,727**	**95,132**
	–	–	–	**812,700**	**939,797**
	–	219,705	219,705	1,014,205	954,708
	–	**198,526**	**198,526**	**725,526**	**617,400**
	–	115,598	115,598	608,198	575,646
	333,508	**700,857**	**1,034,365**	**4,844,773**	**4,793,978**
	597,973	1,012,722	1,610,695	5,817,054	5,339,708

3. NON-EXECUTIVE DIRECTORS REMUNERATION

3.1. REMUNERATION OUTCOMES IN 2018

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 $1,220,300 was paid in Non-Executive Director fees in 2018.

Other than the Chairman, who receives a single base fee of $410,000 (inclusive superannuation), Non-Executive Directors receive a base fee plus additional fees for membership of Board Committees and superannuation contribution. Non-Executive Directors do not participate in incentive plans or receive any retirement benefits other than statutory superannuation contributions. There were no changes to NED remuneration base fees in 2018. The Board decided to defer the 2019 review of fee until 2020 and subsequently there will be no increase of fees in 2019.

	A$
Base fee	150,000
Compensation Committee – Chair	30,000
Compensation Committee – Member	5,000
Audit and Risk Management Committee – Chair	30,000
Audit and Risk Management Committee – Member	5,000
Nomination Committee – Chair	10,000
Nomination Committee – Member	–

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Table below provides summary of the actual remuneration received by each Non-Executive Director and is prepared in accordance with statutory requirements and relevant accounting standards.

NON-EXECUTIVE DIRECTOR	YEAR	SHORT-TERM BENEFITS (A$)			POST EMPLOYMENT BENEFITS (A$)	TOTAL REMUNERATION (A$)
		Fees	Non-Monetary	Total	Superannuation[1]	
John Pizzey[2]	**2018**	**97,488**	–	**97,488**	**5,012**	**102,500**
	2017	390,168	–	390,168	19,832	410,000
Peter Day[2,3]	**2018**	**338,472**	–	**338,472**	**19,672**	**358,144**
	2017	184,147	–	184,147	17,503	201,650
Emma Stein[4]	**2018**	**187,500**	–	**187,500**	**17,813**	**205,313**
	2017	189,953	–	189,953	18,055	208,008
Deborah O'Toole[3]	**2018**	**178,750**	–	**178,750**	**16,981**	**195,731**
	2017	13,333	–	13,333	1,267	14,600
Chen Zeng	**2018**	**160,000**	–	**160,000**	**15,200**	**175,200**
	2017	159,262	–	159,262	15,138	174,400
John Bevan[4]	**2018**	**167,500**	–	**167,500**	**15,912**	**183,412**
Mike Ferraro[5]	2017	70,507	–	70,507	6,702	77,209
Total Non-Executive Director Remuneration	**2018**	**1,129,710**	–	**1,129,710**	**90,590**	**1,220,300**
	2017	1,007,370	–	1,007,370	78,497	1,085,867

[1] The applicable superannuation contribution rate for 2018 and 2017 was 9.5 per cent.

[2] Mr Pizzey retired as a Non-Executive Director and Chairman on 31 March 2018. Mr Day was appointed as Chairman on 1 April 2018.

[3] Mr Day has resigned as Chair of the Audit and Risk Management Committee ("ARMC") on 31 March 2018. Ms O'Toole was appointed as Chair of ARMC on 1 April 2018. Ms O'Toole was appointed as Non-Executive Director on 1 December 2017.

[4] Ms Stein has resigned as Chair of the Nomination Committee on 31 March 2018. Mr Bevan was appointed as Chair of the Nomination Committee on 1 April 2018. Mr Bevan was appointed a Non-Executive Director on 1 January 2018.

[5] Mr Ferraro resigned as a Non-Executive Director on 31 May 2017 and was appointed to the position of Chief Executive Officer and Managing Director on 1 June 2017.

3.2. NON-EXECUTIVE DIRECTORS 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 fees within five years from their appointment as a Director.

NON-EXECUTIVE DIRECTOR	YEAR	NUMBER OF SHARES AS AT 1 JANUARY[1]	NUMBER OF SHARES ACQUIRED DURING THE YEAR	NUMBER OF SHARES AS AT 31 DECEMBER[1]
John Pizzey[2]	2017	82,111	8,500	90,611
Peter Day	**2018**	**75,720**	–	**75,720**
	2017	75,720	–	75,720
Emma Stein	**2018**	**84,794**	–	**84,794**
	2017	75,808	8,986	84,794
Deborah O'Toole[3]	**2018**	–	**8,000**	**8,000**
	2017	–	–	–
Chen Zeng[4]	**2018**	**4,804**	–	**4,804**
	2017	4,804	–	4,804
John Bevan	**2018**	**300,154**	–	**300,154**

[1] Number 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] Mr Pizzey retired as a Non-Executive Director and Chairman on 31 March 2018.

[3] Ms O'Toole was appointed a Non-Executive Director on 1 December 2017.

[4] Mr Zeng is a nominee of CITIC and CITIC holds 548,959,208 ordinary fully paid shares in Alumina Limited.

4. ADDITIONAL DISCLOSURES

4.1. RECONCILIATION OF CONDITIONAL RIGHTS HELD BY CEO

EXECUTIVE DIRECTOR	YEAR[1]	NUMBER OF RIGHTS					VALUE OF RIGHTS (A$)			MAXIMUM VALUE OF RIGHTS YET TO VEST (A$)[7]
		Total as at 1 January	Granted during the year[1,2]	Vested during the year[3]	Lapsed during the year[4]	Total as at 31 Dec[5]	Granted during the year[1,2]	Vested during the year[6]	Lapsed during the year[4]	
Mike Ferraro (CEO)	**2018**	**122,164**	**169,268**	**(122,164)**	–	**169,268**	**410,000**	**(333,508)**	–	–
	2017	–	122,164	–	–	122,164	233,333	–	–	–
Peter Wasow (previous CEO)	2017	177,988	116,580	(294,568)	–	–	212,175	(597,973)	–	–

[1] Mr Ferraro receives Conditional Rights replacing an STI component. The number of Conditional Rights is determined by dividing the set value of $410,000 (2017: $400,000) by a Volume Weighted Average Price (VWAP) of $2.42 (2017: $1.91), independently calculated by Mercer. Mr Ferraro's FAR increased by 2.5% in 2018 therefore total value of the initial Conditional Rights grant increased. Mr Ferraro received a pro-rata allocation in 2017 calculated from his commencement date of 1 June 2017 as CEO.

[2] Mr Wasow received annually, Conditional Rights to a set value as an equity component of his FAR. In 2017 the number of Conditional Rights was equal to the set value of $212,175 divided by an independently determined Volume Weighted Average Price (VWAP) which, for 2017 was $1.82 (116,580 shares).

[3] The terms of Conditional Rights granted were not altered during 2018. The number of Conditional Rights vested is the number granted in the prior years, following the completion of the required conditions. For Mr Wasow and Mr Ferraro there is a three-year trading restriction on the shares from grant date as long as CEO remains employed by the Company.

[4] No Conditional Rights lapsed.

[5] Number of Conditional Rights yet to meet the required condition and have not lapsed.

[6] Value vested is equal to the number of Conditional Rights that have satisifed the required conditions multiplied by the share price at the time of vesting. In 2018, for Mr Ferraro, it was 122,164 Conditional Rights by the share price of $2.73 on 8 June 2018. In 2017, for Mr Wasow, it was 294,568 Conditional Rights by the share price of $2.03 on 7July 2017.

[7] The maximum value of the Conditional Rights is based on the number of rights that vest and are released at the expiration of the conditional period, multiplied by the share price on the date of release.

4.2. VALUE CHANGE OVER TIME OF THE CEO'S CONDITIONAL RIGHTS

YEAR	NUMBER OF RIGHTS	VALUE OF RIGHTS (A$)[1]		
		Granted during the year[2]	As at vesting date[3]	As at December 2018[4]
2018	169,268	410,000	–	389,316
2017	122,164	233,333	333,508	–
TOTAL	**291,432**	**643,333**	**333,508**	**389,316**

[1] The table above represents conditional rights of Mike Ferraro.

[2] The number of Conditional Rights is determined by dividing the set value of $410,000 (2017: $400,000) by a Volume Weighted Average Price (VWAP) of $2.42 (2017: $1.91), independently calculated by Mercer. Mr Ferraro's FAR increased by 2.5% in 2018 therefore the total value of the initial Conditional Rights grant increased. Mr Ferraro received a pro-rata allocation in 2017 calculated from his commencement date of 1 June 2017 as CEO.

[3] The value of Conditional Rights vested is determined by the number of vested Rights multiplied by the market price at the vesting date.

[4] The value of Conditional Rights as at 31 December 2018 is determined by the number of vested Rights multiplied by the market price at the date.

4.3. RECONCILIATION OF PERFORMANCE RIGHTS HELD BY KMP

KMP	YEAR[1]	NUMBER OF PERFORMANCE RIGHTS						
		Total as at 1 January[2]	Granted during the year[3]	Vested or vested and exercised during the year[4,5]	Lapsed during the year[6]	Total as at 31 December[7]	Yet to be exercised as at 31 December	Yet to vest as at 31 December
Mike Ferraro	**2018**	**141,900**	**198,000**	–	–	**339,900**	–	**339,900**
	2017	–	141,900	–	–	141,900	–	141,900
Peter Wasow	2017	599,900	251,700	(159,759)	(441,873)	249,968	–	249,968
Chris Thiris	**2018**	**405,900**	**127,900**	**(230,381)**	**(141,769)**	**161,650**	–	**161,650**
	2017	400,700	168,100	(121,328)	(41,572)	405,900	–	405,900
Galina Kraeva	**2018**	**88,300**	**27,800**	–	**(1,613)**	**114,487**	**(50,087)**	**64,400**
Stephen Foster	**2018**	**303,200**	**95,500**	–	**(5,541)**	**393,159**	**(172,059)**	**221,100**
	2017	300,000	125,600	(91,164)	(31,236)	303,200	–	303,200
Andrew Wood	**2018**	**160,500**	**53,500**	**(91,067)**	**(2,933)**	**120,000**	–	**120,000**
	2017	158,400	66,500	(47,966)	(16,434)	160,500	–	160,500

[1] 2018 include Performance Rights granted on 18 January 2018 (2017: 20 January 2017) for the three-year performance test period concluding 4 December 2020 (2017: 6 December 2019).

[2] Includes the number of Performance Rights granted that were subject to testing in 2018.

[3] The terms of Performance Rights granted were not altered during 2018. Number of Performance Rights granted calculated as the annual dollar value of the LTI grant divided by the average Company share price over the 20 trading days leading up to the time that the Board determined to make offers to Senior Executives under the LTI plan for the relevant year.

[4] The number of Performance Rights that vested in 2018 due to testing of Tranche 16. For the rights tested against the ASX Comparator Group, 100 per cent vested and 93.76 per cent vested in relation to the International Comparator Group.

[5] For Performance Rights granted on and after 20 January 2017, Performance Rights vest on satisfaction of the performance criteria. The eligible participant then enters an exercise period that concludes at 5:00pm (Melbourne time) on the date that is seven years after vesting. Vested ESP entitlements that are not exercised by the end of the Exercise Period will lapse (and consequently no Shares will be allocated, and no Cash Settlement Amounts will be paid, in respect of those vested ESP entitlements). However, if any of eligible participants vested ESP entitlements would otherwise lapse at the end of the Exercise Period because of this rule, and they have not previously notified Alumina Limited that they do not wish those vested ESP entitlements to exercised, then they will be deemed to be exercised by the eligible participant.

[6] The number of the Performance Rights that did not meet the criteria for vesting and therefore lapsed. In 2018, it also includes 134,350 Performance Rights for Mr Thiris that lapsed on a proportional basis from his retirement date to the end of the relevant performance period (2017: 387,134 Performance Rights for Mr Wasow that lapsed on his retirement).

[7] Includes number of Performance Rights granted subject to future testing (yet to vest) and number of Performance rights vested but yet to be exercised.

KMP	YEAR[1]	VALUE OF PERFORMANCE RIGHTS (A$)				MINIMUM VALUE OF GRANTS YET TO VEST[3]	MAXIMUM VALUE OF GRANT YET TO VEST OR TO BE EXERCISED[1]
		Granted during the year[1]	Vested or vested and exercised during the year[2]	Lapsed during the year[1]	Yet to be exercised[1]		
Mike Ferraro	**2018**	**282,150**	–	–	–	–	**544,665**
	2017	262,515	–	–	–	–	262,515
Peter Wasow	2017	259,251	385,019	(425,033)	–	–	210,537
Chris Thiris	**2018**	**182,258**	**502,331**	**(176,693)**	–	–	**184,569**
	2017	173,143	292,400	(46,976)	–	–	361,005
Galina Kraeva	**2018**	**39,615**	–	**(1,274)**	**39,569**	–	**77,313**
Stephen Foster	**2018**	**136,088**	–	**(4,377)**	**135,927**	–	**265,456**
	2017	129,368	219,705	(35,297)	–	–	269,672
Andrew Wood	**2018**	**76,238**	**198,526**	**(2,317)**	–	–	**144,733**
	2017	68,495	115,598	(18,570)	–	–	142,755

[1] Calculated by multiplying the number of rights by the fair value as at the date of the grant, independently calculated by Mercer Consulting (Australia) using the assumptions underlying the Black-Scholes methodology to produce a Monte Carlo simulation model that accommodates features associated with Alumina Limited's ESP such as exercise, lapse and performance hurdles.

[2] The value of Performance Rights vested is determined by the number of vested Rights multiplied by the market price at the vesting date.

[3] The minimum value of the Performance Rights for any given year is zero.

4.4. RECONCILIATION OF ORDINARY SHARES HELD BY KMP

KMP	YEAR[1]	NUMBER OF ORDINARY SHARES					
		Total as at 1 January[1]	Acquired during the year under LTI[2]	Acquired during the year CEO Conditional Rights	Other shares acquired during the year	Sold during the year	Total as at 31 December
Mike Ferraro	**2018**	**68,000**	–	**122,164**	–	–	**190,164**
	2017	68,000	–	–	–	–	68,000
Peter Wasow	2017	455,838	159,759	294,568	–	(910,165)	
Chris Thiris	**2018**	**900,000**	**230,381**	–	–	–	**1,130,381**
	2017	814,000	121,328	–	38,100	(73,428)	900,000
Galina Kraeva	**2018**	**25,770**	–	–	–	–	**25,770**
Stephen Foster	**2018**	**765,748**	–	–	**32,486**	–	**798,234**
	2017	739,717	91,164	–	28,867	(94,000)	765,748
Andrew Wood	**2018**	**197,966**	**91,067**	–	–	–	**289,033**
	2017	150,000	47,966	–	–	–	197,966

[1] Number 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] For 2018, includes 2016 vested and exercised Performance Rights that were tested in December 2018. For 2017, includes vested 2015 Performance Rights that were tested in December 2017.

4.5. CEO AND SENIOR EXECUTIVES SERVICE AGREEMENTS

Remuneration and other terms of employment for executives are formalised in service agreements. Major provisions of the agreements relating to remuneration are set out below.

Termination benefits are within the limits set by the *Corporations Act 2001 (Cth)*.

TERM OF AGREEMENT AND NOTICE PERIOD	TERMINATION PAYMENTS[1]
MIKE FERRARO	
• No fixed term. • 12 month written notice from either party. • Mr Ferraro's employment may be terminated immediately for any conduct that would justify summary dismissal.	• Alumina Limited may, at its discretion, make a payment in lieu of some or all of the notice period. • Any payment to be made to Mr Ferraro in lieu of notice shall be calculated based on his Fixed Annual Reward. He would also receive any statutory entitlements. • Number of shares equal to the granted conditional rights that would have vested during notice period. • In addition to the above, Mr Ferraro may terminate his employment by giving notice to Alumina Limited (effective immediately or up to six months later) in the event of a Significant Change. In that case Mr Ferraro will be entitled to receive a payment equal to 12 months' Fixed Annual Reward less the amount received during any period of notice served. He will also be entitled to payment in lieu of accrued annual and long service leave entitlements.
CHRIS THIRIS, STEPHEN FOSTER, ANDREW WOOD AND GALINA KRAEVA	
• No fixed term. • Six month notice from the Company, three month notice from Mr Thiris and Mr Foster. • Four month notice from the Company, two month notice from Mr Wood. • Three month notice from the Company, three month notice from Ms Kraeva.	• An additional payment which is the greater of: — A payment equivalent to six months Base Remuneration; or — A payment comprising: – Notice payment (the greater of 12 weeks or notice provided within employment contract), – severance payment of 2.5 weeks per complete year of service, pro-rated for completed months of service; and – nine weeks ex gratia payment.

[1] Payable upon termination with notice and without cause (e.g. for reasons other than unsatisfactory performance) and suitable alternative employment is not offered or if they do not accept other employment, or in the event of a significant change (which is defined to be if Alumina Limited ceases to be listed on the ASX or if there is a significant change to the executives status and/or responsibilities that is detrimental to the executive). Calculated according to the "Base Remuneration", which is defined as FAR for Mr Ferraro; and FAR + STI at target for Mr Thiris, Mr Foster, Mr Wood and Ms Kraeva.
The above termination entitlements are subject to any restrictions imposed by the Corporations Act.

4.6. CESSATION OF EMPLOYMENT

On cessation of employment, prior to Performance Rights vesting, except to the extent that the Board otherwise determines in its absolute discretion within 20 business days after employment ceasing, a pro rata number of unvested Performance Rights will lapse. The number of unvested Performance Rights that lapse will be proportional to the amount of the testing period that has not yet elapsed at the time of employment ceasing. In these circumstances, the Board also has discretion under the LTI plan rules to determine, within two months of employment ceasing, that any of the remaining unvested Performance Rights are forfeited.

In relation to any remaining unvested Performance Rights that do not lapse and are not forfeited, they will continue on foot under the LTI plan rules and be tested for vesting in the normal way unless the exercise period is shortened or the Board in its discretion determines that any or all performance conditions in respect of all or some of the Performance Rights will be tested at a date determined by the Board or waived, and/or cash settlement amounts will be paid in respect of Performance Rights that vest and are exercised.

4.7. CHANGE OF CONTROL

In the event of a change in control, the Board may bring forward the testing date for the LTI performance conditions, or waive those conditions, and/or shorten the exercise period for Performance Rights that have already vested or that vest subsequently. The Board may also, in its discretion, determine that cash settlement amounts will be paid in respect of any vested Performance Rights.

4.8. CLAWBACK POLICY

Alumina Limited has a Clawback Policy that provides scope for the Board to recoup incentive remuneration paid to the CEO and senior executives where:

- material misrepresentation or material restatement of Alumina Limited's financial statements occurred as a result of fraud or misconduct by the CEO or any senior executives; and
- the CEO or senior executives received incentive remuneration in excess of that which should have been received if the Alumina Limited financial statements had been correctly reported.

The Board also may seek to recover gains from the sale or disposition of vested shares and determine to cancel unvested equity awards.

4.9. SHARE TRADING AND HEDGE PROHIBITION

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

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

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

W Peter Day
Chairman
22 March 2019

FINANCIAL REPORT

The financial report covers the consolidated entity consisting of Alumina Limited (the Company or parent entity) and its subsidiaries (together the Group). The financial report is presented in US dollars, unless otherwise specified.

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the operating and financial review on pages 22–37 of the annual report. The operating and financial review is not part of this financial report.

The financial report was authorised for issue by the Directors on 22 March 2019.

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

CONTENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	US$ MILLION	
		2018	2017
Revenue from continuing operations		1.6	0.6
Share of net profit of associates accounted for using the equity method	2(c)	653.5	360.4
General and administrative expenses	7(a)	(11.6)	(13.6)
Change in fair value of derivatives/foreign exchange losses		(1.4)	0.7
Finance costs	7(b)	(6.7)	(8.3)
Profit before income tax		**635.4**	**339.8**
Income tax expense	8	–	–
Profit for the year attributable to the owners of Alumina Limited		**635.4**	**339.8**
Other comprehensive income/(loss) *Items that may be reclassified to profit or loss*			
Share of reserve movements accounted for using the equity method		0.4	2.9
Foreign exchange translation difference	9(b)	(217.6)	88.0
Items that will not be reclassified to profit or loss			
Re-measurements of retirement benefit obligations accounted for using the equity method		(0.5)	7.8
Other comprehensive (loss)/income for the year, net of tax		**(217.7)**	**98.7**
Total comprehensive income for the year attributable to the owners of Alumina Limited		**417.7**	**438.5**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9(a)	**22.1¢**	**11.8¢**
Diluted earnings per share	9(a)	**22.1¢**	**11.8¢**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	NOTES	US$ MILLION	
		2018	2017
CURRENT ASSETS			
Cash and cash equivalents	4(a)	183.8	40.0
Other assets		1.1	1.8
Total current assets		**184.9**	**41.8**
NON-CURRENT ASSETS			
Investment in associates	2(c)	2,060.2	2,301.0
Property, plant and equipment		–	0.1
Total non-current assets		**2,060.2**	**2,301.1**
TOTAL ASSETS		**2,245.1**	**2,342.9**
CURRENT LIABILITIES			
Payables		1.2	1.3
Borrowings	4(b)	88.0	–
Derivative financial instruments	4(c)	19.0	–
Provisions		0.2	0.3
Other liabilities		0.4	0.1
Total current liabilities		**108.8**	**1.7**
NON-CURRENT LIABILITIES			
Borrowings	4(b)	-	98.4
Derivative financial instruments	4(c)	-	8.3
Provisions		0.5	0.5
Total non-current liabilities		**0.5**	**107.2**
TOTAL LIABILITIES		**109.3**	**108.9**
NET ASSETS		**2,135.8**	**2,234.0**
EQUITY			
Contributed equity	9(a)	2,682.9	2,682.9
Treasury shares	9(a)	(1.2)	(0.9)
Reserves		(1,252.0)	(1,034.7)
Retained earnings		706.1	586.7
TOTAL EQUITY		**2,135.8**	**2,234.0**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTES	US$ MILLION			
		CONTRIBUTED EQUITY[1]	RESERVES	RETAINED EARNINGS	TOTAL
Balance as at 1 January 2017		**2,682.9**	**(1,125.3)**	**449.3**	**2,006.9**
Profit for the year		–	–	339.8	339.8
Other comprehensive income for the year		–	90.9	7.8	98.7
Transactions with owners in their capacity as owners:					
Dividends paid		–	–	(210.2)	(210.2)
Movement in treasury shares	9(a)	(0.9)	–	–	(0.9)
Movement in share based payments reserve		–	(0.3)	–	(0.3)
Balance as at 31 December 2017		**2,682.0**	**(1,034.7)**	**586.7**	**2,234.0**
Balance as at 1 January 2018		**2,682.0**	**(1,034.7)**	**586.7**	**2,234.0**
Profit for the year		–	–	635.4	635.4
Other comprehensive loss for the year		–	(217.2)	(0.5)	(217.7)
Transactions with owners in their capacity as owners:					
Dividends paid		–	–	(515.5)	(515.5)
Movement in treasury shares	9(a)	(0.3)	–	–	(0.3)
Movement in share based payments reserve		–	(0.1)	–	(0.1)
Balance as at 31 December 2018		**2,681.7**	**(1,252.0)**	**706.1**	**2,135.8**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	US$ MILLION	
		2018	2017
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(10.7)	(12.1)
GST refund received		0.4	0.5
Dividends received from associates		657.2	278.1
Distributions received from associates		0.2	1.2
Finance costs paid		(8.1)	(9.8)
Interest paid under cross currency interest rate swap		(5.1)	(5.4)
Interest received under cross currency interest rate swap		5.7	6.6
Other		1.7	0.4
Net cash inflow from operating activities	10(a)	**641.3**	**259.5**
Cash flows from investing activities			
Payments for investments in associates		(108.8)	(80.0)
Proceeds from return of invested capital		129.6	63.8
Net cash inflow/(outflow) from investing activities	2(c)	**20.8**	**(16.2)**
Cash flows from financing activities			
Proceeds from borrowings		75.0	105.0
Repayment of borrowings		(75.0)	(105.0)
Payments for shares acquired by the Alumina Employee Share Plan		(1.2)	(2.0)
Dividends paid		(515.5)	(210.2)
Net cash outflow from financing activities		**(516.7)**	**(212.2)**
Net increase/(decrease) in cash and cash equivalents		**145.4**	**31.1**
Cash and cash equivalents at the beginning of the financial year		40.0	8.6
Effects of exchange rate changes on cash and cash equivalents		(1.6)	0.3
Cash and cash equivalents at the end of the financial year	4(a)	**183.8**	**40.0**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

ABOUT THIS REPORT

Alumina Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Group for the year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 22 March 2019.

The consolidated financial report is a general purpose financial report which:

- incorporates assets, liabilities and results of operations of all Alumina Limited's subsidiaries and equity accounts its associates. For the list of the Company's associates and subsidiaries refer Notes 2(a) and 3 respectively.
- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB). Alumina Limited is a for profit entity for the purpose of preparing the financial statements.
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.
- has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
- 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, and presented in US dollars, except where otherwise required.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are effective for the annual reporting beginning 1 January 2018.
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.
- presents reclassified comparative information where required for consistency with the current year's presentation.

THE NOTES TO THE FINANCIAL STATEMENTS

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature,
- it is important for the understanding of the results of the Group, or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- **Group structure and AWAC performance:** explains the group structure and information about AWAC's financial position and performance and its impact on the Group.
- **Financial and capital risk:** provides information about the Group's financial assets and liabilities and discusses the Group's exposure to various financial risks and explains how these affect the Group's financial position and performance and what the Group does to manage these risks. It also describes capital management objectives and practices of the Group.
- **Key numbers:** provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items.
- **Other information:** provides information on items, which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements. However, they are not considered critical in understanding the financial performance of the Group and are not immediately related to the individual line items in the financial statements.

ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the notes to the financial statements.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in US dollars, which is Alumina Limited's presentation and functional currency.

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

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- all resulting exchange differences are recognised in other comprehensive income.
- on consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, its share of such exchange differences is reclassified to the profit or loss, as part of the gain or loss on sale.

GROUP STRUCTURE AND AWAC PERFORMANCE

1. SEGMENT INFORMATION

Alumina Limited's sole business undertaking is in the global bauxite, alumina and aluminium industry, which it conducts primarily through bauxite mining and alumina refining. All of those business activities are conducted through its 40% investments in AWAC. Alumina Limited's equity interest in AWAC form one reportable segment.

A full description of Alumina Limited's business model is included in the Operating and Financial Review on pages 22–37 of the annual report.

The equity interest in AWAC is represented by investments in a number of entities in different geographical locations.

YEAR ENDED 31 DECEMBER 2018	US$ MILLION			
	AUSTRALIA	BRAZIL	OTHER	TOTAL
Investments in associates	1,150.0	649.9	260.3	2,060.2
Other assets	184.3	0.3	0.3	184.9
Liabilities	(109.3)	–	–	(109.3)
Consolidated net assets	**1,225.0**	**650.2**	**260.6**	**2,135.8**

YEAR ENDED 31 DECEMBER 2017	US$ MILLION			
	AUSTRALIA	BRAZIL	OTHER	TOTAL
Investments in associates	1,307.4	747.9	245.7	2,301.0
Other assets	32.2	9.3	0.4	41.9
Liabilities	(108.9)	–	–	(108.9)
Consolidated net assets	**1,230.7**	**757.2**	**246.1**	**2,234.0**

2. INVESTMENTS IN ASSOCIATES

(a) ALCOA WORLD ALUMINA AND CHEMICALS

Alumina Limited has an interest in the following entities forming AWAC:

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE OWNERSHIP	
			2018	2017
Alcoa of Australia Limited	Bauxite, alumina & aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina trading & production	USA	40	40
Alumina Espanola S.A.	Alumina production	Spain	40	40
Alcoa World Alumina Brasil Ltda.	Bauxite and alumina production	Brazil	40	40
AWA Saudi Ltda.	Bauxite and alumina production	Hong Kong	40	40
Enterprise Partnership[1]	Finance lender	Australia	–	40

[1]The Enterprise Partnership was terminated on 31 July 2018.

The audited combined financial statements of the entities forming AWAC are prepared in accordance with Accounting Principles Generally Accepted in the United States of America (US GAAP). Alcoa of Australia Limited (AWAC entity) further issue audited financial statements prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and interpretations issued by Australian Accounting Standards Board.

For the remaining AWAC entities, for equity accounting purposes adjustments are made to convert the accounting policies under US GAAP to Australian Accounting Standards. The principal adjustments are to the valuation of inventories from last in first-out basis to a basis equivalent to weighted average cost, to create an additional asset retirement obligation for dismantling, removal and restoration of certain refineries, differences in the recognition of actuarial gains and losses on certain defined benefit pension plans pension plans and the reversal of certain fixed asset uplifts included in Alcoa World Alumina Brasil Ltda.

In arriving at the value of these GAAP adjustments, Management is required to use accounting estimates and exercise judgement in applying the Group's accounting policies. The note below provides an overview of the areas that involved a higher degree of judgement or complexity.

(b) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Retirement benefit obligations

The Group recognises a net liability for retirement benefit obligations under the defined benefit superannuation arrangements through its investment in AWAC.

All plans are valued in accordance with AASB 119 Employee Benefits. These valuations require actuarial assumptions to be made. All re-measurements are recognised in other comprehensive income.

Asset retirement obligations

The estimated costs of rehabilitating mined areas and restoring operating sites are reviewed annually and fully provided at the present value. The amount of obligations recognised under US GAAP by AWAC is adjusted to be in compliance with AAS. This requires judgemental assumptions regarding the timing of reclamation activities, plant and site closure and discount rates to determine the present value of these cash flows.

Carrying value of investments in associates

The Group assesses at each reporting period whether there is objective evidence that the investment in associates is impaired by:

- Performing an impairment indicators assessment to consider whether indicators of impairment exist;
- If indicators of impairment exist, calculating the value in use of the investment in AWAC using a discounted cash flow model ("DCF model"); and
- Comparing the resulting value to the book value.

The key assumptions used in the DCF model to estimate future cash flows are those relating to future alumina and aluminium prices, energy prices and exchange rates. Key assumptions are determined with reference to industry participants and brokers' forecasts, commodity and currency forward curves and industry consultant views.

These cash flows are then discounted to net present value using the weighted average cost of capital (WACC).

Furthermore, the following sensitivity analyses (stress testing) are performed over the value in use calculation:

- Commodities, including aluminium, alumina, caustic, coal, oil and gas price fluctuations (plus or minus 10%). AWAC's future cash flows are most sensitive to alumina price fluctuations.
- Currency rate fluctuation (plus or minus 10%).
- Increased WACC.

2. INVESTMENTS IN ASSOCIATES (CONTINUED)

As a final check, the book value of the investment in associates is compared to Alumina Limited's market capitalisation and to major analysts' valuations.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

No indicators of impairment were identified and no impairment loss was recognised in the years ended 31 December 2018 and 31 December 2017.

(c) SUMMARISED FINANCIAL INFORMATION FOR AWAC

The information disclosed in the tables below reflects the amounts presented in the AWAC financial statements amended to reflect adjustments made by Alumina Limited when using the equity method, including adjustments for differences in accounting policies.

SUMMARISED BALANCE SHEET	US$ MILLION	
	2018	2017
Current assets	1,929.9	1,798.8
Non-current assets	5,336.2	6,171.9
Current liabilities	(1,464.7)	(1,514.9)
Non-current liabilities	(1,263.2)	(1,393.3)
Net assets	**4,538.2**	**5,062.5**
Reconciliation to investment in associate balance		
Group Share as a percentage	40%	40%
Group Share in dollars	1,815.3	2,025.0
Goodwill	175.8	175.8
Net value of mineral rights and bauxite assets	102.8	104.9
Deferred tax liability (DTL) on mineral rights and bauxite assets	(33.7)	(34.3)
Allocation of Alba settlement	-	29.6
Carrying value	**2,060.2**	**2,301.0**
Reconciliation of carrying amount:		
Opening carrying value 1 January	2,301.0	2,106.0
Net additional (return)/funding in AWAC entities	(20.8)	16.2
Profit for the year	653.5	360.4
Other comprehensive (loss)/income for the year	(216.1)	97.7
Dividends and distributions paid	(657.4)	(279.3)
Closing net assets	**2,060.2**	**2,301.0**

2. INVESTMENTS IN ASSOCIATES (CONTINUED)

SUMMARISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	US$ MILLION	
	2018	2017
Revenues	6,749.4	5,274.0
Profit from continuing operations	1,637.5	904.8
Profit for the year	**1,637.5**	**904.8**
Other comprehensive(loss)/ income for the year	(540.2)	244.3
Total comprehensive income for the year	**1,097.3**	**1,149.1**
Reconciliation to investment in associate balance		
Group Share of profit for the year as a percentage	40%	40%
Group Share of profit for the year in dollars	655.0	361.9
Mineral rights and bauxite amortisation	(2.1)	(2.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.6	0.6
Share of profit from associate accounted for using equity method	**653.5**	**360.4**
Dividends and distributions received from AWAC	**657.4**	**279.3**

(d) COMMITMENTS AND CONTINGENT LIABILITIES FOR AWAC

Claims

There are potential obligations that may result in a future obligation due to the various lawsuits and claims and proceedings which have been, or may be, instituted or asserted against entities within AWAC, including those pertaining to environmental, product liability, safety and health and tax matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that existed at balance date. Also, not every plaintiff has specified the amount of damages sought in their complaint. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies. Pursuant to the terms of the AWAC Formation Agreement, Arconic Inc, Alcoa Corporation and Alumina Limited have agreed to remain liable for Extraordinary Liabilities (as defined in the agreement) as well as for certain other pre-formation liabilities, such as environmental conditions, to the extent of their pre-formation ownership of the AWAC's entity or asset with which the liability is associated.

Other commitments

AWAC has outstanding bank guarantees and letters of credit primarily related to environmental and leasing obligations, legal matters and custom duties, among others.

The total amount committed under these instruments, which automatically renew or expire at various dates, mostly in 2019, was $153.0 million at 31 December 2018.

AWAC has outstanding surety bonds primarily related to custom duties. The total committed under these bonds, which automatically renew or expire at various dates, between 2019 and 2021, was $6.5 million at 31 December 2018.

3. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alumina Limited as at 31 December 2018 and the results of their operations for the year then ended.

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by the Alumina Employee Share Plan Trust are disclosed as treasury shares and deducted from contributed equity.

The Group's subsidiaries at 31 December 2018 are set out below.

NAME	NOTES	PLACE OF INCORPORATION	PERCENTAGE OWNERSHIP	
			2018	2017
Alumina Employee Share Plan Pty Ltd	A	VIC, Australia	100	100
Alumina Finance Pty. Ltd.	A	VIC, Australia	100	100
Alumina Holdings (USA) Inc.	B	Delaware, USA	100	100
Alumina International Holdings Pty. Ltd.	C	VIC, Australia	100	100
Alumina Brazil Holdings Pty Ltd	A	VIC, Australia	100	100
Alumina Limited Do Brasil SA	D	Brazil	100	100
Alumina (U.S.A.) Inc.	B	Delaware, USA	100	100
Butia Participaçoes SA	D	Brazil	100	100
Westminer Acquisition (U.K.) Limited	D	UK	100	100

A. A small proprietary company, which is not required to prepare a financial report.

B. A company that has not prepared audited accounts as it is non-operating or audited accounts is not required in its country of incorporation. Appropriate books and records are maintained for the company.

C. The company has been granted a relief from the necessity to prepare accounts pursuant to Australian Securities and Investment Commission (ASIC) Class Order 2016/785. For further information refer Note 17.

D. A company that prepares separate audited accounts in the country of incorporation.

FINANCIAL AND CAPITAL RISK

4. FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group.
- specific information about each type of financial instrument.
- accounting policies.
- information about determining the fair value of the instruments.

	US$ MILLION		
	AT FAIR VALUE THROUGH PROFIT OR LOSS	AT AMORTISED COST	TOTAL
2018			
Cash and cash equivalents – *Note 4(a)*	–	183.8	183.8
Receivables	–	–	–
Total financial assets	**–**	**183.8**	**183.8**
Payables	–	1.2	1.2
Borrowings – *Note 4 (b)*	–	88.0	88.0
Derivative financial instruments – *Note 4(c)*	19.0	–	19.0
Total financial liabilities	**19.0**	**89.2**	**108.2**
Net financial liabilities/(assets)	**19.0**	**(94.6)**	**(75.6)**

4. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	US$ MILLION		
	AT FAIR VALUE THROUGH PROFIT OR LOSS	AT AMORTISED COST	TOTAL
2017			
Cash and cash equivalents – *Note 4 (a)*	–	40.0	40.0
Receivables	–	–	–
Total financial assets	**–**	**40.0**	**40.0**
Payables	–	1.3	1.3
Borrowings – *Note 4 (b)*	–	98.4	98.4
Derivative financial instruments – *Note 4 (c)*	8.3	–	8.3
Total financial liabilities	**8.3**	**99.7**	**108.0**
Net financial liabilities	**8.3**	**59.7**	**68.0**

The Group's exposure to various risks associated with the financial instruments is disclosed in Note 5. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above. The carrying amounts of financial assets and liabilities, other than derivative financial instruments, approximate their fair values. Derivative financial instruments are measured at fair value through profit or loss.

(a) CASH AND CASH EQUIVALENTS

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

	US$ MILLION	
	2018	2017
Cash on hand and at bank	2.8	13.1
Money market deposits	181.0	26.9
Total cash and cash equivalents as per the Statement of Cash Flows	**183.8**	**40.0**

4. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) BORROWINGS

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

Fees paid on establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of a facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of a facility will be drawn down, the fee is capitalised as a prepayment for the liquidity services and amortised over the period of the facility to which it relates.

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

	US$ MILLION	
	2018	2017
Bank loans	–	–
Fixed rate note	88.0	98.4
Total borrowings	**88.0**	**98.4**

Bank loans

Alumina Limited has a $250 million syndicated bank facility with two tranches maturing in July 2020 ($150 million) and October 2022 ($100 million). As at 31 December 2018 there were no amounts drawn against the syndicated facility so the undrawn available facility amount as at 31 December 2018 was $250 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. A change in the credit rating of Alumina Limited triggered a 1.75% step up in coupon from 5.5% to 7.25%, which was effective 20 November 2016. A subsequent change in credit rating in April 2017 reduced the coupon rate from 7.25% to 6.75%, effective 19 May 2017. A further change in the credit rating triggered a 1.25% step down coupon rate from 6.75% to the original coupon rate of 5.5%, effective 21 May 2018. The note matures on 19 November 2019. The fixed rate note has been converted to US dollar equivalents at year-end exchange rates.

(c) DERIVATIVES

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. Derivatives are classified as held for trading and accounted for at fair value through profit or loss as they are not designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

To provide an indication about the reliability of the input used in determining the fair value, the Group has classified its financial instruments into three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	US$ MILLION			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2018				
Cross-currency interest rate swap (CCIRS AUD/USD)	–	19.0	–	19.0
Total financial liabilities at fair value through profit or loss	**–**	**19.0**	**–**	**19.0**
2017				
Cross-currency interest rate swap (CCIRS AUD/USD)	–	8.3	–	8.3
Total financial liabilities at fair value through profit or loss	**–**	**8.3**	**–**	**8.3**

Level 1: Financial instruments traded in active markets (such as publicly traded derivatives, trading and available for sale securities) for which the fair value is based on quoted market prices at the end of the reporting period.

Level 2: Financial instruments that are not traded in an active market (for example, over the counter derivatives) for which the fair value is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not observable market data, the instrument is included in level 3.

5. FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Market risk: foreign currency	Financial assets and liabilities denominated in currency other than US$	Cash flow forecasting & sensitivity analysis	Cross-currency interest rate swaps
Market risk: interest rate	Long-term borrowings at fixed rates	Sensitivity analysis	Cross-currency interest rate swaps
Credit risk	Cash and cash equivalents, and derivative financial instruments	Credit ratings	Credit limits, letters of credit, approved counter-parties list
Liquidity risk	Borrowings and other liabilities	Cash flow forecasting	Availability of committed borrowing facilities

Financial risk management is carried out by the Treasury Committee which is responsible for developing and monitoring risk management policies. Risk management policies are established to identify and analyse the risks faced by the Group to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(a) MARKET RISK

Foreign exchange risk

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

The fixed rate note is issued in Australian dollars. To mitigate the exposure to the AUD/USD exchange rate and Australian interest rates the Group entered into CCIRS for the full amount of the face value of the fixed rate note to swap the exposure back to US dollars.

Except as described above, the Group generally does not hedge its foreign currency exposures except through the near-term purchase of currency to meet operating requirements.

The Group's exposure to foreign currency risk at the end of the reporting period, as expressed in US$, was as follows:

	US$ MILLION			
	USD	AUD	OTHER	TOTAL
2018				
Cash and cash equivalents	182.2	1.4	0.2	183.8
Receivables	–	–	–	–
Total non-derivative financial assets	**182.2**	**1.4**	**0.2**	**183.8**
Payables	–	1.2	–	1.2
Borrowings	–	88.0	–	88.0
Total non-derivative financial liabilities	**–**	**89.2**	**–**	**89.2**
Net non-derivative financial (liabilities)/assets	**182.2**	**(87.8)**	**0.2**	**94.6**
Derivative financial instruments (notional principal)	(108.4)	108.4	–	–
Net financial assets/(liabilities)	**73.8**	**20.6**	**0.2**	**94.6**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) MARKET RISK (CONTINUED)

	US$ MILLION			
	USD	AUD	OTHER	TOTAL
2017				
Cash and cash equivalents	29.5	1.7	8.8	40.0
Receivables	–	–	–	–
Total non-derivative financial assets	**29.5**	**1.7**	**8.8**	**40.0**
Payables	–	1.3	–	1.3
Borrowings	–	98.4	–	98.4
Total non-derivative financial liabilities	**–**	**99.7**	**–**	**99.7**
Net non-derivative financial (liabilities)/assets	**29.5**	**(98.0)**	**8.8**	**(59.7)**
Derivative financial instruments (notional principal)	(108.4)	108.4	–	–
Net financial assets/(liabilities)	**(78.9)**	**10.4**	**8.8**	**(59.7)**

Cash flow and fair value interest rate risk

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

Borrowings by the Group at variable rates expose it to cash flow interest rate risk. Borrowings at fixed rates would expose the Group to fair value interest rate risk. When managing interest rate risk the Group seeks to reduce the overall cost of funds. Group policy is to generally borrow at floating rates subject to availability of attractive fixed rate deals.

In 2018 and 2017, CCIRS for the whole face value of the fixed rate note were used to manage the exposure to Australian interest rates over the life of the note.

A change in credit rating for Alumina Limited triggered a 1.75% step up in coupon from 5.5% to 7.25%, which was effective 20 November 2016. To cover the increased interest rate exposure one of the original CCIRS was amended and an additional CCIRS was entered into. A subsequent change in credit rating triggered a 0.50% step down in the coupon from 7.25% to 6.75%, effective 19 May 2017. A further change in the credit rating triggered a 1.25% step down in coupon rate from 6.75% to the original coupon rate of 5.5%, effective 21 May 2018. Existing CCIRS were amended to manage the changed interest rate exposure.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	US$ MILLION			
	FLOATING INTEREST	FIXED INTEREST	NON-INTEREST BEARING	TOTAL
2018				
Cash and cash equivalents	183.8	–	–	183.8
Receivables	–	–	–	–
Total non-derivative financial assets	**183.8**	**–**	**–**	**183.8**
Payables	–	–	1.2	1.2
Borrowings	–	88.0	–	88.0
Total non-derivative financial liabilities	**–**	**88.0**	**1.2**	**89.2**
Net non-derivative financial (liabilities)/assets	**183.8**	**(88.0)**	**(1.2)**	**94.9**
Weighted average interest rate before derivatives	3.8%	5.9%		
Weighted average interest rate after derivatives	3.8%	4.5%		

	US$ MILLION			
	FLOATING INTEREST	FIXED INTEREST	NON-INTEREST BEARING	TOTAL
2017				
Cash and cash equivalents	40.0	–	–	40.0
Receivables	–	–	–	–
Total non-derivative financial assets	**40.0**	**–**	**–**	**40.0**
Payables	–	–	1.3	1.3
Borrowings	–	98.4	–	98.4
Total non-derivative financial liabilities	**–**	**98.4**	**1.3**	**99.7**
Net non-derivative financial (liabilities)/assets	**40.0**	**(98.4)**	**(1.3)**	**(59.7)**
Weighted average interest rate before derivatives	2.8%	6.9%		
Weighted average interest rate after derivatives	2.8%	4.9%		

Had interest rates on floating rate debt during 2018 been one percentage point higher/lower than the average, with all other variables held constant, pre-tax profit for the year would have been $0.6 million lower/higher (2017: $0.7 million lower/higher).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CREDIT RISK

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

Credit risk further arises in relation to cross guarantees given to wholly owned subsidiaries (see Note 17 for details). Such guarantees are only provided in exceptional circumstances and are subject to Board approval.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the Group's maximum exposure to credit risk.

(c) LIQUIDITY RISK

Prudent liquidity risk management requires maintaining sufficient cash and credit facilities to ensure the Group's commitments and plans can be met. This is managed by maintaining committed undrawn credit facilities to cover reasonably expected forward cash requirements. Management monitors rolling forecasts of the Group's liquidity, including undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows.

The Group had the following undrawn borrowing facilities at the end of the reporting period:

	US$ MILLION	
	2018	2017
Expiring within one year	–	–
Expiring beyond one year	250.0	250.0
Total undrawn borrowing facilities	**250.0**	**250.0**

The table below details the Group's remaining contractual maturity for its financial liabilities.

	US$ MILLION				
	LESS THAN 6 MONTHS	6–12 MONTHS	1–2 YEARS	2–5 YEARS	TOTAL
2018					
Trade payables	1.2	–	–	–	1.2
Borrowings	–	88.0	–	–	88.0
Total non-derivative financial liabilities	**1.2**	**88.0**	**–**	**–**	**89.2**
Derivative financial liabilities	**–**	**19.0**	-	**–**	**19.0**
2017					
Trade payables	1.3	–	–	–	1.3
Borrowings	–	–	98.4	–	98.4
Total non-derivative financial liabilities	**1.3**	**–**	**98.4**	**–**	**99.7**
Derivative financial liabilities	**–**	**–**	**8.3**	**–**	**8.3**

6. CAPITAL MANAGEMENT

(a) RISK MANAGEMENT

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

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratios at 31 December 2018 and 31 December 2017 were as follows:

	US$ MILLION	
	2018	2017
Total borrowings	88.0	98.4
Less: cash and cash equivalents	(183.8)	(40.0)
Net (cash)/debt	**(95.8)**	**58.4**
Total borrowings	88.0	98.4
Total equity	2,135.8	2,234.0
Total capital	**2,223.8**	**2,332.4**
Gearing ratio	**(4.3%)**	**2.5%**

(b) DIVIDENDS

	US$ MILLION	
	2018	2017
Interim dividend of 8.6 cents fully franked at 30% per fully paid share declared 23 August 2018 and paid on 20 September 2018 (2017: 4.2 cents fully franked at 30% per fully paid share declared 24 August 2017 and paid on 14 September 2017)	247.7	120.9
Final dividend of 9.3 cents fully franked at 30% per fully paid share declared 22 February 2018 and paid on 15 March 2018 (2017: 3.1 cents fully franked at 30% per fully paid share declared 23 February 2017 and paid on 22 March 2017)	267.8	89.3
Total dividends	**515.5**	**210.2**

Since the year-end the Directors have recommended the payment of a final dividend of 14.1 cents per share (2017: 9.3 cents per share), fully franked based on the tax paid at 30%. The record date to determine entitlements to the dividend is 27 February 2019. The aggregate amount of the proposed dividend expected to be paid on 14 March 2019 out of retained earnings at 31 December 2018, but not recognised as a liability at the year-end, is $406.1 million.

6. CAPITAL MANAGEMENT (CONTINUED)

(c) FRANKED DIVIDENDS

	A$ MILLION	
	2018	2017
Franking credits available for subsequent financial years, based on a tax rate of 30% (2017: 30%)	473.2	388.5

The above amounts are calculated from the balance of the franking credits as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities and receivables for income tax and dividends after the end of the year.

	A$ MILLION	
	2018	2017
The fully franked dividends received from AWAC entities in the financial year were	657.2	278.1

KEY NUMBERS

7. EXPENSES

(a) EMPLOYEE BENEFITS EXPENSE

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

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

All employees of Alumina Limited are entitled to benefits on retirement, disability or death from the Group's superannuation plan. Alumina Limited's employees are members of the Alumina Limited Super Plan managed by MLC MasterKey Super, except for employees who elected to contribute to an alternate fund. The plan is an accumulation category plan which offers a minimum Company contribution of 9.5 per cent of basic salary to each member's account. Members also have the option to make voluntary contributions to their account. Employer contributions to these funds are recognised as an expense.

	US$ MILLION	
	2018	2017
Profit/(loss) before income tax included the following specific expenses:		
Defined contribution superannuation expense	0.2	0.2
Other employee benefits expense	5.5	6.5
Total employee benefits expense	**5.7**	**6.7**

7. EXPENSES (CONTINUED)

(b) FINANCE COSTS

Finance costs comprise interest payable on borrowings using the effective interest rate method, commitment fees and amortisation of capitalised facility fees.

	US$ MILLION	
	2018	2017
Finance costs:		
Interest expense	4.3	4.7
Commitment and upfront fees	2.1	2.1
Amortisation of capitalised upfront fees	0.3	1.5
Total finance costs	**6.7**	**8.3**

8. INCOME TAX EXPENSE

(a) INCOME TAX EXPENSE AND DEFERRED TAXES

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 charges in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

	US$ MILLION	
	2018	2017
Current tax	–	–
Deferred tax	–	–
Aggregate income tax expense	**–**	**–**

8. INCOME TAX EXPENSE (CONTINUED)

(a) INCOME TAX EXPENSE AND DEFERRED TAXES

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

The Group's deferred tax assets and liabilities are attributable to the following:

	US$ MILLION	
	2018	2017
Deferred tax liabilities	5.6	2.8
Unrealised foreign exchange gains		
Total deferred tax liabilities	**5.6**	**2.8**
Deferred tax assets		
Employee benefits	0.2	0.2
Derivative financial instruments	5.7	2.5
Other	0.1	0.1
Total deferred tax assets other than tax losses	**6.0**	**2.8**
Net deferred tax assets/(liabilities) before tax losses	**0.4**	**–**
Deductible temporary differences and tax losses not recognised	**(0.4)**	**–**
Net deferred tax assets/(liabilities)	**–**	**–**

Deferred tax assets are recognised only to the extent of deferred tax liabilities existing at reporting date. Remaining deferred tax assets are not recognised as it is not probable that future taxable amounts will be available to utilise those temporary differences and losses.

8. INCOME TAX EXPENSE (CONTINUED)

(b) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	US$ MILLION	
	2018	2017
Profit before income tax	**635.4**	**339.8**
Prima facie tax expense for the period at the rate of 30%	**(190.6)**	**(101.9)**
The following items caused the total charge for income tax to vary from the above:		
Share of equity accounted profit not assessable for tax	(653.5)	(360.4)
Foreign income subject to accruals tax	2.2	4.7
Share of Partnership income assessable for tax	0.2	0.8
Amounts non-assessable for tax	(0.1)	–
Tax losses not recognised	13.9	11.2
Non-deductible expenses	1.9	3.9
Net movement	**(635.4)**	**(339.8)**
Consequent decrease in charge for income tax at the rate of 30%	**190.6**	**101.9**
Aggregate income tax expense	**–**	**–**

(c) TAX EXPENSE RELATING TO ITEMS OF COMPREHENSIVE INCOME

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

	US$ MILLION	
	2018	2017
Cash flow hedges	0.2	1.2
Actuarial gains on retirement benefit obligations	(0.5)	3.5
Total tax (credit)/expense relating to items of other comprehensive income	**(0.3)**	**4.7**

(d) TAX LOSSES

	US$ MILLION	
	2018	2017
Tax losses – revenue	1,155.7	1,053.3
Tax losses - capital	951.5	951.5
Total unused tax losses	**2,107.2**	**2,004.8**
Potential tax benefit – revenue	280.7	345.6
Potential tax benefit – capital	285.4	285.4
Total potential tax benefit	**566.1**	**631.0**

9. EQUITY

(a) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

MOVEMENT IN SHARE CAPITAL	NUMBER OF SHARES		US$ MILLION	
	2018	2017	2018	2017
Balance brought forward	2,879,843,498	2,879,843,498	2,682.9	2,682.9
Movement for the period	–	–	–	–
Total issued capital	**2,879,843,498**	**2,879,843,498**	**2,682.9**	**2,682.9**

Treasury shares

Treasury shares are Alumina Limited shares held by the Alumina Employee Share Plan Trust for the purpose of issuing shares under the Alumina Employee Share Plan.

MOVEMENT IN TREASURY SHARES	NUMBER OF SHARES		US$ MILLION	
	2018	2017	2018	2017
Balance brought forward	700,445	1,856	906,873	1,905
Shares acquired by Alumina Employee Share Plan Pty Ltd (average price: A$2.32 per share (2017: A$1.84 per share))	684,500	1,484,568	1,241,548	2,040,374
Employee performance rights vested	(695,678)	(785,979)	(900,424)	(1,135,406)
Total treasury shares	**689,267**	**700,445**	**1,247,997**	**906,873**

The weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share is calculated as the weighted average number of ordinary shares outstanding during the financial year, adjusted for treasury shares issued.

	NUMBER OF SHARES	
	2018	2017
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted earnings per share	2,878,674,535	2,878,924,467

(b) OTHER RESERVES

Other Reserves include assets revaluation reserve, capital reserve, option premium on convertible bonds reserve, share-based payments reserve, cash-flow hedge reserve and foreign currency translation reserve.

Foreign currency translation reserve

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

	US$ MILLION	
	2018	2017
Balance at the beginning of the financial year	(1,104.2)	(1,192.2)
Currency translation differences arising during the year	(217.6)	88.0
Balance at the end of the financial year	**(1,321.8)**	**(1,104.2)**

10. CASH FLOW INFORMATION

(a) RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	US$ MILLION	
	2018	2017
Profit from continuing operations after income tax	635.4	339.8
Share of net profit of associates accounted for using equity method	(653.5)	(360.4)
Dividends and distributions received from associates	657.4	279.3
Share based payments	0.8	0.9
Other non-cash items (depreciation, net exchange differences, other)	0.5	(1.4)
Sub-total	**640.6**	**258.2**
Change in assets and liabilities:		
Decrease/(increase) in receivables	–	0.1
Decrease/(increase) in other assets	0.7	1.2
Net cash inflow from operating activities	**641.3**	**259.5**

(b) NON-CASH FINANCING AND INVESTING ACTIVITIES

During the period there was a $100 million loan between two AWAC entities (100% AWAC level), which the borrower repaid using partners' equity contributions ($40 million Alumina Limited's share). Proceeds from the loan repayment were distributed back to the partners by the lender.

(c) NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	US$ MILLION	
	2018	2017
Cash and cash equivalents	183.8	40.0
Borrowing – repayable within one year	(88.0)	–
Borrowings – repayable after one year	–	(98.4)
Net cash/(debt)	**95.8**	**(58.4)**
Cash and liquid investments	183.8	40.0
Gross debt – fixed interest rates	(88.0)	(98.4)
Net cash/(debt)	**95.8**	**(58.4)**

	US$ MILLION			
	CASH/BANK OVERDRAFT	BORROWINGS DUE WITHIN 1 YEAR	BORROWINGS DUE AFTER 1 YEAR	TOTAL
Net debt as at 1 January 2017	**8.6**	**-**	**(92.4)**	**(83.8)**
Cash flows	31.1	-	-	31.1
Foreign exchange adjustments	0.3	-	(7.4)	(7.1)
Other non-cash movements	-	-	1.4	1.4
Net debt as at 31 December 2017	**40.0**	**-**	**(98.4)**	**(58.4)**
Cash flows	145.4	-	-	145.4
Borrowings reclassification	-	(98.4)	98.4	-
Foreign exchange adjustments	(1.6)	9.4	-	7.8
Other non-cash movement	-	1.0	-	1.0
Net cash as at 31 December 2018	**183.8**	**(88.0)**	**-**	**95.8**

OTHER INFORMATION

11. RELATED PARTY TRANSACTIONS

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

(a) OWNERSHIP INTERESTS IN RELATED PARTIES

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

- associates – Note 2.
- controlled entities – Note 3.

(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Detailed remuneration disclosures for the key management personnel, defined as Group Directors, CEO and Senior Executives, are provided in the remuneration report on pages 40 to 63 of this annual report.

The remuneration report has been presented in Australian dollars, whilst the financial report has been presented in US dollars. The average exchange rate for 2018 of 0.7475 (2017: 0.7667) has been used for conversion.

DIRECTORS AND SENIOR EXECUTIVES	US$	
	2018	2017
Short-term employee benefits	3,676,528	3,977,082
Post-employment and termination benefits	456,767	923,735
Share based payments	681,861	807,349
Total	**4,815,156**	**5,708,166**

(c) OTHER TRANSACTIONS AND BALANCES WITH RELATED PARTIES

There have been no other related party transactions made during the year or balances outstanding as at 31 December 2018, between the Group, its related parties, the Directors or key management personnel (2017: Nil).

12. SHARE-BASED PAYMENTS

The Group provides benefits to employees (including CEO and Senior Executives) through share based incentives. Employees are incentivised for their performance in part through participation in the grant of conditional entitlement to fully paid ordinary shares (a Performance Right) via the Alumina Limited Employee Share Plan (ESP).

For further details on key features of the ESP refer to the remuneration report on pages 40 to 63 of this annual report.

Set out below are summaries of performance rights granted under the ESP.

2018						
GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	VESTED DURING THE YEAR NUMBER	LAPSED DURING THE YEAR NUMBER	BALANCE AT THE END OF YEAR NUMBER
19/12/2016	7/12/2018	839,664	–	(813,765)	(25,899)	–
20/1/2017	6/12/2019	506,487	–	–	(52,195)	454,292
1/6/2017	31/5/2020	141,900	–	–	–	141,900
18/1/2018	4/12/2020	–	551,500	–	(84,092)	467,408
TOTAL		**1,488,051**	**551,500**	**(813,765)**	**(162,186)**	**1,063,600**

2017						
GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	VESTED DURING THE YEAR NUMBER	LAPSED DURING THE YEAR NUMBER	BALANCE AT THE END OF YEAR NUMBER
5/1/2015	11/12/2017	689,866	–	(491,411)	(198,455)	–
19/12/2016	7/12/2018	1,004,737	–	–	(165,073)	839,664
20/1/2017	6/12/2019	–	708,400	–	(201,913)	506,487
1/6/2017	31/5/2020	–	141,900	–	–	141,900
TOTAL		**1,694,603**	**850,300**	**(491,411)**	**(565,441)**	**1,488,051**

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 1.4 years (2017: 1.4 years).

In addition to the ESP, the CEO's remuneration includes an annual conditional share right component. For further details refer to the remuneration report on pages 40 to 63 of this annual report.

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

	US$ 000'S	
	2018	2017
Performance rights granted under the Alumina Employee Share Plan	417	556
CEO annual conditional share rights grant	379	104
Retired CEO annual conditional share rights grant	-	217
Total	**796**	**877**

13. REMUNERATION OF AUDITORS

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, and its related practices and non-related audit firms:

	US$ 000'S	
	2018	2017
PricewaterhouseCoopers Australia:		
Audit and review of the financial reports	397	395
Other assurance services	3	3
Related practices of PricewaterhouseCoopers Australia:		
Overseas taxation services	7	8
Total	**407**	**406**

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

14. COMMITMENTS AND CONTINGENCIES

Capital commitments

There are no contractual capital commitments at reporting date but there could be future equity calls by AWAC entities in relation to working capital support. However, this is subject to market conditions.

Contingent Liabilities

There are no contingent liabilities of the Group as at 31 December 2018 and 31 December 2017, other than as disclosed in Note 2(d) and Note 16(b).

15. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Except as disclosed in the Director's report or elsewhere in the Financial Statements, there have been no significant events occurring since 31 December 2018.

Please refer to Note 6(b) for the final dividend recommended by the Directors.

16. PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

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

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

Intercompany Loans

Loans granted by the parent entity to its subsidiaries are classified as non-current assets.

Tax consolidation legislation

Alumina Limited and its wholly-owned Australian controlled entities have implemented tax consolidation legislation. The head entity, Alumina Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, Alumina Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

(a) SUMMARISED FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	US$ MILLION	
	2018	2017
BALANCE SHEET		
Current assets	184.2	32.2
Total assets	3,985.8	3,861.5
Current liabilities	108.8	1.7
Total liabilities	114.9	114.5
SHAREHOLDERS' EQUITY		
Issued capital	2,682.9	2,682.9
Reserves	236.8	236.9
Retained earnings	951.2	827.2
TOTAL SHAREHOLDERS' EQUITY	**3,870.9**	**3,747.0**
Profit for the year	**639.5**	**258.7**
Total comprehensive income for the year	**639.5**	**258.7**

(b) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

The parent entity has provided guarantees to certain third parties in relation to the performance of contracts by various AWAC companies.

In order to facilitate the full conversion of the San Ciprian alumina refinery from fuel oil to natural gas, in October 2013, Alumina Espanola SA (Espanola) signed a take or pay gas pipeline utilisation agreement. In November 2013, Alumina Limited agreed to proportionally (i.e. 40%) guarantee the payment of Espanola's contracted gas pipeline utilisation over the four years of the commitment period. Such commitment came into force six months after the gas pipeline was put into operation. The gas pipeline was completed in January 2015 and the refinery has switched to natural gas consumption for 100% of its needs. This guarantee will expire on 15 July 2019.

There is also a guarantee to Banco di Bilbao in respect of Espanola's bank facility.

In late 2011, Alcoa, on behalf of AWAC, issued guarantees to the lenders of the Ma'aden bauxite mining/refining joint venture in Saudi Arabia. Alcoa Corporation guarantees for the Ma'aden Bauxite and Alumina Company cover total debt service requirements through 2019 and 2024. In the event Alcoa would be required to make payments under the guarantees, 40% of such amount would be contributed by Alumina Limited.

In addition, the parent entity has entered into a Deed of Cross Guarantee with the effect that it guarantees the debts of its wholly-owned subsidiaries. Further details of the Deed of Cross Guarantee are disclosed in Note 17.

No liability was recognised by the parent entity of the group in relation to the above-mentioned guarantees, as the fair values of the guarantees are immaterial.

(c) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The parent entity did not have any contingent liabilities as at 31 December 2018 or 31 December 2017. For information about guarantees given by the parent entity refer above.

(d) CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at 31 December 2018.

17. DEED OF CROSS GUARANTEE

Alumina Limited and Alumina International Holdings Pty. Ltd. are parties to a cross guarantee under which each of these companies guarantees the debts of the other. By entering into the deed, wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 2016/785 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a "closed group" as defined in the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Alumina Limited, they also represent the "extended closed group".

(a) CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND SUMMARY MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS

	US$ MILLION	
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2018	2017
Dividends and distributions	657.4	279.3
Other income	1.4	0.3
General and administrative expenses	(11.0)	(13.3)
Change in fair value of derivatives/foreign exchange losses	(1.4)	0.6
Finance costs	(6.9)	(8.4)
Profit from ordinary activities before income tax	**639.5**	**258.5**
Income tax expense	–	–
Net profit for the year	**639.5**	**258.5**
Other comprehensive income net of tax	–	–
Total comprehensive income for the year	**639.5**	**258.5**
MOVEMENT IN CONSOLIDATED RETAINED EARNINGS	2018	2017
Retained profits at the beginning of the financial year	**694.5**	**646.2**
Net profit for the year	639.5	258.5
Dividend provided for or paid	(515.5)	(210.2)
Retained profits at the end of the financial year	**818.5**	**694.5**

17. DEED OF CROSS GUARANTEE (CONTINUED)

(b) CONSOLIDATED BALANCE SHEET

	US$ MILLION	
	2018	2017
Current assets		
Cash and cash equivalents	183.5	31.2
Receivables	215.5	124.8
Other assets	0.7	1.0
Total current assets	**399.7**	**157.0**
Non-current assets		
Investment in associates	1,630.3	1,669.6
Other financial assets	1,823.1	1,902.2
Property, plant and equipment	-	0.1
Total non-current assets	**3,453.4**	**3,571.9**
Total assets	**3,853.1**	**3,728.9**
Current liabilities		
Payables	1.5	1.4
Borrowings	88.0	-
Derivative financial instruments	19.0	-
Provisions	0.3	0.3
Total current liabilities	**108.8**	**1.7**
Non-current liabilities		
Borrowings	5.7	104.0
Derivative financial instruments	-	8.3
Provisions	0.5	0.5
Total non-current liabilities	**6.2**	**112.8**
Total liabilities	**115.0**	**114.5**
Net assets	**3,738.1**	**3,614.4**
Equity		
Contributed equity	2,682.9	2,682.9
Reserves	236.7	237.0
Retained profits	818.5	694.5
Total equity	**3,738.1**	**3,614.4**

18. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new or amended standards, such as AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*, became applicable for the current reporting period.

The standards did not have any impact on the Group's accounting policies and did not require current period or retrospective adjustments.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 16 *Leases* (effective 1 January 2019)

The new standard will replace AASB 117 Leases. Once effective, the new requirements will apply to new and pre-existing lease arrangements. The key changes have been outlined below:

- Lessees will recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts (optional exemption available for certain short-term leases and leases of low-value assets).
- Lessees will have to present interest expense on the lease liability and depreciation on the right-of-use assets in their income statement.
- Lease payments that reflect interest on the lease liability can be presented as an operating cash flow. Cash payments for the principal portion of the lease liability should be classified within financing activities. Payments for short-term leases and for leases of low-value assets could be presented within operating activities.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $0.3 million. Therefore, the impact of standard implementation on the Group's balance sheet and income statement will not be material.

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes set out on pages 64 to 93 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and

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

c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 17 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 17.

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

W Peter Day
Chairman

INDEPENDENT AUDITOR'S REPORT

To the members of Alumina Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OUR OPINION

In our opinion:

The accompanying financial report of Alumina Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated balance sheet as at 31 December 2018
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the Directors' declaration.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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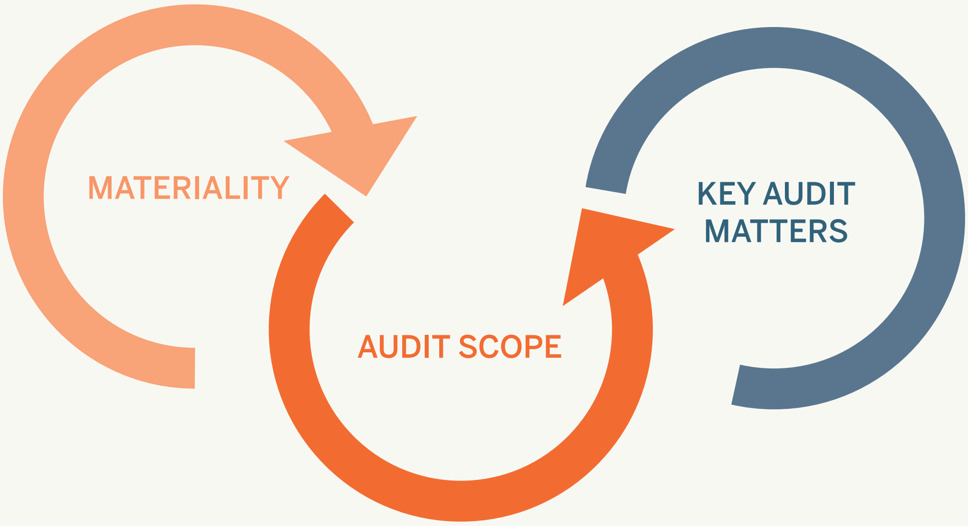
OUR AUDIT APPROACH

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Alumina Limited's ("Alumina") sole business undertaking is investing globally in bauxite mining, alumina refining with some minor alumina-based chemical businesses and aluminium smelting operations. All of these business activities are conducted through Alumina's 40% investment in several entities which collectively form Alcoa World Alumina and Chemicals (AWAC). Alcoa Corporation owns the remaining 60% of AWAC and is the manager of these business activities. Alumina Limited's equity interest in AWAC forms one reportable segment. Alumina participates in AWAC through the Strategic Council, which consists of three members appointed by Alcoa Corporation and two members appointed by Alumina. As Alumina does not control or operate the AWAC assets, its role involves strategic investment management on behalf of its shareholders. Accordingly, this investment has been determined to be an associate and is accounted for under the equity method.



MATERIALITY	AUDIT SCOPE	KEY AUDIT MATTERS

• For the purpose of our audit we used overall Group materiality of $31.5 million, which represents approximately 5% of the Group's profit before tax.
• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
• We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and is a generally accepted benchmark.
• We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.
	• Component auditors assisted in performing audit work over the AWAC financial information on behalf of the Group engagement team. Specific instructions were issued to the component audit teams, including risk analysis and materiality.
	• We audited the equity accounting for Alumina's 40% investment in AWAC. This process included auditing certain adjustments made by Alumina to convert the AWAC results (which are prepared under US GAAP), to comply with Australian Accounting Standards (AAS).
	• We audited the remainder of Alumina's financial report.
	• Our audit also focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
		• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Management Committee:
		  • Equity accounting for Alumina's investment in AWAC
		  • Impairment indicator assessment for Alumina's equity accounted investment in AWAC
		• These are further described in the *Key audit matters* section of our report.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter

Equity accounting for Alumina Limited's investment in AWAC (Refer to note 2 in the financial report)
 	
Alumina Limited's equity accounted investment in AWAC is carried at $2.1 billion and its current year share of the net profit of AWAC accounted for using the equity accounting method is $653.5 million.
 	
The equity accounting method requires consistent accounting standards to be applied by the investing company and its associates. Alcoa of Australia Limited (AWAC entity) already prepares financial information under AAS, therefore no conversion is required. The financial information of AWAC entities other than Alcoa of Australia Limited is prepared under US Generally Accepted Accounting Principles (US GAAP) therefore adjustments are required to convert certain amounts to comply with AAS.
 	
We determined equity accounting to be a key audit matter because of the magnitude of the Investment in associates balance and the complexity and significance of, and judgment involved in preparing, the adjustments required by the Group to convert amounts accounted for under US GAAP to AAS.
 	
Judgement is involved in determining the differences in the accounting for areas such as the valuation of inventory, asset retirement obligation provisions, reversal of Brazil asset uplift and defined benefit superannuation plans.
	To assess the equity accounting for the Group's 40% investment in AWAC, we performed the following procedures amongst others:
	• Considered the appropriateness of the equity accounting method.
	• Agreed the financial information of Alcoa of Australia Limited accounted for under AAS (as audited by component auditors under our instruction) to the equity accounting schedule prepared by the Group.
	• Agreed the financial information of AWAC accounted for under US GAAP (as audited by component auditors under our instruction) to the equity accounting schedule prepared by the Group.
	• Considered adjustments required to convert amounts accounted for under US GAAP to comply with AAS. To do this we:
	  • Assessed the appropriateness of material US GAAP to AAS adjustments.
	  • Tested material US GAAP to AAS adjustments by agreeing the adjustments to supporting schedules and documentation, and involved specialists where required.
	  • Assessed completeness by considering whether other transactions that had occurred during the year required a different treatment under AAS compared with US GAAP.
	• Reconciled the opening equity accounted investment balance to the final position reflected in the financial report. To do this we:
	  • Recalculated the share of net profit and changes in reserves of AWAC by examining the schedule prepared by management and recalculating Alumina's 40% share.
	  • Compared dividends, distributions and capital returns received from AWAC and additional investments made through cash calls to the relevant declaration documents and bank statements.

Impairment indicator assessment for Alumina Limited's equity accounted investment in AWAC (Refer to note 2c in the financial report) Alumina's equity accounted investment in AWAC ($2.1 billion) is the most material balance sheet item in the consolidated financial report. We therefore focused on the assessment which was performed by Alumina to determine whether there was any objective evidence or indicators that the equity accounted investment in AWAC could be impaired as at 31 December 2018. In management's impairment indicator assessment it assesses movements in the key assumptions which drive the valuation of the investment in AWAC, the Company's market capitalisation compared to its net assets and analysts' valuations. The key assumption which the valuation of AWAC is most sensitive to is the long term alumina price. Alumina's conclusion was that there was no indicator for impairment for the year ended 31 December 2018.	To evaluate the Group's impairment indicator assessment of the AWAC investment we performed the following procedures amongst others: • Developed an understanding of the process by which the Group conducted the impairment indicator assessment. • Considered key assumptions including the Group's long term alumina price assumption by comparing it to economic analyst and industry forecasts. We found that the long term alumina price assumption used by the Group was consistent with market data and industry research. • Compared the Group's market capitalisation to its net assets as at 31 December 2018, noting that market capitalisation exceeded net assets by approximately $2.5 billion. • Evaluated the completeness of the Group's assessment of whether there were any other external or internal sources of information that could indicate that the investment may be impaired.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: **http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf.** This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

Our opinion on the remuneration report

We have audited the remuneration report included in pages 40 to 63 of the Directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of Alumina Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
22 March 2019

DETAILS OF SHAREHOLDINGS AND SHAREHOLDERS LISTED SECURITIES – 28 February 2019

Alumina Limited has 2,879,843,498 issued fully paid ordinary shares.

Range of Units as of 28/02/2019

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1–1,000	19,016	8,738,387	0.30
1,010–5,000	20,330	51,290,449	1.78
5,001–1,000	6,676	49,963,757	1.74
10,001–100,000	6,717	167,127,448	5.80
100,001 Over	332	2,602,723,457	90.38
Total	**53,071**	**2,879,843,498**	**100.00**

Of these, 4,262 shareholders held less than a marketable parcel of A$500 worth of shares (197) a total of 465,846 shares. In accordance with ASX Business Rules, the last sale price on the Company's shares on the ASX on 28 February 2019 was used to determine the number of shares in a marketable parcel.

RANK	NAME	UNITS	% UNITS
1	HSBC CUSTODY NOMINEES (AUST)	842,609,036	29.26
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	494,250,603	17.16
3	CITICORP NOMINEES PTY LTD	298,314,115	10.36
4	CITIC RESOURCES AUSTRALIA PTY LTD	219,617,657	7.63
5	BESTBUY OVERSEAS CO LTD	154,114,590	5.35
6	NATIONAL NOMINEES	145,355,917	5.05
7	BESTBUY OVERSEAS CO LTD	76,145,410	2.64
8	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	74,767,292	2.60
9	CITIC RESOURCES AUSTRALIA PTY LTD	59,282,343	2.06
10	CITIC AUSTRALIA PTY LTD	39,799,208	1.38
11	BNP PARIBAS NOMS PTY LTD <DRP>	19,963,596	0.69
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	15,196,105	0.53
13	ARGO INVESTMENTS LIMITED	12,429,285	0.43
14	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	12,279,297	0.43
15	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	12,210,000	0.42
16	UBS NOMINEES PTY LTD	7,927,025	0.28
17	AMP LIFE	7,724,004	0.27
18	AUSTRALIAN FOUNDATION	6,413,142	0.22
19	BNP PARIBAS NOMS (NZ) LTD <DRP>	5,375,554	0.19
20	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	4,791,381	0.17
	Total: Top 20 holders of ORDINARY FULLY PAID SHARES	**2,508,565,560**	**87.11**
	Total: Remaining Holders Balance	**371,277,938**	**12.89**

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

The Company does not have a current on market buy-back of its shares. There are no restricted securities or securities subject to voluntary escrow.

During the reporting period, 684,500 Alumina Limited fully paid ordinary shares were purchased on market by the Alumina Employee Share Plan at an average price of A$2.3027.

SUBSTANTIAL SHAREHOLDING AS AT 28 February 2019	**SHAREHOLDING**	**%**
Citic Resources Australia Pty Ltd.	547,459,208	19.01
Allan Gray Australia Pty Ltd.	170,774,364	5.93
Lazard Asset Management Pacific Limited	144,018,731	5.00


Alcoa

FINANCIAL HISTORY

ALUMINA LIMITED AND CONTROLLED ENTITIES

AS AT 31 DECEMBER	2018 US$ MILLIONS	2017 US$ MILLIONS	2016 US$ MILLIONS	2015 US$ MILLIONS	2014 US$ MILLIONS
Revenue from continuing operations	**1.6**	0.6	0.6	0.1	0.1
Share of net profit/(loss) of associates accounted for using the equity method	**653.5**	360.4	18.1	109.9	(73.6)
Other income	**–**	–	–	–	1.5
General and administrative expenses	**(11.6)**	(13.6)	(25.7)	(11.9)	(13.5)
Change in fair value of derivatives/foreign exchange losses	**(1.4)**	0.7	(14.1)	(3.2)	1.6
Finance costs	**(6.7)**	(8.3)	(9.1)	(6.6)	(13.6)
Income tax (expense)/benefit from continuing operations	**–**	–	–	–	(0.8)
Net (loss)/profit attributable to owners of Alumina Limited	**635.4**	339.8	(30.2)	88.3	(98.3)
Total assets	**2,245.1**	2,342.9	2,117.8	2,110.7	2,543.2
Total liabilities	**109.3**	109.9	110.9	127.8	119.2
Net assets	**2,135.8**	2,234.0	2,006.9	1,982.9	2,424.0
Shareholders' funds	**2,135.8**	2,234.0	2,006.9	1,982.9	2,424.0
Dividends paid	**515.5**[2]	210.2	135.3	171.2	–
Dividends received from AWAC	**657.2**	278.1	150.2	61.4	16.0
Statistics					
Dividends declared per ordinary share	**22.7c**	13.5c	6.0c	6.3c	1.6c
Dividend payout ratio	**81%**	62%	–	202%	–
Return on equity[1]	**30.3%**	15.8%	(1.5)%	3.9%	(3.5)%
Gearing (net debt to equity)	**(4.3)%**	2.5%	4.0%	4.8%	3.4%
Net tangible assets backing per share	**$0.66**	$0.69	$0.61	$0.60	$0.77

[1] Based on net profit/(loss) attributable to owners of Alumina Limited

[2] Final dividend for the financial year ended 31 December 2017, declared and paid in 2018 and interim dividend for the year ended 31 December 2018, declared and paid in 2018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Email: shrrelations@cpushareownerservices.com

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P.O. Box 505000
Louisville, KY 40233-5000

Overnight Shareowner correspondence
should be mailed to:
462 South 4th Street Suite 1600
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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 2018. 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's shares trade on the Australian Securities Exchange and also trades as American Depositary Receipts in the US on the OTCQX market.

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