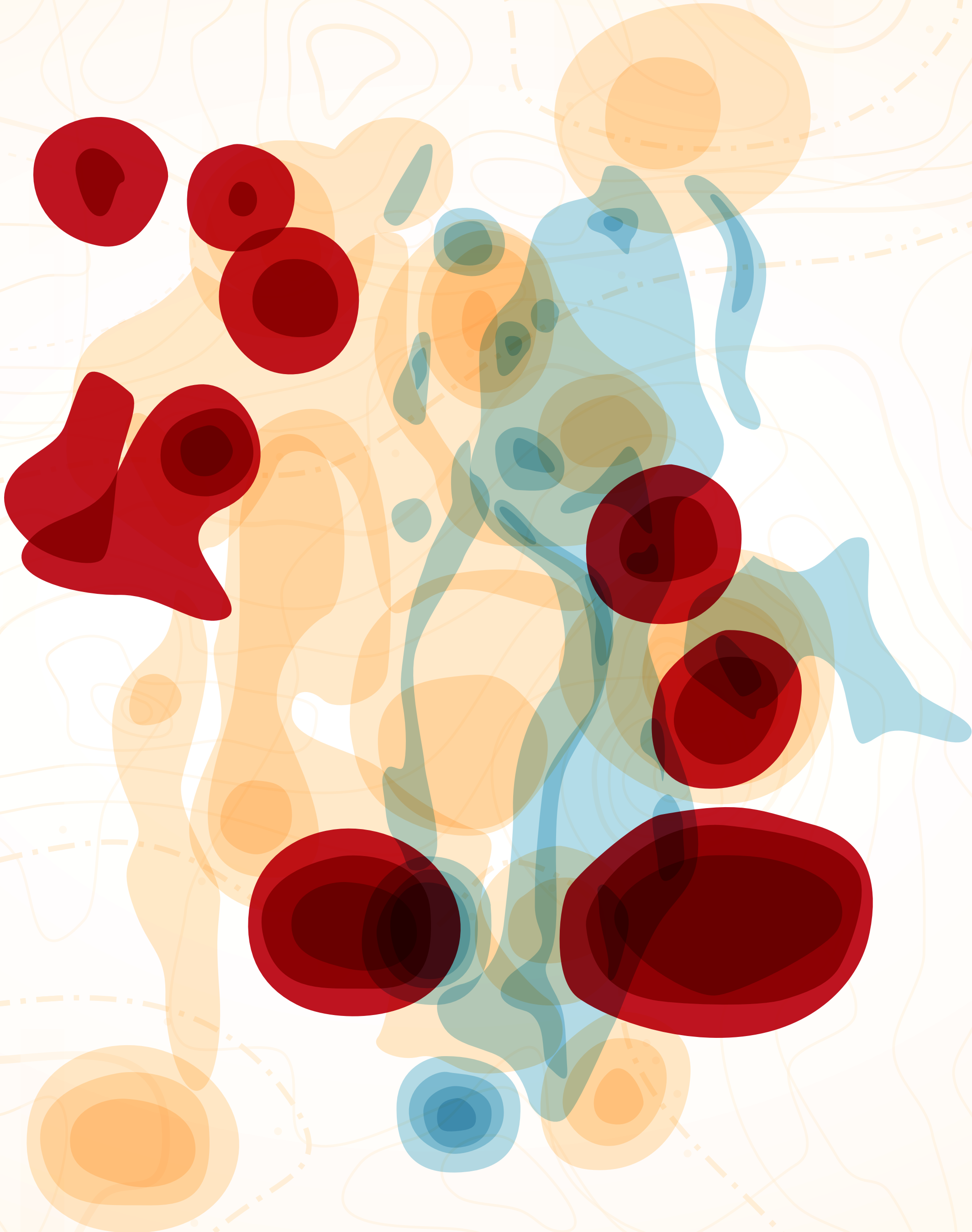
RESTRUCTURING | REPOSITIONING | REVITALISING



ANNUAL REPORT 2014

ALUMINA LIMITED

BAUXITE ORE LIES AT THE CORE OF OUR BUSINESS. BAUXITE ORE IS REFINED INTO ALUMINA TO PRODUCE ALUMINIUM. AWAC IS THE WORLD'S LARGEST BAUXITE MINER.

Alcoa World Alumina and Chemicals (AWAC) has been fundamentally restructured by closing or selling high cost assets and concentrating on low cost production facilities and through the addition of new low cost capacity at the Ma'aden joint venture in Saudi Arabia.

The delinking of alumina from aluminium metal prices has meant that the favourable dynamics surrounding bauxite supply has led to higher prices for AWAC's alumina.

Investors also benefit from a more efficient capital structure, the repayment of high cost debt and extended maturities.

Our improved position is reflected in the more than 60 per cent increase in our share price over the year.

CONTENTS

Pictured left: Cut and polished section of the aluminium ore, bauxite. The cross-section has revealed the centric rings of deposition.

AT A GLANCE

In 2014 the strategy to improve Alcoa World Alumina and Chemicals (AWAC) overall cost position resulted in decisions being made and actions being taken to reshape AWAC's portfolio of assets. The short-term effect of those actions resulted in a negative impact on Alumina Limited's results. In 2014 Alumina Limited recorded a net loss after tax of $98.3 million compared to a net profit of $0.5 million in 2013. In context, the Company would have made a net profit of $91.1 million (2013: $29.6 million) excluding its equity share of AWAC's significant items. This improvement is in line with the better operating performance of AWAC.

The 2014 significant items that were largely the result of restructuring activities included the closure of the Point Henry smelter in Australia and the sale of interests in the Jamalco refinery and bauxite mine in Jamaica and a gold mine in Suriname.

ALUMINA LIMITED RESULTS

$–98.3m

NET LOSS AFTER TAX US$–98.3 MILLION (2013: NET PROFIT AFTER TAX US$0.5 MILLION)

$91.1m

PROFIT EXCLUDING SIGNIFICANT ITEMS OF US$91.1 MILLION (2013: PROFIT US$29.6 MILLION)

$86.6m

NET DEBT US$86.6 MILLION (2013: US$135.2 MILLION)

3.4%

GEARING 3.4 PER CENT (2013: 4.6 PER CENT)

$119.2m

AWAC DIVIDENDS AND DISTRIBUTIONS OF US$119.2 MILLION RECEIVED (2013: US$110.3 MILLION)

–3.5%

RETURN ON EQUITY –3.5 PER CENT (2013: POSITIVE 0.02 PER CENT)

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

We invest worldwide in bauxite mining, alumina refining and selected aluminium smelting operations through our 40 per cent ownership of Alcoa World Alumina and Chemicals (AWAC).

Our partner, Alcoa Inc. (Alcoa), owns the remaining 60 per cent of AWAC, and is the manager. The AWAC joint venture was formed in 1994 and our relationship with Alcoa dates back to 1961.

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

AWAC – A GLOBAL BUSINESS

In 2014 AWAC recorded a net loss after tax of $243.0 million compared to a net loss of $248.7 million in 2013. In both years, AWAC's results were affected by one-off significant items, such as a number of events related to the restructuring and repositioning of AWAC's portfolio in 2014. Excluding the effects of these items AWAC's operational performance improved significantly compared to 2013. AWAC's EBITDA, excluding significant items increased by $141.2 million to $869.0 million, a 19% improvement on 2013. Cash from operations was also affected by significant items as well as timing differences, such as tax payments and movements in working capital. Adjusted for these items operating cash flow improvement would be more in-line with EBITDA growth.

AWAC RESULTS

$–243.0m

AWAC NET LOSS AFTER TAX
US$–243.0 MILLION
(2013 NET LOSS AFTER TAX:
US$–248.7 MILLION)

15.9m tonnes

ALUMINA PRODUCTION OF
15.9 MILLION TONNES
(2013: 15.8 MILLION TONNES)

$475.9m

AWAC CASH FROM OPERATIONS
US$475.9 MILLION
(2013: US$656.0 MILLION)

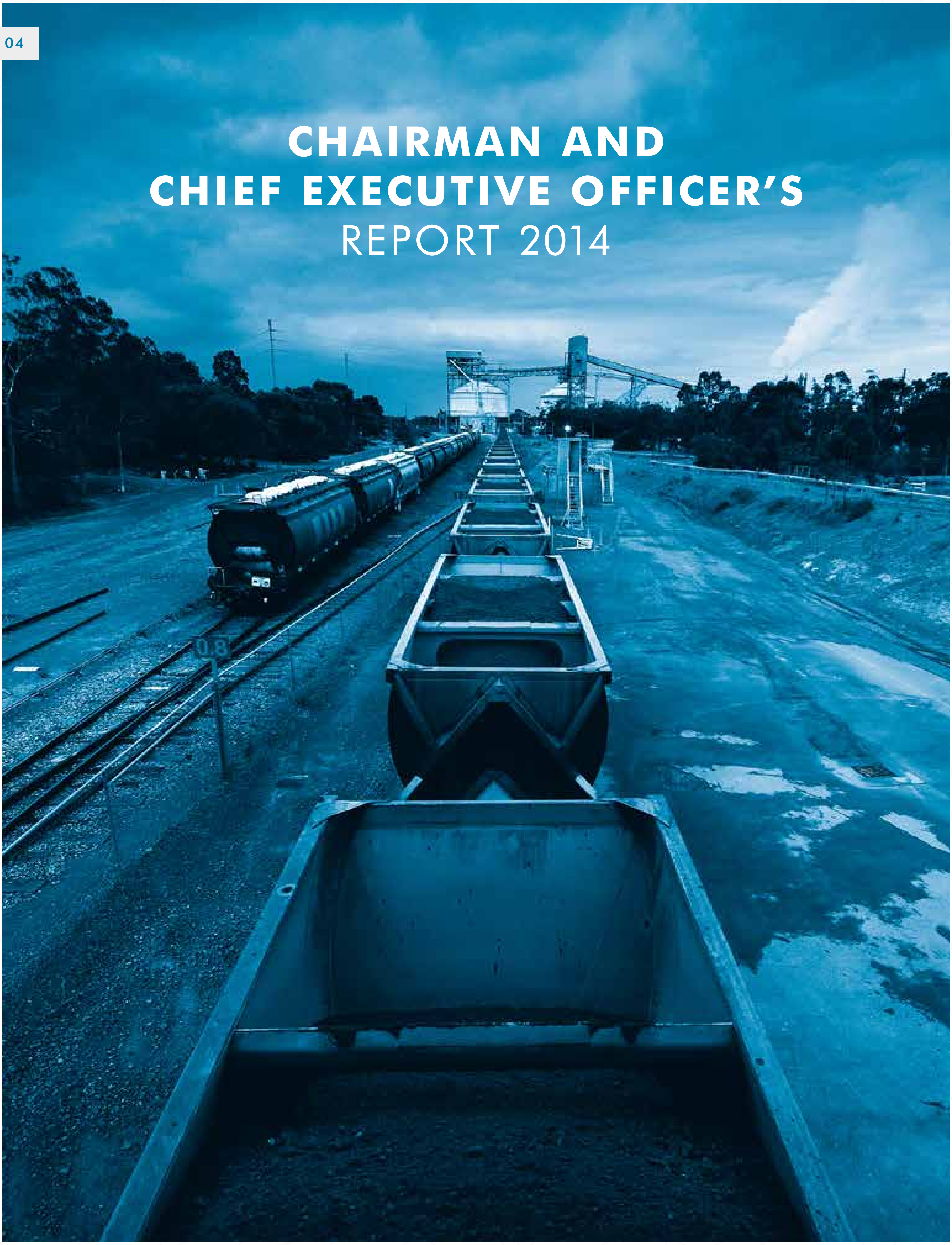
The origins of the Alcoa Worldwide Alumina and Chemicals (AWAC) partnership between Alcoa and WMC Limited (now Alumina Limited) began in the early 1960's following the exploration and discovery of bauxite deposits and other resources by WMC Limited and two other Australian companies. Alcoa was invited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

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

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

WMC Limited and Alcoa 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT 2014



Alumina Limited continued to pursue its objectives in 2014 to position the Company for the long-term – those strategies enabled increased cash flows and a return to dividend distributions to shareholders.

INTRODUCTION

2014 was a significant year for Alumina Limited, and its AWAC joint venture with Alcoa. The year saw the asset portfolio reshaping to exit high-cost operations and to add new low-cost alumina refinery capacity. In addition, more than two thirds of third party smelter grade alumina sales are now linked to alumina pricing index (API)/spot pricing: leading to higher price realisations in 2014. Furthermore, the capital structure of the Company has been significantly repositioned to reduce debt levels, reduce interest expenses and extend maturities.

These actions together with improved market fundamentals have enabled the Company to recommence dividend distributions and be well positioned for a more favourable price and exchange rate environment. In recognition of these factors, the Company's share price increased by more than 60 per cent over the year: a very satisfying result for our shareholders.

Alumina Limited recorded a net profit of $91.1 million for 2014, excluding significant items, compared to $29.6 million in 2013. The closure of the smelter at Point Henry near Geelong and the sale of AWAC's interest in the Jamalco refinery and mine incurred one-off costs that meant that the reported result was a net loss of $98.3 million.

RESHAPING THE BUSINESS

The resilience of the AWAC joint venture through the recent period of industry change reflects the quality of the AWAC asset base and also the active and ongoing positioning of the portfolio to remain competitive as the industry changed around it. Alumina Limited plays an important and active role in protecting and contributing to growing the value of the AWAC joint venture, on behalf of our shareholder base. As the industry has changed, the Company has been actively repositioning, with a particular focus on three key elements.

1. A restructure of the AWAC asset base to lower costs:
   - AWAC continued to restructure its asset portfolio in 2014, as part of its strategy to focus on lower cost assets and improve its overall cost position. AWAC has a target of improving its position on the alumina industry cost curve from the 30th percentile in 2010 to the 21st percentile by 2016. By the end of 2014, AWAC had moved to the 25th percentile. A 3.5 per cent decline in alumina cash cost of production during the year contributed to an improved AWAC 2014 operating net profit of $236 million before significant items.
   - This strategy has seen the sale of the Jamaican refinery in which AWAC held a 55 per cent interest and the conversion of the San Ciprian refinery to a lower cost energy source, namely natural gas. AWAC's Suralco refinery in Suriname is also the subject of a strategic review under a Memorandum of Understanding with the Suriname Government. The Point Henry Smelter was closed in August 2014 due to it no longer being financially viable. The closure of the Point Henry and the sale of Jamalco assets resulted in a $197.3 million charge to Alumina Limited's profit post-tax.
   - The Point Henry and Jamalco assets have been in AWAC since its formation in 1994 and their operating histories extend to the 1960's. The closure costs associated with old plants such as Point Henry that have reached the end of their economic life are significant and the decisions are not easily taken. These decisions must be made to ensure AWAC has a cost base that positions it for the future. Alumina Limited has discussed with Alcoa these decisions which needed to be taken and shown strong support for them.

» The construction and completion of the Saudi Arabian bauxite mine and alumina refinery with Ma'aden will add 450,000 tonnes of low-cash cost alumina production to the AWAC portfolio.
» The low cost operations in Australia achieved new production records and the Alumar refinery in Brazil has also incrementally grown.
» As a consequence of these actions, the EBITDA margin[1] for 2014 was $54 per tonne of alumina – this is much improved compared to margins of $31 per tonne and $45 per tonne in 2012 and 2013. Operating margins for AWAC have started to return to levels that provide a good return on capital.

2. A restructure of the marketing for AWAC's alumina:

The pricing of smelter-grade alumina until 2011 had largely been linked to London Metal Exchange (LME) aluminium pricing. Alumina price indices were introduced in 2011 and reflect the alumina industry fundamentals better than aluminium linked pricing. All new alumina sales by AWAC since 2011 have been undertaken on a spot or API basis.

The fundamentals of the alumina industry improved in late 2014. API prices in 2014 were higher than for legacy contracts linked to aluminium.

AWAC's realised alumina prices were 0.6 per cent higher in 2014, compared with 2013. The successful transition to alumina pricing based on alumina market indices continued in 2014, with 68 per cent of AWAC's third party sales sold on an indexed or spot basis. With 75 per cent of AWAC's third party alumina sales being sold on an API or spot basis in 2015, this trend should continue to be beneficial to AWAC.

The alumina index price increased to $355 per tonne by year end.

3. A restructure of Alumina Limited's balance sheet:

Alumina Limited's gearing has been reduced to 3.4 per cent, providing flexibility to increase distributions to shareholders or to fund further AWAC growth. The Company also restructured its debt funding. With the assistance of the Company's lenders our debt facilities have been structured to reflect the unique cash flow characteristics of Alumina Limited.

Existing drawn bank debt and Brazilian debt has been replaced in 2014 by an Australian medium term note issue of A$125 million in November. This also enabled the maturity of the Company's debt to be extended to 2019. These achievements are important in ensuring the Company maintains a balance sheet that can satisfy shareholders and meet the demands of business cycles.

Pleasingly, corporate costs for Alumina Limited were lower in 2014 at $13.5 million. This was a decline of 22 per cent. The Company delisted from the New York Stock Exchange in February 2014 and has applied to deregister in the US in 2015, which will further lower costs in 2015. Funding costs also declined to $13.6 million from $25.3 million in 2013 with the restructuring of debt to provide further benefits in 2015.

REALISING THE BENEFITS

Cash distributions received from AWAC increased by $8.9 million to $119.2 million. Together with the Company's lower debt levels, this enabled the Board to declare a final dividend of US 1.6 cents per ordinary share, for the 2014 year.

The positive outcomes for shareholders from the restructuring of AWAC and the Company's balance sheet were seen in an over 60 per cent increase in 2014 total shareholder return.

ALUMINA LIMITED'S STRATEGY

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

In a dynamic environment and where the future for the bauxite and alumina industry is evolving rapidly, the Company is active in protecting and growing the investments of its shareholders.

1 The EBITDA margin is calculated as AWAC's EBITDA excluding significant items, smelters' EBITDA and equity accounted income/(losses) divided by tonnes produced.

World bauxite supply, energy cost and availability, market growth and China's role are just some of the many topics the Company takes a position on.

With a large proportion of AWAC's asset base and profits derived from its Australian operations, the company is currently monitoring the dynamics and changes in Australian energy markets. For many decades Australia has enjoyed the economic and social benefits derived from value-adding industries such as the aluminium and alumina industries. These industries compete in international markets and a critical component of their long term success and sustainability has been based on the availability of competitively priced energy.

In the current environment, the availability of energy to Australian industry is being challenged by strong international demand and some analysts are forecasting energy shortages for both industrial and domestic use. Federal and State governments have a critical role to play in ensuring that value adding industries that create jobs for thousands of Australians continue and Australia remains an attractive destination for these industries and future investment.

BOARD AND MANAGEMENT

Peter Wasow, who had been a Non-Executive Director of Alumina Limited since 2011, began as Chief Executive Officer (CEO) on 1 January 2014. Peter Day and Mike Ferraro joined the Board in 2014 and we have welcomed their contributions.

GOVERNANCE

The form of the Remuneration Report has been simplified and restructured this year to improve its readability. We encourage you to review the Company's remuneration strategy, policy and outcomes explained in the report. The Company's 2014 Remuneration Report provides full details of the personal objectives of senior executives and an assessment of performance against those objectives in considering short-term incentives for the year. Having regard to performance being achieved against personal and corporate objectives, a short-term incentive award was made to the CEO and Senior Executives.

For Non-Executive Directors, there is no increase in fees for the 2015 year and fees have been unchanged since 1 January 2012.

Although the Company filed for deregistration in the US in March 2015, it will maintain its US American Depositary Receipts (ADR) program in the US Over-the-counter (OTC) market, and remains committed to its US investors.

SUSTAINABILITY

Sustainability is a serious matter for Alumina Limited, being in context of its 40 per cent interest in AWAC. Excellence in sustainability is important for AWAC to maintain the social licence in the communities in which AWAC operates. Sustainability analysis and planning is forward looking and focusses on impacts on economic, environment and social sectors caused by the business. Alumina Limited reports its and AWAC's sustainability performance based on the G3 Global Reporting Initiatives (GRI) principles. The latest Sustainability Update is available for viewing on the Company's website. Over the next year, Alumina Limited will transition to reporting under the new GRI G4 reporting guidelines.

OUTLOOK

Global alumina demand is expected to grow by over 6 per cent per annum over the next five years. The current surplus in global alumina is expected to move to a balanced position resulting from alumina refinery curtailments and closures and also expected increase of alumina imports into China over the period.

Just as AWAC has been restructuring its assets portfolio over 2014, it is expected that there will be further rationalisation and consolidation in the alumina industry over the next few years, inside and outside China. There is expected to be a continuing short to medium term diversification of bauxite suppliers to China, however in the longer term the world will need a number of new large-scale bauxite mines to meet expected growing demand.

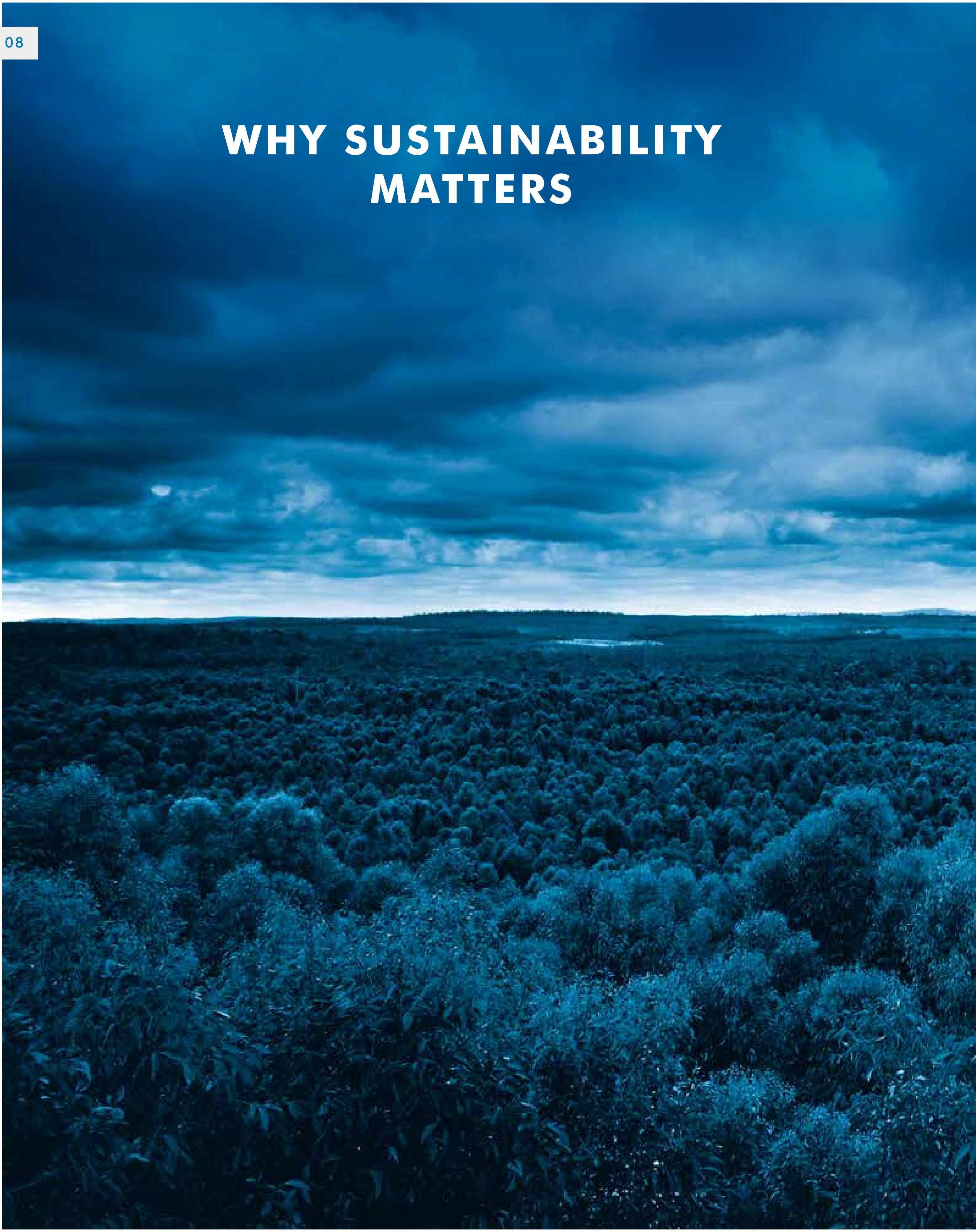
As the world's largest bauxite miner, AWAC is well-positioned to be able to take advantage of expected better market conditions due to rising demand and prices for bauxite, whether or not AWAC sells significant quantities of bauxite to the third party market. The ongoing delinking of alumina pricing from aluminium prices should mean that the favourable bauxite dynamics will flow through to higher world alumina prices.

The Board would like to thank Alumina's employees for their efforts and commitment to improving the Company.

PETER WASOW
Chief Executive Officer

GJ PIZZEY
Chairman

WHY SUSTAINABILITY MATTERS



Consideration of sustainability matters is an essential element of Alumina Limited's and AWAC's business strategy and outcomes. Sustainability thinking is future focussed. The determination to attain sustainability targets has a positive influence on the efficiency of the business and reflects in the business outcomes and flows onto Alumina Limited's returns.

POSITIVE BUSINESS IMPACTS ARISING FROM SUSTAINABILITY.

- Improvements in energy efficiency resulting in less energy required to produce a tonne of alumina contribute to reducing the ongoing cost of energy and a decline in energy usage also has a positive impact on the volume of CO_2 and other greenhouse gas emissions emitted in the production process.
- Improved water management processes that result in using less potable water resources save costs and contribute to the conservation of valuable water resources not only for the business but also the local environment.
- Innovative waste treatment methods reduce the volume of waste and in some cases produce usable by-products for re-use that otherwise would have contributed to increasing the waste footprint.
- Rehabilitation of land restores the land for future generations either restored to its original condition (e.g. forest) or into land that can be utilised by the local community for agricultural purposes and contributes to the local economy.
- Improvements in safety procedures and equipment, increased safety awareness and training contribute to less workforce injuries and lost work time. Employees' health and safety is improved and continuous focus on and improvement in safety measures is behind the goal to eliminate workplace fatalities.
- Consultative interaction, in the local communities that AWAC operates, leads to constructive outcomes for the local community and also for the business and underpins AWAC's licence to operate in those regions and communities.

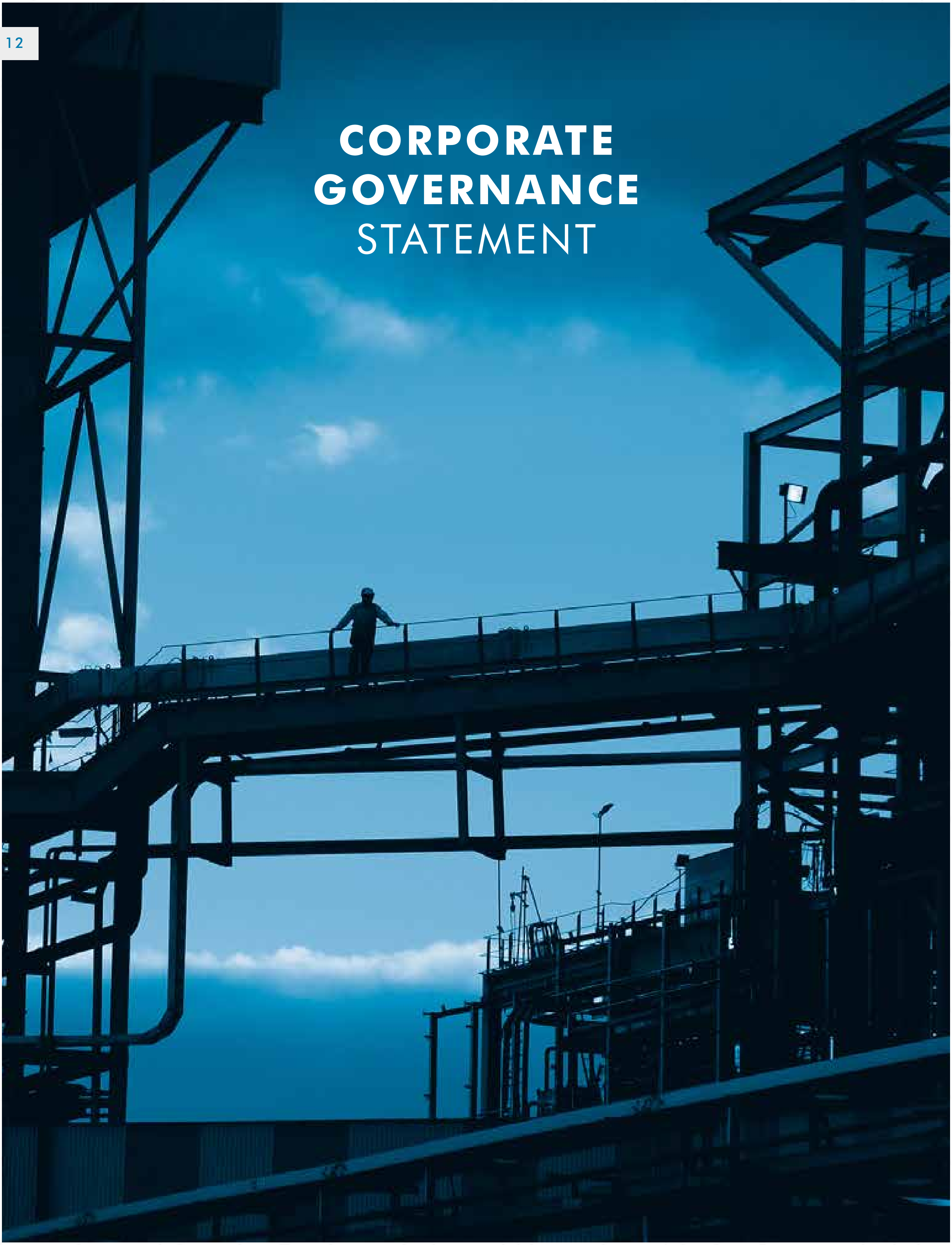
AWAC AREAS OF KEY MATERIALITY	POTENTIAL IMPACT ON SUSTAINABILITY OF AWAC	ACTION
Energy usage and security	Energy is an essential component in alumina and aluminium production. As both processes are energy intensive, it represents approximately 26 per cent of all alumina costs and aluminium costs for AWAC. Energy efficiency is a key factor in sustainable business and environmental performance.	AWAC through Alcoa is actively investigating improving its energy portfolio sources that will reduce reliance on fossil fuels and lessen its impact on the environment and society. AWAC's alumina refinery at San Ciprian, Spain is an example of that strategy in action. In 2014, AWAC's San Ciprian alumina refinery was progressively working to transition from fuel oil as its major source of energy to natural gas, a cleaner fuel alternative. This transition was completed in February 2015.
Emissions	Greenhouse gas emissions (GHG) are the natural corollary to AWAC'S energy intensive operations. High energy use results in high emission levels, especially when some of that energy is sourced from coal fired power stations.	The Pinjarra alumina refinery in Western Australia has two onsite gas-fired cogeneration power plants. These co-generation plants operate on natural gas, a transitional fuel that is cleaner than the alternative coal generated power plants, operating at 75 per cent energy efficiency compared to 30 – 50 per cent for other power plants in Western Australia. Energy generated by these plants is estimated to save approximately 450,000 metric tonnes of greenhouse gas emissions annually compared to a similar-sized coal-fired plant. In addition, the cogeneration plants reduce the refinery emissions by 270,000 tonnes per year through more efficient steam generation.
Water management and security	Water is an essential raw material, used at every point of AWAC's mining, refining and smelting operations. Water scarcity has the potential to impact AWAC's costs, production volume and financial performance.	Alcoa of Australia (AofA) has undertaken several initiatives to conserve water, increase water efficiency and reduce water quality requirements, which include: • Purse secondary sources of water as an alternative to fresh water used in several refining processes. • Projects aimed at recycling water already used in processing to reduce total water withdrawals. • Projects evaluating applications to slow evaporation of stored water. • Increasing pasture coverage on and around bauxite residue areas at Wagerup Refinery to suppress dust and remove the need for water sprinklers.
Land management and rehabilitation	Bauxite mining accounts for the majority of land that is disturbed as a result of AWAC's operations. AWAC is committed to minimising the disturbance of the original habitat. AWAC works closely with community and regulatory stakeholders to restore those lands affected to the most productive use possible, including, where feasible, re-establishing pre-operating conditions.	A strategic sustainability target for all AWAC locations with substantive biodiversity values and land holdings is to develop biodiversity action plans by 2015. These plans will: • Identify the biodiversity values of the land, including sensitive habitats and the presence of threatened species and communities, in context with surrounding land • Pinpoint potential impacts, both positive and negative • Develop a management plan based on the hierarchy of biodiversity mitigation measures – avoid, minimize, rectify, compensate; • Inform AWAC's employees and communities where AWAC operates about the importance of biodiversity protection, and encourage their participation in biodiversity initiatives; and • Set and report performance against site-specific targets

AWAC AREAS OF KEY MATERIALITY	POTENTIAL IMPACT ON SUSTAINABILITY OF AWAC	ACTION
Waste	Alumina and aluminium processing creates waste products, the most significant being bauxite residue (approximately 1.5 tonnes of residue results per tonne of alumina produced). Minimising waste through innovative processes and alternative uses for waste products are priorities that will reduce AWAC's environmental footprint.	AWAC is improving the sustainability of the storage areas' surface cover, and operating locations are adopting best practice approaches for closure. While imported fill can be used to cap the areas, AWAC's research is focused on transforming the residue into a viable soil layer, which can sustain a vegetative cover and initiate in-situ remediation of the residue deposits.
Workforce health and safety	Managing safety in AWAC's complex mining and refining environment requires strong systems as well as a focused safety culture committed to continuous improvement. As the operator Alcoa has invested substantial intellectual, financial and system resources over several decades to understand the key drivers behind safety behaviour with the sole aim of eliminating fatalities and serious injuries from AWAC's operations.	The safety system employed at AWAC facilities involves the following four main activities: • Identifying hazards and assessing the risks associated with AWAC's products, services, and operations; • Developing and implementing operational controls with built-in layers of protection to mitigate effectively the impact of those risks; • Monitoring and maintaining AWAC's hazard recognition, risk assessment, and operational control activities to ensure they are current and effective; and • Reacting to correct gaps in AWAC's protective systems and continuously improve system stability.
Relationships with neighbouring local communities where AWAC conducts business	AWAC is a global enterprise that conducts business in diverse markets and different communities, each with their own values and customs. It is important that interactions are conducted in a way that respects local communities and human rights fostering positive long-term relationships for mutual benefit.	AWAC through Alcoa has developed and implemented two specific stakeholder engagement processes to ensure that the business manages stakeholder responsibilities appropriately. The first process focuses on engagement with the people who live in the communities where AWAC is located. The second is a corporate-level stakeholder engagement process, where relationships are developed with appropriate stakeholders at the regional or global level. This is to ensure an understanding of issues and concerns that may transcend a specific operational location and that opportunities for dialogue on those issues and concerns are created.

AWAC's sustainability targets and efforts are not concentrated on short-term gains or benefits; they are directed to result in enduring benefits.

For more detail of Alumina Limited's sustainability policy and practices and the sustainability process within the AWAC joint venture, please visit the Sustainability Update located in the sustainability section of the Company website at www.aluminalimited.com/sustainability.

CORPORATE GOVERNANCE STATEMENT



The following statement describes Alumina Limited's corporate governance framework, policies and practices. The governance framework is approved by the Board of Directors and management is generally responsible for its implementation.

APPROACH TO CORPORATE GOVERNANCE

Alumina Limited's approach to corporate governance is based on:

- analysing and adopting best practice governance principles and practices
- applying the Company's ethical values and principles to define and drive its business thinking and practices
- prudent delegation of responsibilities
- appropriate systems, processes, authorities, delegation of responsibilities and internal controls.

Website

The Company's website (www.aluminalimited.com/governance) contains more detailed information on Alumina Limited's Board and Committee Charters and corporate governance policies and practices.

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

Alumina Limited is a listed company on the Australian Securities Exchange (ASX) and trades on the OTC Market in the US. Alumina Limited meets each of the requirements of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition). In 2014 the 3rd Edition of the ASX Corporate Governance Principles and Recommendations was released, effective in the case of the Company from its first full financial year commencing on 1 January 2015. While Alumina Limited is not required to report against the 3rd Edition in respect of the 2014 financial year, the Company has decided to adopt early some of its recommendations.

Also in 2014, Alumina Limited voluntarily delisted from the New York Stock Exchange (NYSE) and is no longer required to meet the Rules of that Exchange. Following the delisting from the NYSE, the US Securities Exchange Commission (SEC) requires a company considering deregistration to wait 12 months before testing if it satisfies the requirements to deregister. The 12 month waiting period for Alumina Limited expired on 28 February 2015. Alumina Limited met the conditions for deregistration and filed on 4 March 2015 with the SEC for their approval to deregister in the US. As from the date of filing for deregistration, Alumina Limited is no longer obligated to prepare reports under the Securities Exchange Act of 1934.

GOVERNANCE FRAMEWORK

GOVERNANCE GUIDELINES

VALUES AND CODE OF CONDUCT | **BOARD AND COMMITTEE CHARTERS**

GOVERNANCE OVERSIGHT

BOARD OF DIRECTORS

Audit and Risk Committee	Nomination committee	Compensation committee
Responsibilities • Financial management & reporting • Internal controls • Risk management framework • Audit strategy & performance	**Responsibilities** • Select and appoint Directors and CEO • Identify necessary Board & committee competencies • Assess director skills & competency	**Responsibilities** • Oversight of remuneration, compensation plans, policies & practice

DELEGATION AND CONTROLS

DELEGATED AUTHORITIES | **CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

CHIEF EXECUTIVE OFFICER

Senior Management – Management Committee

ETHICAL & ACCOUNTABLE WORK PRACTICES

SHAREHOLDER VALUE

GOVERNANCE GUIDELINES – PROMOTING ETHICAL CONDUCT AND BEHAVIOUR

At the peak of Alumina Limited's Corporate Governance Framework is the Company's corporate values and Code of Conduct. These define the operating ethics of the Company and also its corporate culture. These standards apply to the Company's directors, employees and contractors. Training on the Code of Conduct is conducted annually and employees and directors are required to certify that they understand and agree to abide by these standards.

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

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

Alumina Limited's governance management is also guided by the scope, roles and responsibilities of the Board and its Committees, as defined in their respective Charters (refer page 16).

GOVERNANCE OVERSIGHT

Board responsibilities and delegation of authority

The principal role of Alumina Limited's Board of Directors is protecting and furthering the interests of shareholders by overseeing the strategic direction of the Company. The Board is guided by its Charter that establishes the scope of duties, responsibilities and authority of the Board of Directors.

The primary responsibilities of the Board are to:

- appoint the CEO
- monitor the performance of the CEO and senior executives
- formulate Alumina Limited's strategic direction and monitor its execution
- monitor and optimise business performance
- approve Alumina Limited's external financial reporting.

The scope of authority delegated to senior management for managing the day-to-day affairs of the Company is defined within the Board Charter and Company Policies. The Charter expressly states matters that cannot be delegated by the Board or its Committees. The level and scope of management's delegated authority is further described in the Company's Group Authorities Schedule. The Group Authorities Schedule is reviewed on an annual basis to ensure that delegations are appropriate and that control systems are effective.

In 2014 our Senior Management team consisted of Peter Wasow, CEO; and senior executives Chris Thiris, Chief Financial Officer (CFO); Stephen Foster, General Counsel/ Company Secretary and Andrew Wood, Group Executive Strategy & Development. Senior Executives are defined as those people within the Company that participate in developing strategy or making decisions that affect the whole or a substantial part of the business.

Alumina Limited's Board Charter and other Company Policies are included in full in the Governance section of our website at www.aluminalimited.com/governance.

BOARD AND COMMITTEE MEMBERSHIP

In 2014, the Board of Alumina Limited consisted of five non-executive directors and an Executive Director – the CEO, Mr Peter Wasow. Board members at the date of this report and their participation on Board committees are:

DIRECTOR	BOARD STATUS	DATE OF APPOINTMENT	AUDIT AND RISK COMMITTEE[1]	NOMINATION COMMITTEE	COMPENSATION COMMITTEE
Mr John Pizzey	Chairman, Independent Non-executive Director	8 June 2007[2]	Member	Member	Member
Ms Emma Stein	Independent Non-executive Director	3 February 2011	Member	Member	Member and Chair
Mr Peter Wasow	Executive Director (CEO)	26 August 2011[3]	Not applicable	Not applicable	Not applicable
Mr Chen Zeng	Non-executive Director	15 March 2013	Non-member	Member	Member
Mr Peter Day	Independent Non-executive Director	1 January 2014	Member and Chair	Member	Member
Mr Michael Ferraro	Independent Non-executive Director	5 February 2014	Member	Member and Chair	Member

Notes:
1 The Audit and Risk Committee was previously called the Audit Committee and was renamed in 2014 to reflect its expanded role.
2 Mr Pizzey was initially appointed as an Independent Non-executive Director on 8 June 2007. He became Chairman on 30 November 2011.
3 Mr Wasow was initially appointed as an Independent Non-Executive Director on 26 August 2011. He became CEO (and hence an Executive Director) on 1 January 2014.

Mr Peter Day was appointed a Non-Executive Director and a member of each of the Board Committees of the Company effective 1 January 2014. Due to Mr Day's extensive experience in finance, he was appointed as Chair of the Audit and Risk Committee (then known as the Audit Committee).

Mr Michael Ferraro was appointed a Non-Executive Director and a member of each of the Board Committees effective 5 February 2014 and was later appointed Chair of the Nomination Committee. Ms Stein was Chair of the Nomination Committee prior to Mr Ferraro's appointment.

A brief biography of each Alumina Limited Director, summarising their skills, experience and expertise relevant to their role as Director and the period they have held office, is included elsewhere in this annual report (see pages 31 to 33). This disclosure includes the qualifications of the Audit and Risk Committee members.

BOARD COMMITTEES

The Board of Alumina Limited has delegated certain responsibilities to three principal Board Committees; the Audit and Risk Committee (previously called the Audit Committee), the Nomination Committee and the Compensation Committee. Each Committee has its own governing Charter and the Committees comprise only Non-Executive Directors. Committee membership and the record of attendance are detailed in the table on page 18. During 2014, and in accordance with Company Policy, the Chairman of the Board, Mr Pizzey, did not chair any of the Board Committees.

The Committee Charters describing the scope and responsibility of each committee are available for review on our website at www.aluminalimited.com/committee-charters.

AUDIT AND RISK COMMITTEE ROLE

In 2014 the role of the Board's Audit Committee was expanded to include providing assistance to the Board in overseeing and reviewing the Company's risk management framework and the effectiveness of its risk management, and as a consequence the Committee was renamed the Audit and Risk Committee. In respect of risk management, the Committee performs the following functions:

- assessing the Company's exposure to business risks including the strategies in place for managing key risks, and for determining whether there is appropriate coverage in the internal audit plans
- review and ratify management's actions in the identification, evaluation, management, monitoring and reporting of material operational, financial, compliance, structural and strategic risks, including reviewing the risk framework systems and procedures for risk identification rating and management at least annually to satisfy itself that it continues to be sound.

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

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

The Audit and Risk Committee reviews other issues as requested by the Board or the CEO.

In 2014 the Audit and Risk Committee was chaired by Mr Peter Day (whom the Board regards as a financial expert).

Activities Undertaken in 2014

The Audit and Risk Committee met on eight occasions in 2014 and reviewed:

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

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

COMPENSATION COMMITTEE ROLE

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

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

Activities Undertaken in 2014

The Compensation Committee met six times during 2014 to consider:

- Non-Executive Director remuneration
- executive and staff remuneration review and personal performance assessment
- review of executive remuneration structure including for a new CEO
- performance reviews for Short-term and Long-term Incentive Plans
- appointment of remuneration consultants
- approval of Alumina Limited corporate objectives against which the CEO's compensation is to be measured
- review of services provided by remuneration consultants
- annual diversity review of remuneration by gender information.

NOMINATION COMMITTEE ROLE

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

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

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

Activities Undertaken in 2014

The Nomination Committee met twice during 2014.

Activities undertaken included:

- succession planning
- review of the Company's Diversity Policy and objectives
- annual diversity review of, and to report on the relative proportion of women and men in the workforce
- performance evaluation
- review and endorsement for Messrs Day and Ferraro's election to the Board, and review of Mr Pizzey's performance and endorsement for re-election to the Board.

BOARD MEETINGS

The Board scheduled 10 formal meetings in 2014.

Scheduled Board meetings typically involve:

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

Board meetings are generally attended by the senior management team of the CFO, General Counsel/Company Secretary and Group Executive Strategy & Development. Other senior managers and expert consultants participate in meetings as required.

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

ALUMINA LIMITED DIRECTORS' ATTENDANCE AT MEETINGS

January to December 2014

BOARD MEETING			AUDIT AND RISK 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
G J Pizzey	10	10	8	8	6	6	2	2
E R Stein	10	10	8	8	6	6	2	2
C Zeng	10	9[1]	0	0	6	6	2	2
P Day	10	10	8	8	6	6	2	2
M Ferraro	10	9[1]	8	7[1]	6	5[1]	2	2
P Wasow	10	10	0	0	0	0	0	0

Note:
1 Mr Zeng and Mr Ferraro were granted leave of absence.

BOARD AND COMMITTEES PERFORMANCE MEASUREMENT

In late 2014 the Board commissioned an independent consultant, to review the performance of the Board. The consultant formally and separately interviewed each director and prepared a report that was tabled in March 2015 in respect of the performance of the Board and each of its Committees. Mr John Pizzey, Chairman of the Board, discussed with Directors the performance of the Board and its Committees in regards to relevant business, management and governance matters. Initiatives to improve performance were discussed and approved.

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

BOARD ELECTION

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

Alumina Limited's Constitution requires Directors (excluding the CEO) to retire at the third Annual General Meeting since they were last elected or re-elected. A retiring Director seeking re-election is subject to an appraisal and recommendation by the Nomination Committee whether to support the Director's re-election. The Board reviews the Nomination Committee recommendation to determine whether to recommend that shareholders vote in favour of the re-election. Ms Stein, who was last re-elected to the Board at the 2013 Annual General Meeting (AGM), will stand for re-election at the 2015 Annual General Meeting in accordance with the Company's Constitution.

BOARD SUCCESSION PLANNING AND DIRECTOR APPOINTMENT

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

In 2014 the Board appointed Mr Day and Mr Ferraro as directors following the retirement of Mr Peter Hay and Mr Wasow's appointment as Chief Executive Officer. The Board engaged a professional recruitment firm to assist in searches for two non executive directors. They were instructed in relation to the Company's diversity policy (and as a consequence sought to include suitably qualified external female candidates) and also briefed on the skill set and experience that was desired. Appropriate enquiries were made of Mr Day's and Mr Ferraro's character, experience, education, criminal record and bankruptcy history. The 2014 AGM Notice of Meeting detailed Mr Day's and Mr Ferraro's qualifications, business experience and skills. Both Mr Day and Mr Ferraro also addressed the AGM audience regarding their candidature.

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

DIRECTOR SKILLS AND EXPERIENCE

In order to effectively discharge its duties, it is necessary that collectively the directors hold the appropriate balance of skills and experience. The Board seeks a complementary diversity of skills and experience across its members, recognising the complex and varied issues facing a minority partner and its interest in a large scale, global and capital intensive business. The Nomination Committee utilises a Skills Matrix to determine whether the appropriate mix of skills and experience exists among the Board and Committee members and to identify key attributes required for future candidates.

The Skills Matrix includes the following attributes:

- established management and leadership skills
- international experience
- industry knowledge and experience
- high level of governance experience
- proven record of developing and implementing successful strategy
- financial expertise
- capital projects experience
- joint venture experience
- relevant technical skills including legal skills.

DIRECTOR INDEPENDENCE

Director independence from day-to-day management is viewed as essential to ensure objective governance. Alumina Limited considers that Directors are independent if they are:

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

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

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

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

- the definitions of independence embodied in Australian and US corporate governance standards.

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

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

The Board has concluded that four of the five Non-Executive Directors who held office during 2014 are independent. In reaching this conclusion the Board has considered the following relationships and associations:

- Mr Pizzey was, until December 2003, Group President of the AWAC joint venture. Mr Pizzey's previous employment with Alcoa Inc and AWAC does not materially impede his objectivity, exercise of independent judgement, or ability to act in the best interests of the Company. Mr Pizzey's employment with Alcoa Inc ceased in December 2003, over ten years ago.
- Ms Stein is a Director of Diversified Utilities Energy Trust (DUET), a majority owner of the Dampier to Bunbury Natural Gas Pipeline (DBNGP) in which Alcoa of Australia Limited has a 20 per cent interest and is a user. Alumina Limited has a 40 per cent interest in Alcoa of Australia Limited. Ms Stein declared her interest and has not participated in any decision-making matter that relates to Alcoa of Australia Limited's dealings with the DBNGP. The Board concluded that Ms Stein's directorship of DUET does not prejudice her independence.
- Mr Day had no previous association with the Company or any other relationships that were relevant to his independence.
- Mr Ferraro had no previous association with the Company or any other relationships that were relevant to his independence.
- Mr Zeng is not considered independent due to his senior management role in a substantial shareholder in Alumina Limited.
- Mr Wasow was not considered independent due to his executive responsibilities.

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

DIVERSITY

Alumina Limited recognises the value a diverse workforce can offer in an array of thinking contributing to the success of the Company. Alumina Limited is committed to cultivating a workplace that has an emphasis on diversity. A Diversity Policy has been established that presents key undertakings and standards that promote, among other things, impartiality in recruiting from a wide talent base, provide opportunities for employees to develop skills and broaden their perspectives and that reflect the Company's corporate values of tolerance and fairness. Diversity encompasses but is not limited to gender, age, culture (ethnicity), language, religious beliefs and disabilities.

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

The Diversity Policy includes a commitment by the Board of Directors to establishing measurable objectives for gender diversity. Alumina Limited's diversity objectives since their introduction are:

OBJECTIVES	RESULT
To include in the Nomination Committee Charter responsibility for diversity, including an annual review and report on the relative proportion of women and men in the workforce at all levels of the Company	Completed
To engage consultants who support and promote the Company's diversity policy, including assisting to identify additional suitably qualified external female candidates	Achieved throughout 2014
To ensure that candidate lists for permanent employee positions are recognisably diverse by age, sex or ethnicity	Not applicable in 2014 due to no new positions being offered or filled
To ensure that in the interview process for each executive position there is at least one appropriately qualified female candidate and at least one female on the interview panel	Not applicable in 2014 due to no new positions being offered or filled
To consider diversity when reviewing board succession plans with the aim to improve gender representation and diversity	Achieved throughout 2014
That the Company has at least one female Non-Executive Director	Achieved throughout 2014
Develop flexible and part-time work arrangements where employees can balance work/life commitments and pursue career development	Policy adopted in 2013

During 2014 Ms Stein was the only female Non-Executive Director representing 20 per cent of the Board's Non-Executive Directors and approximately 17 per cent of total directors. As at 31 December 2014, 33 per cent of Alumina Limited's employees were women. No women were represented on the four-person senior management team.

DIRECTORS' AND EXECUTIVES' REMUNERATION

Details of the remuneration policies and practices of Alumina Limited are set out in the Remuneration Report on pages 52 to 79 of this report. Shareholders will have the opportunity to vote on a non-binding resolution to adopt the Remuneration Report at the 2015 AGM.

SHARE TRADING AND HEDGING PROHIBITIONS

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

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

DIRECTORS' SHARE OWNERSHIP

Alumina Limited requires Independent Directors to hold shares in the Company having a value equal to 50 per cent of their base annual fees by the expiry of five years from the date of their appointment.

Provided the minimum shareholding requirement is satisfied when shares are acquired or by the expiry of the five year term, should a decline in the Company's share price mean the value of the shareholding does not equal 50 per cent of the amount of base annual fees, directors are not required to acquire shares to increase their level of shareholding to equal the amount of 50 per cent of the base annual fees.

Details of the Independent Director share acquisition policy and number of shares held by each Non-Executive Director are disclosed on page 79 of the Remuneration Report.

CHIEF EXECUTIVE OFFICER

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

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

DIRECTOR EDUCATION

It is essential for the directors of Alumina Limited to be updated on business and industry trends and key dynamics. The directors are provided with industry briefings including addresses by independent industry specialists to ensure that directors receive relevant information on the aluminium and alumina industry fundamentals that impact the performance of AWAC and Alumina Limited. Visits to operating sites for business reviews and presentations to the Board from AWAC executives also provide key insight into the AWAC assets and operations.

Directors also receive routine updates on corporate governance and regulatory changes as they apply to corporate governance, accounting standards and relevant industry matters.

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

PERFORMANCE EVALUATION OF CHAIRMAN, NON-EXECUTIVE DIRECTORS AND CHIEF EXECUTIVE OFFICER

An annual assessment of the performance of the Chairman of the Board is conducted by the Chairman of the Nomination Committee in consultation with the other Non-Executive Directors. In 2014 the performance evaluation of the Chairman of the Board was conducted in accordance with the disclosed process.

The Chairman of the Board reviews each Director's individual performance annually and that of the CEO on a semi-annual basis. Those performance reviews were conducted in 2014 in accordance with the disclosed process.

PERFORMANCE EVALUATION OF SENIOR EXECUTIVES

Semi-annual reviews of the performance of each senior executive against individual tasks and objectives are undertaken by the CEO. These personal objectives, which were agreed to at the beginning of the performance period, relate to key areas of performance over which the individual has accountability and influence. The performance reviews of the senior executives were conducted in 2014 in accordance with the disclosed process.

The Compensation Committee also obtains independent remuneration information for comparative purposes. Salary reviews and short-term incentives are determined by assessing performance against both individual performance and Company performance targets. Long-term incentives are assessed against the Company's total shareholder return compared with that of the Australian and industry peer group. In 2014 the Committee conducted those reviews in accordance with the disclosed process.

DIRECTORS' ACCESS TO INDEPENDENT ADVICE

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

COMPANY SECRETARY

Mr Stephen Foster is the Company Secretary/General Counsel. A profile of his qualifications and experience is set out on page 33. The role of Company Secretary/General Counsel in Alumina Limited includes:

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

The 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 Chair, on all matters to do with the proper functioning of the Board.

CORPORATE REPORTING AND RISK MANAGEMENT

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

1. In their opinion:

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

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

SECURITIES DEALING POLICY

Alumina Limited has a policy on the trading of Alumina Limited securities by our Directors and employees. The Policy was revised in 2014. Annually employees are required to attend a Securities Dealing Policy training session to explain and reinforce the application of the Policy. The Board believes it is in all shareholders' interests for Directors and employees to own shares in the Company and so encourages shareholding subject to prudent controls and guidelines on share trading. The policy prohibits Directors and employees from engaging in short-term trading of any Alumina Limited securities or buying or selling Alumina Limited shares if they possess unpublished, price-sensitive information. Trading in derivative products over the Company's securities, and or entering into transactions in products that limit the economic risk of their security holdings in the Company, are also prohibited.

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

CONTINUOUS DISCLOSURE

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

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

CONFLICTS OF INTEREST

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

AUDIT GOVERNANCE

External Audit

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

All reports issued by the auditor to the Committee are prepared in accordance with Australian Accounting Standards. In accordance with the applicable provisions of the Corporations Act 2001, the external auditor provides an annual declaration of its independence to the Audit and Risk Committee. Alumina Limited's External Auditor Selection and Rotation Policy requires that the lead Partner involved in the external audit of the Company should not remain beyond five years.

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

Non-Audit Services

Alumina Limited and PricewaterhouseCoopers have adopted the following policy in relation to any work undertaken by PricewaterhouseCoopers that does not directly relate to the audit of the Company:

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

Details of non-audit services are described in the Directors' Report on page 35.

ATTENDANCE AT THE ANNUAL GENERAL MEETING

The Partner representing the external auditor attends Alumina Limited's AGM and is available at the meeting to respond to shareholder questions relating to content and conduct of the audit and accounting policies adopted by the

Company regarding preparation of the financial statements. Alumina Limited will accept written questions for the auditor up to five days before the AGM.

INTERNAL AUDIT

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

MANAGING BUSINESS RISK

Alumina Limited's Risk Management Policy sets out the policies and procedures for covering risks such as those relating to markets, credit, price, operating, safety, health, environment, financial reporting and internal control. The Board has adopted the Risk Management Policy. Alumina Limited is exposed to risks, both indirectly, through its investment in AWAC, and directly as a separately listed public company.

Alcoa, as the manager of AWAC, has direct responsibility for managing the risks associated with the AWAC business. Alcoa utilises its policies and management systems to identify, manage and mitigate those risks. Alumina Limited reviews the management and mitigation of AWAC risks through participation on the AWAC Strategic Council and the Boards of the key operating entities within AWAC.

Alumina Limited uses internal controls as well as risk management policies that are appropriate to our risks as an independent corporate entity. We have developed a Risk Management Framework that profiles a range of material business risks, both financial and non-financial in nature, which are potentially significant for the current operation and profitability and/or long-term value of the Company. Each material business risk identified has an explicit risk strategy and system of internal controls.

Alumina Limited's most significant commercial risk exposures are to alumina and aluminium prices, financing risks, foreign exchange movement, energy security risk, joint venture structure risks, political and regulatory risks and capital project risk.

Management has provided a report to the Audit and Risk Committee on the effectiveness of Alumina Limited's management of material business risks. Included is an assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act 2001 (refer to Corporate Reporting and Risk Management on page 23) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Alumina Limited's Risk Management Policy and controls are covered in more detail in the Governance section of our website at www.aluminalimited.com/risk-management.

EXCHANGE RATE AND ALUMINA PRICE RISK

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

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

BUSINESS CONDUCT POLICY

The Company's operating and financial review, included in the Directors' Report, refers to the settlements by Alcoa World Alumina LLC and Alcoa Inc respectively of investigations by the US Department of Justice and the US Securities and Exchange Commission in relation to legacy alumina contracts with Aluminium Bahrain BSC and anti-bribery provisions, internal controls and books and records provisions of the US Foreign Corrupt Practices Act and US Securities Exchange Act. The settlement included an acknowledgement of compliance efforts, including Alcoa Inc.'s comprehensive compliance reviews of anti-corruption policies and procedures and enhancements made to internal controls.

Alumina Limited's Anti-Corruption and Money Laundering Policy prohibits bribery and corruption in all business dealings. The Company's International Business Conduct Policy provides principles and procedures on conducting business internationally and complying with the requirements of various laws, including prohibition of bribery and related conduct.

WHISTLEBLOWING

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

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

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

DONATIONS

Alumina Limited does not make donations to political parties.

SENIOR MANAGEMENT

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

Peter Wasow – BCom, GradDipMgmt, FCPA
Chief Executive Officer

Peter Wasow was appointed CEO from 1 January 2014 following the retirement of Mr John Bevan who served in that capacity from June 2008 to 31 December 2013. Mr Wasow has responsibility for the overall management of Alumina Limited in accordance with the strategy, policies and business processes adopted by the Board. Prior to his appointment as CEO, Mr Wasow was an independent Non-Executive Director of the Company from 26 August 2011. Mr Wasow has extensive finance and commercial knowledge and experience gained during eight years at major Australian oil and gas producer Santos Limited from 2002 to 2010 where he was initially appointed as CFO and later added the responsibilities of Executive Vice President. Previous to that role, he had over a 23 year career at BHP including Vice President of Finance.

Chris Thiris – BA (Acc) MBA, CA, CFTP (Snr)
Chief Financial Officer

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

Stephen Foster – BCom LLB (Hons) GDipAppFin (Sec Inst) GradDip CSP, ACIS
General Counsel and Company Secretary

Stephen Foster is responsible for legal, company secretarial, shareholder services, insurance and human resources. He has a wide range of legal and commercial experience gained over 30 years, at Village Roadshow and WMC Limited, after working with the legal firm of Arthur Robinson & Hedderwicks (now Allens).

Andrew Wood – BA LLB GDipAppCorpGov (GIA) FGIA, FCIS
Group Executive Strategy & Development

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

SHAREHOLDERS

Alumina Limited has approximately 60,000 shareholders, with the 20 largest holding 83 per cent of the approximately 2.8 billion shares on issue. Approximately 94 per cent of all registered shareholders have registered addresses in Australia. Alumina Limited's shares are listed on the ASX.

The level of beneficial ownership of the Company's shares by US persons is approximately 17 per cent, with no single beneficial holder holding in excess of 10 per cent.

SHAREHOLDER COMMUNICATION

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

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

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

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

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

COMPARISON OF CORPORATE GOVERNANCE PRACTICES WITH THE NEW YORK STOCK EXCHANGE (NYSE) LISTING RULES

Alumina Limited shares traded in 2014 in the form of American Depositary Receipts (ADRs) on the NYSE until 27 February 2014, after which time trading of ADRs transitioned to the OTC Market. Prior to delisting from the NYSE, as a non-US issuer Alumina Limited was allowed to follow home-country practice in lieu of the NYSE Listing Rules. However, the Company was required to meet NYSE rules on Audit and Risk Committee requirements and to disclose any significant way in which Alumina Limited's corporate governance practices differ from those followed by US companies under the NYSE Listing Rules.

Following delisting from the NYSE, Alumina Limited is no longer required to meet any obligations under the NYSE Listing Rules. However, it continued to meet the reporting obligations under the US Securities Exchange Act of 1936 up until the Company filed for deregistration in the US deregistered on 4 March 2015.

Alumina Limited remains committed to its US investor base and will retain high standards of corporate governance and continue to provide comprehensive and transparent financial reporting.

SHARE ENQUIRIES

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

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

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

AMERICAN DEPOSITARY RECEIPTS

Alumina Limited shares are traded on the OTC market as ADRs.

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

BNY Mellon Shareowner Services Telephone and Internet correspondence: Toll free number (for callers within the USA) 1-888-BNY-ADRS (1-888-269-2377) Telephone (for non-US callers) +1 201-680-6825

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

Shareowner correspondence should be mailed to:
BNY Mellon Shareowner Services P.O. Box 30170
College Station, TX 77842-3170

Overnight Shareowner correspondence should be mailed to: 211 Quality Circle, Suite 210 College Station, TX 77845

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

	RECOMMENDATION	COMPLIANCE	REFERENCE
PRINCIPLE 1	LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply	Page 15
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Comply	Page 23
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Comply	n/a
PRINCIPLE 2	STRUCTURE THE BOARD TO ADD VALUE		
2.1	A majority of the board should be independent directors.	Comply	Page 19
2.2	The chair should be an independent director.	Comply	Page 20
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Comply	Page 20
2.4	The board should establish a nomination committee.	Comply	Page 17
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply	Page 18
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply	n/a
PRINCIPLE 3	PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply	Page 14
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Comply	Page 21
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Comply	Page 21
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Comply	Page 21
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Comply	n/a
PRINCIPLE 4	SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
4.1	The board should establish an audit committee.	Comply	Page 16
4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members.	Comply	Page 15

	RECOMMENDATION	COMPLIANCE	REFERENCE
4.3	The audit committee should have a formal charter.	Comply	Page 16
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Comply	n/a
PRINCIPLE 5	MAKE TIMELY AND BALANCED DISCLOSURE		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply	Page 24
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Comply	n/a
PRINCIPLE 6	RESPECT THE RIGHTS OF SHAREHOLDERS		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Comply	Page 26
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Comply	n/a
PRINCIPLE 7	RECOGNISE AND MANAGE RISK		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply	Page 25
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply	Page 23
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply	Page 23
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Comply	n/a
PRINCIPLE 8	REMUNERATE FAIRLY AND RESPONSIBLY		
8.1	The board should establish a remuneration committee.	Comply	Page 17
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members.	Comply	Page 15
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Comply	Page 51–79
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Comply	n/a

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Alumina Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2014 (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)*

P C Wasow *(Managing Director and Chief Executive Officer)*

E R Stein

C Zeng

W P Day

In addition, the following person was appointed as a Director of the Company during the financial year and remains a Director up to the date of this report.

M P Ferraro *(appointed 5 February 2014).*

BOARD OF DIRECTORS

The Company's Directors in office as at 31 December 2014 were:

Mr G John Pizzey – B.E (Chem), Dip. Mgt. FTSE FAICD Independent Non-Executive Director and Chairman

Mr Pizzey was elected a director of the Company on 8 June 2007. He is a Non-Executive Director of Orora Limited (appointed December 2013) and former Non-Executive Director and Chairman of Iluka Resources Ltd (appointed November 2005 and resigned December 2013) and a former Non-Executive director of Amcor Limited (appointed September 2003 and resigned December 2013). Mr Pizzey is a life governor of Ivanhoe Grammar School and a former chairman and director of the London Metal Exchange. He is a member of the Audit and Risk Committee (formerly known as the Audit Committee), and of the Nomination and Compensation Committees and was Chair of the Audit Committee to 30 November 2011. Mr Pizzey brings extensive knowledge gained in over 33 years as an executive in the alumina and aluminium industries.

Ms Emma R Stein – BSC (Physics) Hons, MBA, FAICD 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 Diversified Utilities Energy Trust (appointed June 2004), Programmed Maintenance Services Ltd (appointed June 2010), and Transpacific Industries Group Ltd (appointed August 2011). She is a former Non-Executive Director of Transfield Services Infrastructure Fund (appointed October 2010 and resigned July 2011) 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 Committee (Chair 28 November 2013 to 31 December 2013), and current member and former Chair of the Nomination Committee (Chair 3 March 2011 to February 2014). As a senior executive, she gained considerable international experience in management and leadership, strategy development and implementation in global industrial, energy and utilities markets. She has over a decade of experience as a listed non-executive director and board committee chair for capital intensive companies spanning resources, oil and gas and related sectors.

Mr Peter C Wasow – BCom, GradDipMgmt, FCPA
Managing Director and Chief Executive Officer

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

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

Mr 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 and Compensation Committees.

Mr Zeng is also currently a director of CITIC Pacific Limited, Chief Executive Officer of CITIC Pacific Mining and Chief Executive Officer of CITIC Mining International, the new holding company of CITIC Pacific Mining. He is a former director of CITIC Limited (listed on the Hong Kong Exchange), CITIC Dameng (listed on the Hong Kong Exchange), Macarthur Coal Limited (2007 to 2011) and Marathon Resources Limited (resigned 31 January 2014). Mr Zeng also served as a director on the Board of CITIC Group between 2010 and 2011.

Before joining CITIC Pacific Mining, Mr Zeng was the Vice Chairman and CEO of CITIC Resources, a CITIC Group controlled Hong Kong listed company focused on crude oil production, metal mining and refining, and commodity trading. Mr Zeng is also the Chairman of CITIC Australia.

Mr Zeng has over 26 years of experience in project development, management, and a proven record in leading cross-cultural professionals in the resources sector. He has been working in Australia since 1994 and has extensive experience in various industries including aluminium smelting and coal mining.

Mr W Peter Day – LLB (Hons), MBA, FCA, FCPA, FAICD
Independent Non-Executive Director

Mr Day was appointed as a Director of the Company on 1 January 2014. He is a member of the Nomination and Compensation Committees and is Chair of the Audit and Risk Committee. Mr Day is also currently a Non-Executive Director of Ansell Limited (appointed August 2007), SAI Global Limited (appointed August 2008), Boart Longyear Limited (appointed February 2014), and a former director of Federation Centres (October 2009 – February 2014 and Orbital Corporation Limited (appointed August 2007 and resigned February 2014). 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 Investment Commission. He is a former CFO of Amcor Limited.

Mr Michael P Ferraro – LLB (Hons)
Independent Non-Executive Director

Mr Ferraro was appointed a Non-Executive Director of the Company on 5 February 2014. He is a member of the Audit and Risk Committee, and Compensation Committee and also Chair of the Nomination Committee. Mr Ferraro is currently head of the Corporate Group at Herbert Smith Freehills, a global law firm. He is also a member of their executive management team. 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 30 years of experience in joint ventures, mergers and acquisitions, fund raising, and regulatory issues across a wide range of sectors and countries. He also has considerable experience in the commercial and financing aspects of large transactions gained from four and a half years in investment banking as a corporate adviser.

MR G JOHN PIZZEY

MS EMMA R STEIN

MR PETER C WASOW

COMPANY SECRETARY

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).

Details of the Company Secretary role are contained on page 23.

MEETINGS OF DIRECTORS

Particulars of the numbers 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 on page 18.

INTERESTS OF DIRECTORS

Particulars of relevant interests in shares in the Company or in any related body corporate held by the Directors of the Company as at the date of this report are set out on page 79. Particulars of rights or options over shares in the Company or in any related body corporate held by the Directors of the Company as at the date of this report are set out on page 78.

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.

MR CHEN ZENG

MR W PETER DAY

MR MICHAEL P FERRARO

DIVIDENDS

Details of the dividends paid to members of the Company during the financial year are referred to in Note 6 of the Consolidated Financial Statements found on page 98.

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.

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 loss for the 2014 financial year attributable to members of the Company was US$98.3 million (2013: US$0.5 million net profit).

Excluding significant items, there would have been a net profit of $91.1 million in 2014 (2013: $29.6 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 36 to 49 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 106), there are no significant matters or circumstances 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 2014.

LIKELY DEVELOPMENTS

In the opinion of the Directors, it would prejudice the interests of the Group to provide additional information, except as reported in this Directors' Report, relating to likely developments in the operations of the Group and expected results of those operations in the financial years subsequent to the financial year ended 31 December 2014.

ENVIRONMENTAL REGULATION

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

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

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission Class Order 98/100. Amounts shown in the Financial Report and this Directors' Report have been rounded off to the nearest hundred thousand dollars, except where otherwise required, in accordance with that Class Order.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

AUDITOR

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

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 35 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 during the year are set out on page 106.

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

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

The fees paid or payable for services provided by (or on behalf of) the auditor of the parent entity, and its related practices during the financial year are disclosed on page 106 of this report.

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pwc

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Alumina Limited for the year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

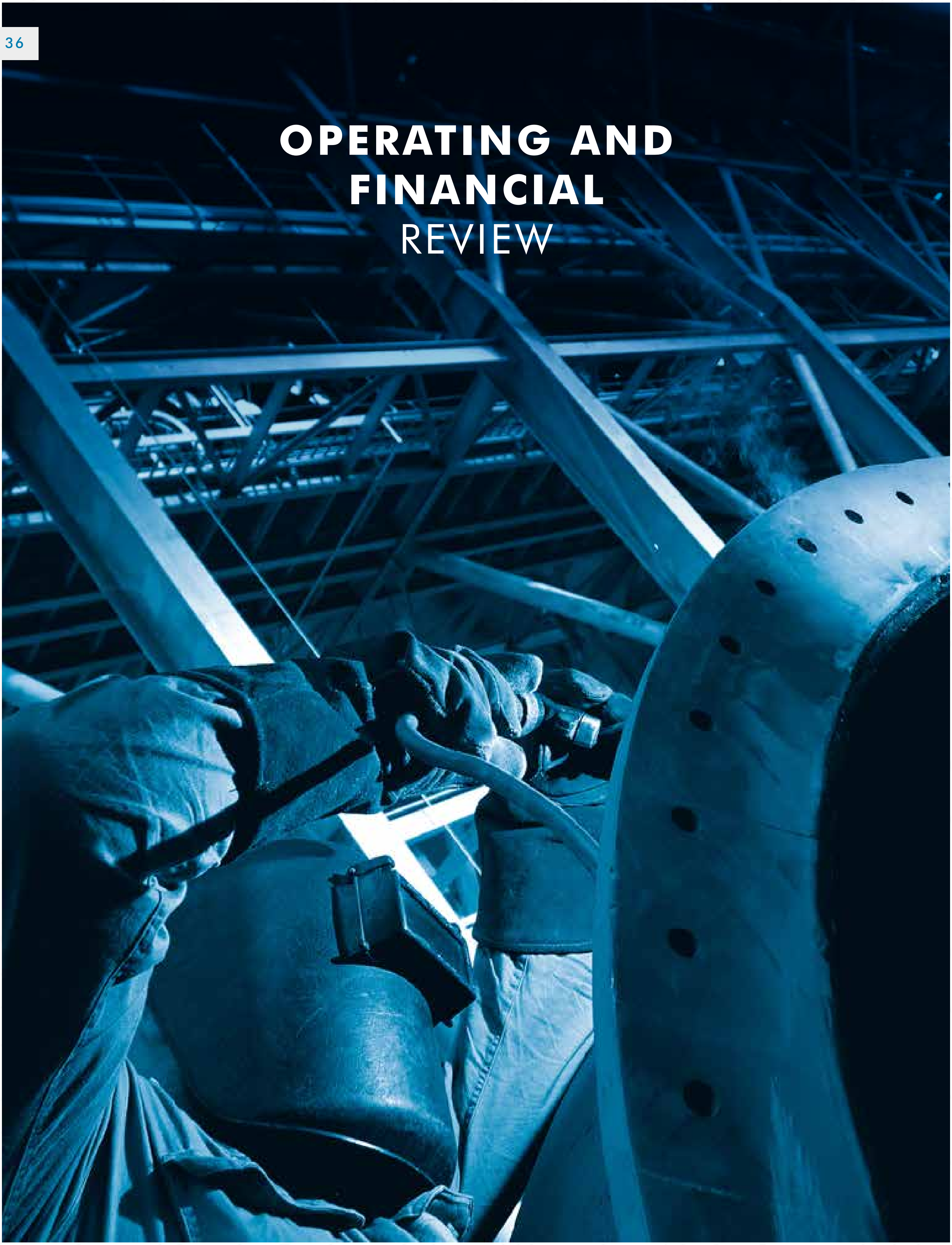
This declaration is in respect of Alumina Limited and the entities it controlled during the period.

Nadia Carlin

NADIA CARLIN
Partner
Melbourne
6 March 2015
PricewaterhouseCoopers

Liability limited by a scheme approved under Professional Standards Legislation

OPERATING AND FINANCIAL REVIEW



CONTENTS

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, except as stated below, is extracted from audited financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

The Operating and Financial Review should be read in conjunction with the financial statements, which are presented on pages 80 to 112 of this annual report. These statements have been streamlined in the current year with notes recorded and grouped to make it easier for users to access information and understand its relevance. The explanation of the Group's accounting policies has been simplified and disclosed alongside relevant notes in order to enhance the understanding of the financial statements.

1. STRATEGY AND BUSINESS MODEL

BUSINESS MODEL

Alumina Limited's sole business undertaking is in the global alumina and aluminium industry, which it conducts primarily through bauxite mining and alumina refining, with some minor alumina-based chemicals businesses, aluminium smelting and the marketing of those products. All of those business activities are conducted through its 40% investment in AWAC.

Alumina Limited's net (loss)/profit is principally comprised of a return on its equity investment, and 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 (Alcoa) combining their respective global bauxite, alumina and alumina-based chemicals business and investments and their respective aluminium smelting operations in Australia. AWAC is the world's largest producer of alumina and miner of bauxite. Alumina's partner in AWAC is Alcoa, which owns the remaining 60% and manages the day-to-day operations.

This partnership provides investors with a direct investment in the alumina industry.

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 decisions require a super majority vote:

- change of the scope of AWAC.
- change in the minimum 30% dividend policy.
- sale of all or a majority of the assets of AWAC.
- equity calls on behalf of AWAC totalling, in any one year, in excess of $1 billion.
- loans to Alcoa, Alumina Limited or their affiliates by AWAC entities (including loans between AWAC entities).

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 currently represented on Alcoa of Australia Ltd (AofA), Alcoa World Alumina Brazil Ltda (AWA Brazil) 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 each year.

Subject to the 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).

ALCOA WORLD ALUMINA AND CHEMICALS (AWAC) OPERATIONS

ALCOA WORLD ALUMINA & CHEMICALS

- **BAUXITE MINES**
- **ALUMINA REFINERIES**
- **ALUMINIUM SMELTERS**
- **ALUMINA CHEMICALS**
- **SHIPPING OPERATIONS**

ALL OPERATIONS 100% OWNED, UNLESS OTHERWISE INDICATED

Bauxite Mines	Alumina Refineries	Aluminium Smelters	Alumina Chemicals	Shipping Operations
Australia Huntly & Willowdale	**Australia** Kwinana, Pinjarra & Wagerup	**Australia** Portland (55%)	**Australia** Kwinana	
Brazil Trombetas (9.6%) & Juruti	**Brazil** Sao Luis (39%)		**Spain** San Ciprian	
Guinea Sangaredi (23%)	**Spain** San Ciprian		**USA** Point Comfort	
Suriname Klaverblad & Kaimangrassie	**Suriname** Paranam			
Saudi Arabia Al Ba'itha (25.1%)	**USA** Point Comfort			
	Saudi Arabia Ras Al Khair (25.1%)			

Bauxite deposits:
AWAC's bauxite deposits have long term mining rights. Bauxite mining is planned on an incremental basis after detailed assessment of the deposits to achieve a uniform quality in the supply of blended feedstock to the relevant refinery.

Refineries:
AWAC operates seven alumina refineries, five of which are located in proximity to bauxite deposits.

Smelters:
AWAC produces primary aluminium in Australia, with alumina supplied by the Australian refineries.

Alumina Chemicals:
AWAC produces chemical grade alumina from three refineries: Kwinana (Australia), Point Comfort (USA) and San Ciprian (Spain).

Shipping Operations:
AWAC's shipping operations use owned and chartered vessels to transport dry and liquid bulk cargoes, including bauxite, alumina, caustic soda, fuel oil, petroleum, coke and limestone.

Point Henry smelter closed on 1 August 2014
Jamalco bauxite mining and alumina refining interest was sold on 1 December 2014

STRATEGY ANALYSIS

AWAC is primarily focused on bauxite and alumina, 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, and preferably those that are large and able to be expanded.

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 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 and improvement of AWAC.

2. PRINCIPAL RISKS

The risk management processes are summarised in the Corporate Governance Statement on page 25.

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 aluminium and alumina** – AWAC's, and hence Alumina Limited's, performance is heavily dependent on the market prices of alumina and aluminium, which are affected by numerous factors outside 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 (whether as a result of changes to production levels at existing facilities or the development of new facilities) disproportionate to demand. A fall in the market prices of alumina and aluminium can adversely affect Alumina Limited's financial performance. AWAC and Alumina Limited generally do not undertake hedging to manage this price 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 to manage this risk.
- **Increase 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 (including caustic soda), labor 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 disruptions. In addition, industrial disruptions, work stoppages, refurbishments and accidents at operations may adversely affect profitability. Some cost inputs are subject to 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 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. Other than certain key decisions which require Alumina Limited's consent, AWAC's decisions are by majority vote. Alcoa Inc has a 60% interest in AWAC and has the majority vote.
- **Increase in the capital costs of AWAC's capital projects** – a significant increase in the capital costs associated with AWAC's capital projects and operations and delays in the commencement of those projects would impact Alumina Limited's profitability. The contracting structure for AWAC capital projects varies, but may be such that the amount of some elements of capital costs are agreed at project commencement.

- Greenhouse gas emission regulation – energy, specifically 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.
- 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 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 US and 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 or orders requiring positive action by AWAC, which may involve capital expenditure or the removal of licences 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.
- 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 (including goodwill recorded by AWAC). To the extent that the recoverable 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 an impairment being incurred as a result of the carrying value of an asset exceeding its recoverable value less redundancy costs.
- 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 agreement could adversely affect AWAC's and Alumina Limited's financial performance.
- Debt refinancing – Alumina Limited's ability to refinance its debt on favorable terms as it becomes due or to repay the debt, its ability to raise further finance on favorable 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 any expiring debt facilities or the costs of refinancing its debt may increase substantially.

Other risks include:

- an alumina market in supply surplus at a time of continuing relatively low aluminium prices.
- the risk of Chinese growth slowing and affecting aluminium consumption.
- a greater outflow of aluminium stocks from warehouses could impact the world alumina market.
- a technology breakthrough could lower the cost of Chinese high cost alumina production considerably.

3. REVIEW OF AWAC OPERATIONS

Point Henry smelter closed on 1 August 2014
Jamalco bauxite mining and alumina refining interest was sold on 1 December 2014

MINING

AWAC owns or partly owns, bauxite mines operating in five countries that meet the production needs of the AWAC refineries. During 2014, AWAC consumed 40 million bone dry tonnes (BDT) of bauxite from its own resources and 7 million BDT from entities in which equity interests are held. AWAC also sold 1.6 million BDT of bauxite to third parties.

Interests in mining operations in Jamalco were sold on 1 December 2014 along with the refinery operations.

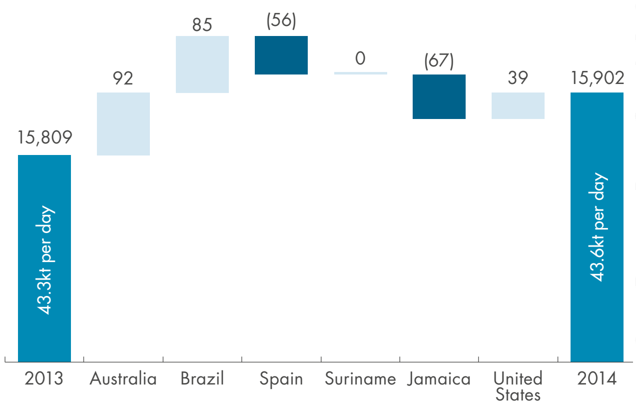
Average mine costs per tonne were lower than 2013 levels, primarily due to the strengthening of the US dollar against the Australia dollar and the Brazilian Real.

REFINING

Production of alumina was 15.9 million tonnes in 2014, compared to 15.8 million tonnes in 2013. Increased production at the Australian refineries, Sao Luis and Point Comfort more than offset lower production at San Ciprian and Jamalco. The interest in Jamalco was sold on 1 December 2014.

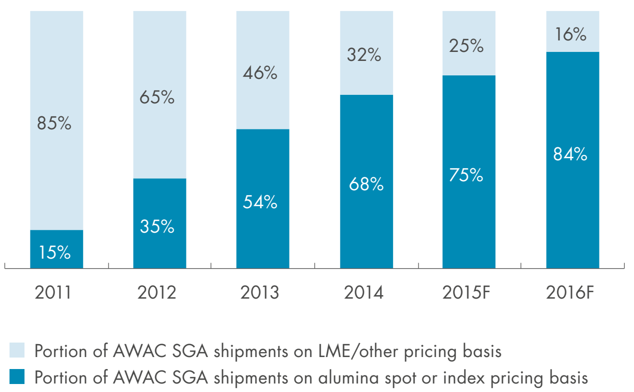
Alumina shipments were 15.9 million tonnes in 2014, 0.2 million tonnes lower than 2013.

Production Change by Region (kt)



Approximately 68% of third party smelter grade alumina (SGA) shipments were priced on spot or alumina indexed basis compared to 54% in 2013. For 2015, AWAC's SGA shipments on a spot or alumina indexed basis are expected to be 75% of the total third party shipments.

AWAC Pricing Transition

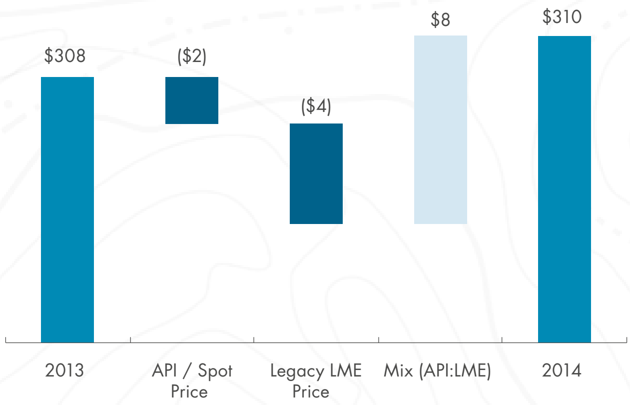


Revenue per tonne from SGA sales priced by reference to indices and spot continued to be higher than the legacy LME-linked contracts.

The average three-month LME aluminium price, determined on a two-month lag basis, declined by 3.3% in 2014 compared to 2013, whereas the average alumina price index FOB Australia (one month lag) increased by 0.3%.

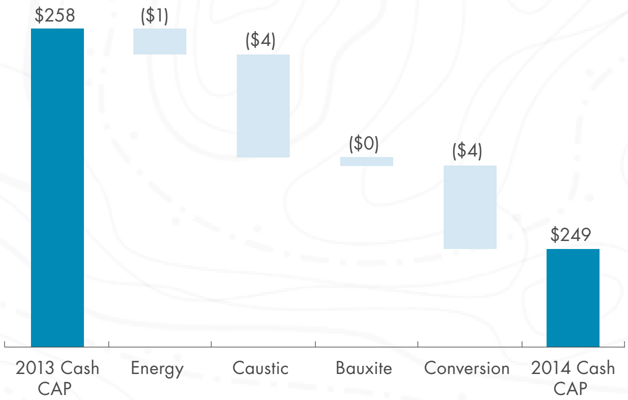
The net result was that AWAC's 2014 average third party realised alumina prices increased by 0.6% to $310 per tonne.

Average Realised Price Per Tonne



The average 2014 cash cost of alumina per tonne produced decreased by 3.5% over 2013, to $249 per tonne. The decrease was predominately due to the weaker Australian dollar and Brazilian Real against the US dollar. Production costs were also aided by lower caustic consumption and prices, and continued productivity initiatives in energy, labour, contractors and maintenance. However, excluding currency impact energy costs were higher than 2013 levels mainly due to increased prices and the loss of carbon tax credits in Australia.

Cost of Alumina Production (CAP) Per Tonne[1]



1 Defined as direct materials and labour, energy, indirect materials, indirect expenses, excluding depreciation. Movements can relate to usage, unit costs or combination of both, timing of maintenance, seasonal factors, levels of production and the number of production days and refinery mix.

The alumina EBITDA margin was $54 per tonne produced in 2014, an increase of $9 per tonne compared to 2013. Increased margins were largely the result of the lower production costs and marginally higher average realised alumina price. The EBITDA margin is calculated as AWAC's EBITDA excluding significant items, smelters' EBITDA and equity accounted income/(losses) divided by tonnes produced.

SMELTING

Excluding significant items, the AWAC smelters contributed $47.6 million in EBITDA.

Production of approximately 269,000 tonnes in 2014 was lower than 2013 due to the closure of the Point Henry smelter on 1 August 2014. The Portland smelter is the remaining smelting operation in the AWAC portfolio.

Portland's 2014 average cash cost of aluminium per tonne produced decreased by 1.4% compared to 2013, whilst the average realised price increased by 5.9%.

PORTFOLIO RESTRUCTURING AND REPOSITIONING

During 2014, there were a number of events related to the restructuring and repositioning of AWAC's portfolio in order to improve the quality of returns.

On 18 February 2014 Alcoa of Australia Limited, an AWAC entity, decided to permanently close the Point Henry aluminium smelter. The closure occurred on 1 August 2014.

Total restructuring charges associated with the closure of the Point Henry smelter were $230.6 million, after tax in 2014 ($227.0 million on an IFRS basis). Total further charges of approximately $30.0 million after tax are expected for 2015 and thereafter ($9.0 million on an IFRS basis). The related after tax cash net outflow was $37.9 million in 2014, with a further $74.0 million expected thereafter.

After the closure of the Point Henry smelter, Alcoa of Australia Limited's Anglesea coal mine and power station operates as a stand-alone facility and sells electricity into the National Electricity Market after successfully being registered as a scheduled market generator in August 2014. Alcoa of Australia Limited is seeking a buyer for the Anglesea coal mine and power station.

Under a Memorandum of Understanding, a strategic review of the Suralco mining and refining operations commenced with the Government of Suriname in the second half of 2014. That review is continuing. The refinery has approximately 876,000 tonnes per annum of idle capacity and the capacity that is operating is producing at an approximately 85% output level. The refinery's current sources of bauxite will likely, at current production rates, be exhausted in the near future. AWAC will now not develop a mine at the Nassau Plateau, given current refinery costs and market conditions. AWAC also owns and operates hydro-electric facilities at Afobaka Lake in Suriname, which supply electricity to the refinery and electricity for sale to the Government of Suriname.

AWA LLC, an AWAC entity, sold its 55% ownership stake in the Jamalco bauxite mining and alumina refining joint venture to Noble Group Ltd on 1 December 2014. The contract price was $140.0 million, including working capital. AWA LLC received $130.1 million and retained the alumina inventory for sale. The loss on sale was $266.3 million, after tax.

Earlier in 2014 AWAC sold its interest in a Suriname gold mine. The gain on sale was $17.9 million, after tax.

During December 2014, the Ma'aden joint venture refinery became fully operational using bauxite from its own mine. The refinery is expected to produce approximately 1.0 million tonnes (AWAC's share is 251,000 tonnes) of alumina in 2015 and should be one of the lowest cash production cost per tonne refineries in the world. The 2014 result included $33.9 million of equity losses related to the Ma'aden refinery start up activities.

The conversion from oil to natural gas as the energy source for the San Ciprian refinery in Spain was completed in February 2015. As a result of the conversion, San Ciprian's production costs are expected to be $20 per tonne lower compared to historic levels.

4. AWAC FINANCIAL REVIEW

AWAC PROFIT AND LOSS (US GAAP)	2014 US$m	2013 US$m
Sales revenue	3,906.6	3,770.8
Related party revenue	1,955.4	2,113.8
Total Revenue	5,862.0	5,884.6
COGS and operating expenses	(4,875.7)	(5,088.9)
Selling, Admin, R&D	(111.8)	(123.2)
Net interest	(4.5)	(6.8)
Depreciation and Amortisation	(404.5)	(447.1)
Restructuring & Other	(573.5)	(403.7)
Total Expenses	(5,970.0)	(6,069.7)
Loss before tax	(108.0)	(185.1)
Income tax charge	(135.0)	(63.6)
Net loss after tax	(243.0)	(248.7)
EBITDA[1]	301.0	268.8

1 Earnings before interest, tax, depreciation and amortisation consistent with previous periods.

2014 restructuring and other charges includes Point Henry restructuring charges of $329.2 million (pre-tax), the loss on sale of Jamalco of $266.3 million (pre-tax) and gain on sale of gold mining interest in Suriname of $27.5 million (pre-tax). Excluding the significant items, EBITDA increased by $141.2 million to $869.0 million. The alumina EBITDA margin was $54 per tonne produced in 2014, an increase of $9 per tonne compared to 2013.

The 2014 and 2013 AWAC cash from operations include cash flows relating to significant items. Included are after-tax payments for the Anglesea statutory maintenance (2014: nil; 2013: $22.4 million), Alba settlements (2014: $88.0 million; 2013: $42.5 million) and Point Henry closure costs (2014: $37.9 million; 2013: nil). Cash from operations does not include the 2014 receipts of $130.1 million sale proceeds of the interest in Jamalco and the $53.4 million settlement with Alcoa Inc. in relation to the Alba matter.

AWAC CASH FLOW (US GAAP)	2014 US$m	2013 US$m
Net loss after tax	(243.0)	(248.7)
Depreciation and amortisation	404.5	447.1
Other[1]	314.4	457.6
Cash from operations	475.9	656.0
Capital expenditure	(237.9)	(322.6)
Free cash flow[2]	238.0	333.4

1 Other items consist of net movement in working capital and other assets and liabilities.

2 Free cash flow defined as cash from operations less capital expenditure.

Comparative cash flows are also affected by advanced payments received from customers during 2013 for sales of inventory in the first half of 2014, which contributed to the more favourable movement in working capital in 2013, the loss of the Australian carbon tax credits in 2014 and that tax payments in 2013 were significantly less than in 2014.

Adjusting for all of the above, there would have been an increase in cash from operations in line with the improvement in EBITDA, excluding the significant items.

Capital expenditure in 2014 totalled $237.9 million, which is $84.7 million lower than 2013.

Sustaining capital expenditure was $234.9 million in 2014 compared to $293.1 million in 2013. The largest decrease in expenditure was in Australia as the Huntly mine's crusher move nears completion. Expenditure at the San Ciprian refinery increased by $9.7 million, predominately due to the natural gas conversion which was completed in February 2015.

Growth capital expenditure was $3.0 million in 2014.

AWAC BALANCE SHEET (US GAAP)	2014 US$m	2013 US$m
Cash, cash equivalents	238.2	189.5
Receivables	524.6	541.5
Related party note receivable	88.9	91.5
Inventories	550.7	671.2
Property plant & equipment	4,772.3	5,938.3
Other assets	2,229.0	2,640.5
Total Assets	8,403.7	10,072.5
Short term borrowings	66.6	59.0
Payables	733.5	881.8
Taxes payable and deferred	292.3	424.4
Capital lease obligations & long term debt	6.8	116.9
Other liabilities	1,485.5	1,728.7
Total Liabilities	2,584.7	3,210.8
Equity	5,819.0	6,861.7

AWAC's borrowings, including capital lease obligations, declined by $102.5 million to $73.4 million.

During the year, AWAC's debt that related to the payment of Alba settlements and costs peaked at $156.0 million. This debt was fully repaid following the sale of the interest in Jamalco and the settlement with Alcoa Inc. of its allocation of an extra 25% equity share of the Alba costs that were paid by AWAC up to 31 December 2014.

In accordance with the allocation agreement with Alcoa Inc., AWAC will cash fund $2.9 million of the remaining Alba settlement payments which total $296.0 million. The balance will be funded by Alcoa Inc. The result of this and the above settlement of costs is that Alcoa Inc. will have assumed an extra 25% equity share of the Alba settlement payments and costs.

The decline in property, plant and equipment, and other assets and liabilities is predominately due to the closure of the Point Henry smelter, the sale of the interest in the Jamalco mine and refinery and the effect of the stronger US dollar against the Australia dollar and the Brazilian Real when revaluing the balance sheet.

5. ALUMINA LIMITED FINANCIAL REVIEW

ALUMINA LIMITED KEY FINANCIAL INFORMATION	2014	2013
Net (loss)/profit after tax US$m	(98.3)	0.5
Total significant items after tax US$m	(189.4)	(29.1)
Net profit after tax excluding significant items US$m	91.1	29.6
Cash received from AWAC US$m	119.2	110.3
Net Debt US$m	86.6	135.2
Gearing[1]	3.4%	4.6%
EPS (US cps)	(3.5)	0.02
Total dividend declared (UScps)	1.6	Nil

1 Calculated as (debt - cash) / (debt + equity).

Alumina Limited's significant items (IFRS)

Alumina Limited's share of net (loss)/profit of associates was negatively affected by its equity share of individually significant items incurred by AWAC. These items are disclosed in the table to enhance an understanding of Company's operational performance during the year.

SIGNIFICANT ITEMS (POST-TAX)	2014 US$m	2013 US$m
Point Henry restructuring charges	(90.8)	–
Loss on sale of Jamalco	(106.5)	–
Legal matters of associate	0.7	(16.5)
Anglesea statutory maintenance	–	(9.0)
Gain on sale of gold mining interest in Suriname	7.2	–
Other	–	(3.6)
Total significant items	(189.4)	(29.1)

ALUMINA LIMITED PROFIT AND LOSS

	2014 US$m	2013 US$m
Revenue from continuing operations	0.1	0.3
Other Income[1]	1.5	137.1
General and administrative expenses	(13.5)	(17.2)
Change in fair value of derivatives/ foreign exchange gains	1.6	3.0
Finance costs	(13.6)	(25.3)
Share of net loss of associates accounted for using the equity method	(73.6)	(97.4)
(Loss)/profit before income tax	(97.5)	0.5
Income tax expense	(0.8)	–
(Loss)/profit for the year	(98.3)	0.5
Total significant items after tax US	(189.4)	(29.1)
Net profit after tax excluding significant items US	91.1	29.6

1 Alumina Limited recognised the effect of the allocation of the Alba settlement items and related transactions agreement with Alcoa Inc by posting $137.1 million (representing 25% of the total Alba related charges) as other asset with the corresponding credit recognised in the Statement of Profit or Loss as other income in 2013. In 2014 a "true up" amount of $1.5 million was further recognised.

Alumina Limited recorded a net loss after tax of $98.3 million for 2014 compared to a net profit after tax of $0.5 million in 2013.

The net loss includes the equity share of AWAC's significant items. The 2014 significant items were largely the result of restructuring activities to improve the portfolio mix of AWAC. These activities were the closure of the Point Henry smelter, and the sale of interests in the Jamalco refinery and bauxite mine and a gold mine in Suriname.

Excluding significant items, there would have been a net profit improvement of $61.5 million to $91.1 million (2013: $29.6 million). This improvement is in line with the better operating performance of AWAC.

Most of Alumina Limited's general and administrative costs are incurred in Australian dollars. The decrease in costs is largely due to the weaker Australian dollar against the US dollar and lower expenses. Costs in 2013 include CEO retirement expenses.

Finance costs include interest expense, commitment fees paid, amortised upfront fees and bank charges. Finance costs decreased to $13.6 million in 2014 from $25.3 million in 2013. Finance costs in 2013 included the write-off of unamortised establishment fees which related to the restructuring of Alumina Limited's bank facilities which was substantially in place during that year and completed in early 2014. In addition, average net borrowings were lower in 2014.

The $13.0 million reduction in finance costs paid is largely due to lower net debt balances during 2014 and the costs associated with the restructuring of the bank facilities which were substantially incurred and paid in 2013.

ALUMINA LIMITED CASH FLOW

	2014 US$m	2013 US$m
Dividends received	16.0	100.0
Distributions received	4.3	7.3
Finance costs paid	(12.5)	(25.5)
Payments to suppliers and employees	(15.0)[1]	(14.7)
GST refund, interest received & other	(0.4)	0.4
Cash from operations	(7.6)	67.5
Net proceeds/(payments) for investment in associates	57.4	(9.0)
Free cash flow[2]	49.8	58.5

1 Includes CEO retirement payments.

2 Free cash flow calculated as cash from operations less net investments in associates.

Alumina Limited's free cash from operations principally comprises the net capital and income distributions received from the AWAC entities offset by the Company's general, administrative and finance costs.

During 2014, Alumina Limited received $4.3 million of income distributions, $16.0 million of international dividends and capital returns of $98.9 million from AWAC entities compared to income distributions of $7.3 million and $100.0 million of fully franked dividends in 2013.

The $16.0 million international dividend is as a result of the sale of the interest in the Jamalco mine and refinery, after debt repayment by the AWAC entity.

The receipt of $98.9 million of capital returns exceeded the investments in AWAC by $57.4 million. Investments were comprised of $27.9 million as equity contributions to the Ma'aden mine and refinery joint venture, the reimbursement to Alcoa Inc of $5.4 million being the Ma'aden joint venture entry fee and the $8.2 million investment in the San Ciprian refinery in Spain to fund its cash flow shortfalls.

As a result, free cash flow was $8.7 million lower in 2014 compared to 2013.

Investments in AWAC entities are expected to decline in 2015, particularly following the completion of the construction of the Ma'aden joint venture mine and refinery which became fully operational in December 2014.

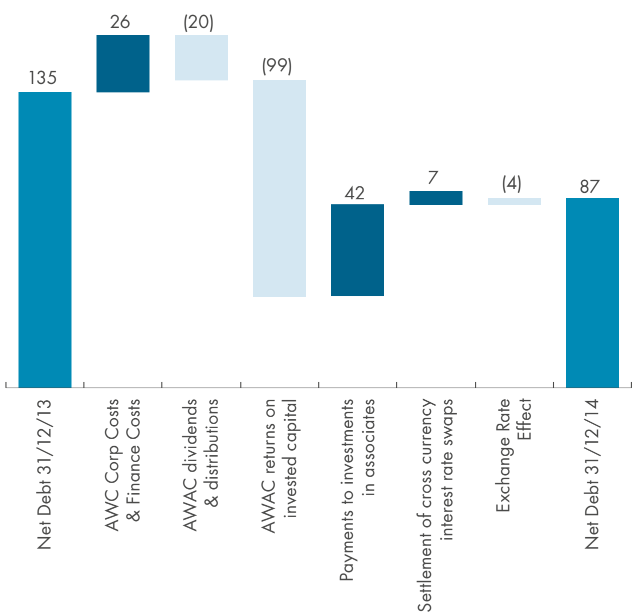
ALUMINA LIMITED BALANCE SHEET

	2014 US$m	2013 US$m
Cash and equivalents	24.9	24.0
Investments	2,514.5	2,798.9
Other assets	3.8	141.1
Total Assets	2,543.2	2,964.0
Payables	1.9	3.9
Borrowings – current	–	50.6
Borrowings – non-current	111.5	108.6
Other liabilities	5.8	7.5
Total Liabilities	119.2	170.6
Net Assets	2,424.0	2,793.4

The directors declared a fully franked final dividend of US 1.6 cents per share, payable on 25 March 2015 to shareholders on the register as at 5pm on 5 March 2015. The decision to resume dividends reflects the directors' current view of the business outlook for AWAC and the Company's capital structure and requirements.

As at 31 December 2014, Alumina Limited's net assets decreased by $369.4 million from 31 December 2013. Investments decreased by $284.4 million due to Point Henry restructuring charges, the loss on sale of Jamalco and foreign currency translations, and borrowings decreased by $47.7 million.

Net Debt Changes (US$m)



As at 31 December 2014, Alumina Limited's net debt declined by $48.6 million to $86.6 million. This decline reflected the level of free cash flow for the year.

Debt repayments resulted in Alumina Limited's gearing decreasing to 3.4% although there was a decline in net assets, in particular, investments in associates. This decline was mainly due to AWAC's restructuring charges and the loss on foreign currency balance sheet revaluations that more than offset the improved operating performance of AWAC.

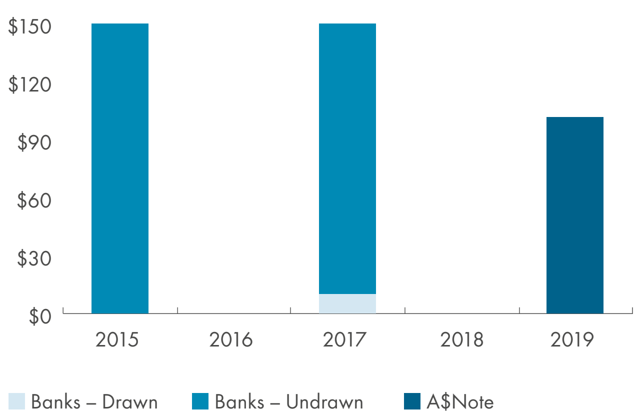
On 12 November 2014, Alumina Limited issued an A$125 million 5.5% fixed rate note which matures on 19 November 2019. The proceeds from the note were swapped into US dollars and used to repay the higher cost BNDES loan. As a result of this issuance, Alumina Limited also extended the maturity profile of its borrowings.

In addition to the note, Alumina Limited had $300 million of committed bank facilities as at 31 December 2014, which expire as follows:

- $150.0 million in December 2015 (no amounts drawn under these facilities as at 31 December 2014).
- $150.0 million in December 2017 (drawn to $10 million as at 31 December 2014).

Following the completion of the restructuring of Alumina Limited's banking arrangements and the issuance of the note, the Company achieved significant improvement in its debt terms, such as borrowing margins, maturity and less financial undertakings.

Debt Maturity Profile as at 31 December 2014 (US$m)



6. MARKET OUTLOOK AND GUIDANCE

MARKET OUTLOOK

Global demand for alumina grew by 4.9% in 2014 and remains strong. The average Western Australian spot alumina price increased from $322/t in the first half to $338/t in the second half, and ended the year on $354.50 per tonne. The increase in price in the second half was driven by increased demand, given higher aluminium production in China and the Middle East, bauxite availability concerns leading to higher alumina imports by China and higher aluminium prices. Over 2014, China imported approximately 5.27 million tonnes of alumina, up nearly 38% from 2013.

Historically, Indonesia has been China's largest supplier of imported bauxite. China represents just over half of the global alumina refinery capacity, with approximately 30% of China's refineries dependent upon imported bauxite. In January 2014, the Indonesia export ban of unprocessed ores came into effect. This completely stopped Indonesian bauxite exports to China. Leading up to the ban, China had built up significant stockpiles of bauxite. Imports of bauxite into China now come predominantly from Australia, Malaysia and India. China imported approximately 36.5 million tonnes of bauxite in 2014. In the second half of 2014, exports from Malaysia increased significantly, totalling around 3.3 million tonnes over 2014.

Over 2014, following the Indonesian export ban, the imported bauxite price (landed in China), for a variety of different qualities and sources, ranged from approximately $48 per tonne to $90 per tonne. When the prices are standardised and adjusted for quality on a value-in-use basis, the imported bauxite price into China averaged $68 per tonne over 2014, after ending 2013 at $55 per tonne.

The quality of China's domestic bauxite has been decreasing, particularly in Henan and Shanxi provinces, which rely almost entirely on domestic bauxite for significant alumina production. Also, there has been high-grading of deposits in a number of cases that lead to premature mine closures. Bauxite allocations in China limit the ability of some alumina producers to access good quality bauxite. A drop in quality of bauxite increases the cost of producing alumina. This has led to higher Chinese prices for good quality domestic bauxite.

Physical fundamentals for aluminium remain positive, with LME aluminium inventories at around four million tonnes, after an aluminium production deficit in 2014 caused global stocks to fall more than one million tonnes, reducing the stock overhang and improving aluminium fundamentals.

Growth in China's alumina capacity in 2014 started to slow, due to a number of factors such as concerns about bauxite availability and cost, tighter credit measures and the desire of the Chinese Government to stem the growth in over-supplied industries. This slowdown in Chinese alumina capacity growth is expected to continue.

Strong demand for aluminium from the aerospace, building and automotive industries is expected to continue and that will drive growth in alumina demand. Another aluminium production deficit is likely in 2015. This is expected to continue to drawdown on warehouse stocks and support regional premiums.

Lower aluminium prices and reduced seasonal demand for alumina in China has put downward pressure on alumina prices at the start of 2015. There is forecast to be an alumina surplus in 2015 however there may be re-starts of aluminium production in Europe, USA and increased smelting production in India. Also, there may be increased Chinese buying of alumina depending on the availability of bauxite, as Chinese bauxite stockpiles are expected to run down in 2015 and 2016 (assuming the current rate of consumption and import).

Some analysts have speculated that Malaysia may be able to export around 10 million tonnes of bauxite annually. However, it is not clear how long that would be sustainable and at what overall cost. In any event, Malaysia's capacity would be insufficient to supply the expected growth in Chinese imports of bauxite, after depletion of the bauxite stockpiles and the reduced availability of good quality domestic bauxite.

Global alumina demand is expected to grow by over 6% (CAGR) over the next five years.

Just as AWAC has been restructuring its asset portfolio over 2014, it is expected that there will be further rationalisation and consolidation in the alumina industry over the next few years, inside and outside China. There is expected to be continuing short to medium term diversification of bauxite suppliers to China, however in the longer term the world will need a number of new large-scale bauxite mines to meet expected growing demand.

As the world's largest bauxite miner, AWAC is well-positioned to be able to take advantage of expected better market conditions due to rising demand and prices for bauxite, whether or not AWAC sells significant quantities of bauxite to the third party market. The on-going delinking of alumina pricing from aluminium prices should mean that the favourable bauxite dynamics will flow through to higher world alumina prices.

Continuing depletions of Chinese domestic bauxite are expected to lead to significant imports into China of bauxite and/or alumina from 2018-2019 on.

There does not appear to be a sufficient corresponding supply growth for the long term. There are a number of refining projects outside China that have stalled or are facing serious timing, regulatory approval and political risks, funding or bauxite supply hurdles, including projects in India and Indonesia. Whilst the alumina price rose over the second half of 2014, it is currently at a price at which a reasonable return would not be made on a standard investment in greenfields capacity, given timing and construction costs. Without a sufficient and sustained price improvement, this may lead to alumina supply deficits outside China in the medium term.

AWAC GUIDANCE

The following guidance is provided to assist the understanding of the sensitivity of AWAC's 2015 results to key external factors. The guidance cannot be expected to be predictive of exact results; rather it provides direction and approximate quantum of the impact on profit before tax of movements around a given base figure. Actual results will vary from those computed using the guidance. Guidance is not linear, hence significant movement away from the base rates used may result in different sensitivities. Sensitivity of the each element of the guidance has been considered in isolation and no correlation with movements in other elements within the guidance has been made.

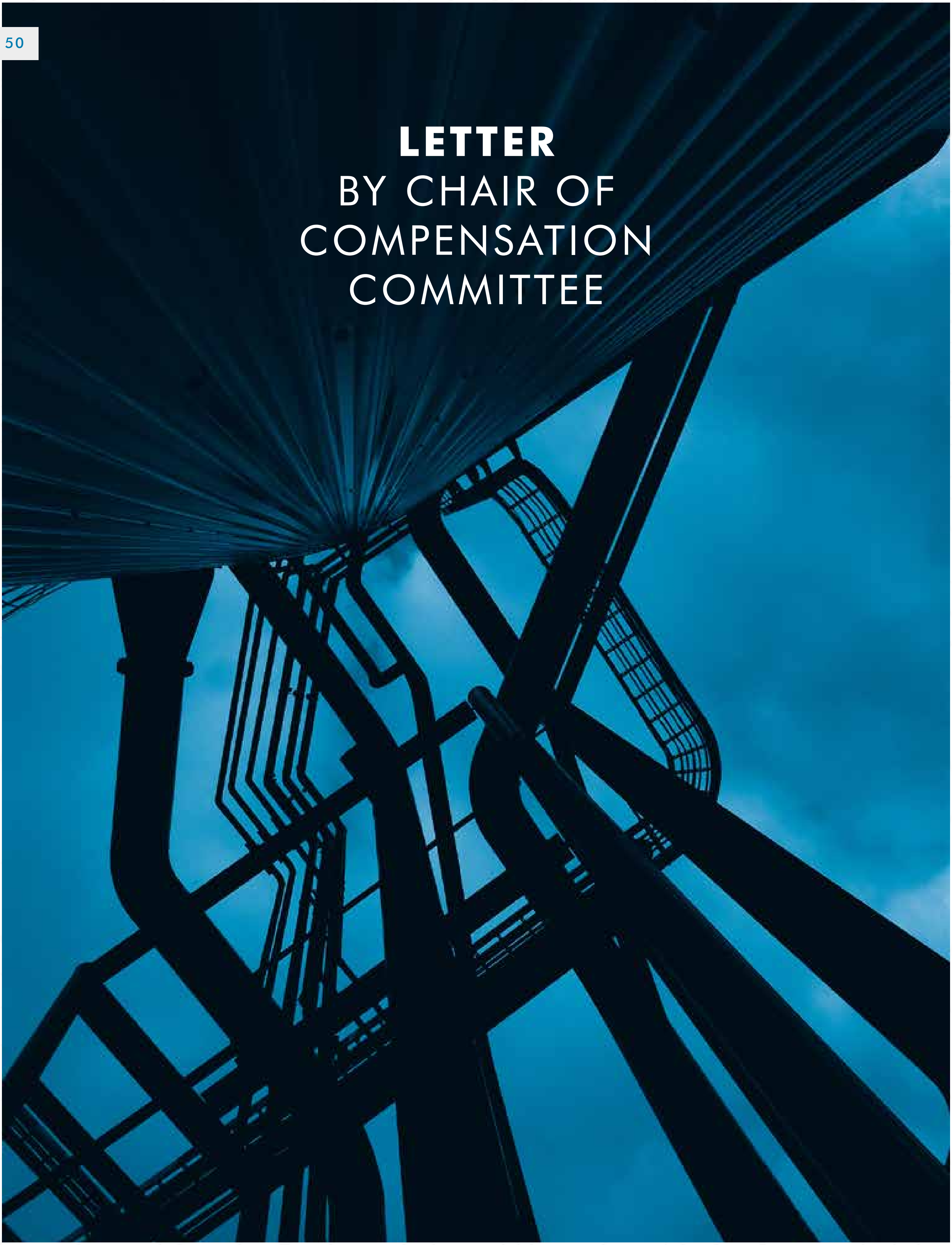
ITEM	2015 GUIDANCE
Production – alumina	Approximately 15.2 million tonnes
Production – aluminium	Approximately 165,000 tonnes
Australian $ Sensitivity: +1¢ in USD/AUD	Approximately – $27.0 million profit before tax
	Approximately – $1.60/t alumina EBITDA
Brazilian $ Sensitivity: +1¢ in BRL/USD	Approximately +$1.5 million profit before tax
	Approximately $0.05/t alumina EBITDA
Third party smelter grade alumina shipments expected to be based on alumina price indices or spot	Approximately 75% for the year
AWAC sustaining capital expenditure	Approximately $230 million
AWAC growth capital expenditure	Approximately $30 million

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 2015 are that total receipts by Alumina Limited will be higher than 2014. However, this is subject to market conditions.

In 2015, Alumina Limited may be required to make a further small contribution in relation to the Ma'aden joint venture, and anticipates there may be equity calls for San Ciprian's working capital support.



LETTER BY CHAIR OF COMPENSATION COMMITTEE

Dear Shareholders,

On behalf of the Board, I am pleased to introduce Alumina Limited's 2014 Remuneration Report and I would like to draw your attention to a number of matters.

Improved company performance

In 2014, Alumina's share price performed strongly increasing your company's market capitalisation by $1.9 billion. Many of the drivers of Alumina's results have also improved and there are grounds to believe that the cycle is turning. However, 2014's dividend was at a very modest level.

Through the year, leadership from our new Chief Executive Officer (CEO) Peter Wasow proved effective and there were notable achievements. Alumina's executives worked with their Alcoa colleagues to improve the all-important cost position of the asset portfolio and sustainability of AWAC. In addition they out-performed on free cash flow, reduced overheads and secured debt on longer tenor and better terms than the previous Brazilian facility. This strengthened the balance sheet of your investment grade global company.

Restructured CEO remuneration

In 2013, the Board restructured the CEO's remuneration package and introduced equity exposure into his fixed remuneration and incentives in the form of STI and LTI were significantly reduced at target and opportunity levels. The new structure was applicable in 2014. STI now ranges from 26 to 35% of FAR between target and opportunity (previously 80 to 100%) and LTI opportunity is approximately 35%, reduced from 50% FAR.

In making these decisions, the Board considered the following factors as particularly relevant:

- Alumina Limited is involved in a cyclical capital intensive global industry which has experienced huge market disruption on many fronts – for example, the growth of Chinese production to the extent that their supply/demand position influences the rest of the world's returns, international macroeconomic factors, step changes in energy security and pricing. Whilst Alumina does not operate the assets of AWAC and so the CEO's role has less complexity in this regard, the strategic challenges facing the sector and the Company are considerable.
- Influencing the joint venture and our partner and majority equity owner to a range of outcomes (from strategy to cash flow) to protect and enhance Alumina's shareholder value sits at the heart of the CEO's role. Alcoa Inc. and Alumina have different strategies and hence, we see matters through different lenses and our interests are not always aligned. The degree of difficulty is heightened by the number of governance regimes at asset and company level. As the minority partner, the CEO's ability to ensure that Alumina's voice is heard draws heavily on his interpersonal skills and years of senior management resources experience.
- Motivating through balanced and moderate incentives based on achievements within AWAC and Alumina recognising that in any one year, non-controllable factors such as global commodity prices and exchange rates flow directly to income.

The impact of the new CEO contractual terms is detailed in the 2014 Remuneration Report. In summary, when put in context using companies of a similar market capitalisation, the CEO's fixed remuneration is positioned at the 40th percentile. When all incentives are included it falls below the 10th percentile. Given the above factors, the Board considers this positioning to be appropriate.

2014 STI Awards and LTI Partial Vesting

With the stronger company performance, the board was pleased that the corporate element of the Short Term Incentive (STI) scheme triggered for the first time in three years. After careful consideration of the performance of executives against defined financial, strategic and business initiatives, the board decided to make STI awards at a level just below "target".

In 2014, two executives received performance rights valued at $94,475 under the LTI scheme as a 2011 tranche partially vested under retesting. (From 2014, retesting no longer applies). Sustained company performance relative to the ASX and international peers will be required for further vesting to occur.

2015 Remuneration

In relation to 2015 executive base salaries and also the CEO's STI and LTI potential awards, it was decided to apply an increase of 3.5 per cent. The board considered external data sets in the context of company performance in making this decision.

2015 Non-Executive Director board fees remain unchanged for another year, in recognition that returns for our shareholders remain below expectations.

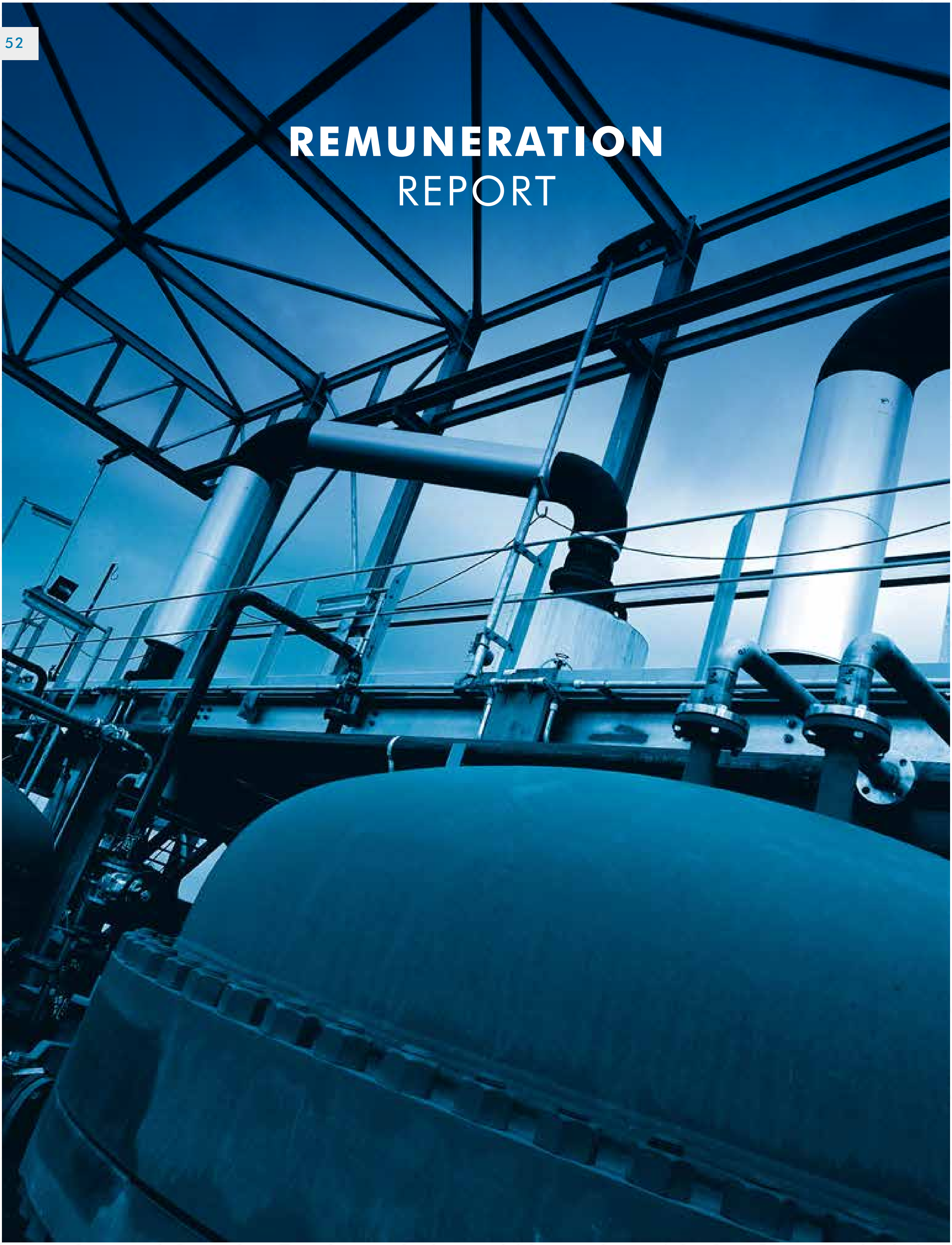
Stakeholder Feedback

Through the year, Alumina's Chairman and Remuneration chairman met with stakeholders. We are grateful for the dialogue and their insights. Following their feedback, in this year's remuneration report, we discuss more fully how the Compensation Committee assesses the degree of difficulty or "stretch" achieved, particularly for objectives which are of a commercial or strategic nature or may span a number of years. In so doing, we hope to provide a better understanding of the process by which the directors exercise their judgment and discretion.

While we have continued to evolve our practices in 2014, our remuneration framework, objectives and scheme structures remain the same. The Board believes that they continue to support a performance based culture and the settings reflect the nature of the company, the capital intensity of the asset base and the cyclicality of global alumina and bauxite markets.

EMMA STEIN
Chair

REMUNERATION REPORT



This Remuneration Report outlines the Director and executive remuneration arrangements of Alumina Limited. The information provided is given in accordance with the requirements of the Corporations Act and has been audited. This report forms part of the Directors' Report for the year ended 31 December 2014.

All contracts for key management personnel are denominated in Australian dollars and accordingly all figures in the Remuneration Report are Australian dollars unless otherwise shown.

CONTENTS

The Remuneration Report is presented in the following sections:

1. PERSONS COVERED BY THIS REPORT

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

NAME	ROLE	
Non-Executive Directors		
John Pizzey	Non-Executive Chairman	Appointed Chairman 1 December 2011 (director 8 June 2007)
Emma Stein	Non-Executive Director	Appointed 3 February 2011
Chen Zeng	Non-Executive Director	Appointed 15 March 2013
Peter Day	Non-Executive Director	Appointed 1 January 2014
Mike Ferraro	Non-Executive Director	Appointed 5 February 2014
Executive Director		
Peter Wasow	Chief Executive Officer (CEO)	Appointed CEO 1 January 2014 (appointed Non-Executive Director 26 August 2011 and ceased 31 December 2013)
Other KMP		
Chris Thiris	Chief Financial Officer (CFO)	Appointed 13 December 2011
Stephen Foster	General Counsel/Company Secretary	Appointed 4 December 2002
Andrew Wood	Group Executive Strategy & Development	Employed 1 September 2008

2. REMUNERATION FRAMEWORK

2.1 REMUNERATION GOVERNANCE AND PROCESS

The Board of Alumina Limited is accountable for the Company's executive remuneration structure and outcomes. The Board has delegated responsibility to the Compensation Committee to review remuneration trends and developments and to propose remuneration strategies, policies and recommendations for the Board to consider.

The following diagram represents Alumina Limited's remuneration governance framework, see page 55.

REMUNERATION CONSULTANTS

The Compensation Committee is empowered to seek advice from independent remuneration consultants on matters relating to remuneration including developing and implementing executive remuneration strategies, associated statutory obligations and the quantum of remuneration.

Alumina Limited has established protocols for the engagement of remuneration consultants and the processes to be followed regarding recommendations. Relevant executives are trained on an annual basis to ensure they understand the procedures.

In seeking remuneration advice from consultants, the Compensation Committee ensures that the advice is free from undue influence by:

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

In 2014, no remuneration recommendation, as defined in the Corporations Act, was received.

Alumina Limited's remuneration governance framework

Board of Directors
The Board:
- reviews and approves the Charter of the Compensation Committee
- approves the remuneration philosophy, policies and practices.

Compensation Committee
Delegated authority to:
- take advice from management and where relevant, independent advisers
- devise a remuneration framework, strategy, policies and practices
- oversee the implementation of the remuneration strategy and policy
- establish appropriate performance objectives and measures
- monitor performance against objectives and recommend incentive awards
- approves remuneration outcomes

External Consultants
- Provide independent advice on remuneration trends and practices.
- Provide benchmarking data and analysis.
- Support the Committee in relation to changes to remuneration policy, employment contracts, structures and practices etc.
- Provide governance and legal advice on remuneration related matters.

Management
- Provides the Compensation Committee with information to assist in its remuneration decisions including remuneration recommendations.

The Compensation Committee is comprised of only Non-Executive Directors and is chaired by Ms Emma Stein.

The duties and responsibilities delegated to the Committee by the Board are set out in the Committee's Charter, which is available on the Company's website www.aluminalimited.com/compensation-committee.

2.2 REMUNERATION STRATEGY AND POLICY

2.2.1 Remuneration in business context

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

Alumina Limited owns a 40 per cent interest in the multi-billion dollar world-wide enterprise, AWAC, the world's largest alumina and bauxite producer. Alcoa Inc. owns the remaining 60 per cent and additionally, is responsible for AWAC's operational management. Alumina Limited is responsible for protecting and advancing the interests of its 60,000 shareholders by having input into the responsible stewardship of the AWAC portfolio of assets and business strategies and outcomes.

Managing and directing Alumina and its investment in AWAC is an involved task. AWAC is a large capital-intensive business operating in a number of jurisdictions, some in remote locations. With four key executive officers, Alumina Limited requires high calibre people with strong skills sets and commercial experience to ensure the Company and its investment are managed well. The Company and its investment are also subject to rigorous governance regimes, financial and reporting controls.

Alumina Limited's executives are charged with:

- Contributing to shaping AWAC's strategy, competitive position and options

Senior executive management must have a clear position on the bauxite, alumina and aluminium markets to allow detailed discussion with Alcoa and shareholders on portfolio management, investment opportunities and disruptive threats. This also includes understanding countries and partners with whom AWAC operates and competes. The alumina industry is a capital-intensive industry where investment and future portfolio decisions have long lasting impacts.

The executives are called upon to exercise strategic thinking and planning to influence AWAC to take advantage of future opportunities and to navigate current industry economic fundamentals. They do so through the power of persuasion based on knowledge of the facts and considered analysis, drawing upon their commercial and industry experience.

- Managing Alumina's investment as a tier one pure play global alumina and bauxite producer

Alcoa operates the individual assets in the joint venture. For Alcoa, AWAC is a part of a range of positions through the supply chain, from upstream through to manufacturing of aluminium and other metal components. Alcoa's focus on downstream has resulted in a strategy to position itself as a global leader in lightweight metals engineering and manufacturing and a producer of innovative multi-material solutions.

It is not surprising therefore that different views and priorities emerge around the joint venture table about the AWAC portfolio, individual assets and industry issues and dynamics. Whilst both companies come together in the ownership of AWAC, their perspectives often differ, for example, in the form of capital allocation and asset capital structures. Views must be debated, negotiated and agreed so that Alumina's shareholders are not disadvantaged. Alumina's executives do so from Alumina's position as the minority non-operating partner. They must bring to bear logical arguments, provide well-researched analysis and find and utilise points of leverage. They must build people relationships within Alcoa that enable Alumina's voice to be heard and respected.

In the recent industry down cycle, and the backdrop of highly unfavourable commodity prices and exchange rates, Alumina's executives have had to act to ensure cash flows from the assets through to the joint venture partners. In addition, they have kept an ongoing focus on the quality of the AWAC portfolio, supporting our partner to close high-cost assets, broaden energy options and dispose of marginal assets. As the transactions are implemented, Alumina's team worked hard to ensure that the related range of financial, legal and commercial issues are resolved so that Alumina's shareholders are not disadvantaged through inappropriate cost, risk or liability burdens.

- Maintaining Alumina's Investment Grade Balance Sheet and Metrics in a Highly Cyclical Environment

Alumina's executives are also charged with developing an investment grade capital structure and implementation of sound financial management policies for Alumina. Alumina's cash flow is highly sensitive to commodity prices, exchange rates and decisions on capital requirements. Their recommendations to the Board on these settings are of critical importance, impacting free cash flow, dividend capacity and a sustainable balance sheet. They need to deploy technical skills, and considerable experience of commodity cycles and long life and capital intense assets.

- Year on Year Overhead Discipline

The Board holds Alumina's executive accountable for continual cost improvement so that management of AWAC represents value for money for Alumina's shareholders.

2.2.2 Remuneration Strategy

- Select the right people, offer attractive performance based remuneration

In order to be effective, when selecting executives for Alumina, the Board focuses on individuals who are highly commercial, with strategic and tactical experience as well as the instincts and behaviours that equip them for their broad ranging roles. The practical consequence for any remuneration is that it must be sufficiently attractive when seen in a market context and it must have a rationale that makes sense to executives.

Alumina's remuneration philosophy is simple – to reward its executives for their role in managing Alumina well. When done well, this delivers good outcomes for the company and when done very well, superior outcomes become possible. In a highly cyclical, capital intensive business, with asset lives measured in decades, often the efforts of executives play out over many years. This has been very apparent through the industry's down-turn – necessary asset closures and sales have resulted in material adjustments to the company's statutory profit and loss but improved cost competitiveness for the AWAC portfolio.

- Reward results delivered by executives across short, medium and long term timeframes

This is achieved by Alumina's chosen remuneration structures and drivers, overlaid by the judgement exercised by its Board. Three facets are worth noting:

First, the Company's sustained share price and financial performance impacts all elements of CEO's remuneration, fixed (with its inclusion of deferred equity), STI and LTI, with his LTI opportunity being greater than STI.

Second lies in the relationship between target and maximum levels of STI. While higher levels of reward are triggered when executives deliver superior outcomes and/or shareholders are gaining through tangible returns, the Alumina Board also believes that in "really good times" rewards should not escalate proportionally (as, at these points in the cycle, usually the company's profitability is being driven by external factors which are beyond the control of management). Hence, compared with other major listed companies, the Alumina scheme has less "opportunity" or "upside potential" in its overall remuneration, largely through lower maximum levels of STI (see pages 60 and 61 for the benchmarking results under target circumstances).

The third step in this approach lies in the nature of, and the weightings ascribed to, the components of the STI within a balanced scorecard. Compared with others, Alumina gives greater prominence to strategic, corporate and commercial initiatives so that the impact of short-term financial metrics is appropriately weighted (see pages 67 and 68).

- Align company, executive and board and stakeholder interests through share ownership

The Board builds in different mechanisms across its remuneration structures to expose executives to the Company's share price, to build meaningful equity positions, to defer rewards so that executives are encouraged to be committed for meaningful periods of time and to allow for clawback. In particular, given the cyclical nature of the industry and Company returns, the Board believes that its senior executives and directors should not be immune to shareholders' experience when values decline.

In 2013, Alumina's CEO's new employment contract introduced the use of equity into his fixed remuneration as a core component of his package and alignment with stakeholders' interests.

In 2014, the Company's Clawback Policy was established, see page 65.

The Company's policy for non-executive directors' minimum shareholdings is set out on page 22 of the Corporate Governance Statement.

2.3. EXECUTIVE REMUNERATION STRUCTURE

2.3.1 Executive Remuneration Overview

Remuneration packages for senior executives consist of three components:

- Levels of fixed remuneration based on role responsibilities, the non-operating but commercial nature of the company and the experience set of individuals and the market
- STI's ('at risk component') that are driven by achievement against corporate and personal objectives based on a mix of financial, strategic and commercial initiatives that the board believes are critical to the continued success of the company, creation of shareholder returns and the optimisation of its joint venture investment.
- Alumina also provides LTI ('at risk component') awards measured by relative total shareholder return (TSR) equally weighted between two comparator groups – listed domestic companies with whom Alumina must compete for capital and listed international industry players against whom AWAC competes for strategic advantage.

TABLE 1

Components of Executive Remuneration

COMPONENT	SUB-COMPONENT	PERFORMANCE MEASURE	STRATEGIC OBJECTIVE
Fixed Remuneration (delivered through cash and equity for the CEO and through cash for other executives)		Considerations: • Individual's role and responsibilities • Depth of knowledge and skill set • Level of expertise and effectiveness • Market (benchmarking)	Secure, retain and motivate a highly skilled and experienced executive team
Short Term Incentive (STI) (delivered through cash and equity for all executives)	**Corporate Scorecard 50% of total potential STI Award**	Minimum Performance Threshold	Establish a minimum threshold of the achievement as a profit after significant items or payment of a dividend to shareholders, thus reinforcing discipline in financial management and goal setting also providing determinable outcomes that are linked to the Company's performance.
		Financial objectives based on controllable metrics: • Free Cash flow • Investment rating	• Cash flow from AWAC is fundamental to dividends and the terms of external financing • A sound balance sheet with key banking relationships is critical to the Company's strength, stability and future success. • Commercially beneficial to maintain investment grade credit rating • Performance hurdles designed to stretch executives in context of industry cycle.
		Strategic and individual asset objectives	• Aligned to strategic and growth objectives • Improve long-term cost curve positioning and strategic options to develop the business • Protect Alumina's interests through increased clarity on AWAC governance
Short Term Incentive (STI) (delivered through cash and equity for all executives)	**Personal Scorecard 50% of total potential STI Award**	Implementation of grounded in business initiatives for which individual executives have defined accountabilities	• Improve internal operating efficiency and profitability • Ensuring Alcoa treats AWAC transactions at arm's length and Alumina shareholders' interests are protected in short and long term.

COMPONENT	SUB-COMPONENT	PERFORMANCE MEASURE	STRATEGIC OBJECTIVE
LongTerm Incentive Plan (LTI) (delivered as equity)		Three year Company TSR performance equal to or outperforming 50% of two comparator groups results. • A result below 50 per cent will not result in an award of equity in the Company participants.	• Emphasises the importance that management maintain the share price through the volatility involved in a capital intensive business heavily impacted by external factors • Linked to long-term business strategy and focuses executives on key performance drivers for sustainable growth • Links rewards of participants of the Plan to the experience of the shareholders

2.3.2 Remuneration decisions and outcomes for 2014 – statutory

Fixed remuneration

In 2014, the Compensation Committee reviewed base salaries, and determined an increase of 3.5 per cent. The CEO's performance rights and STI levels are expressed in dollar terms, and the Committee recommended that the 3.5 per cent increase should be applied to these dollar amounts, using external data points in the context of the company's performance.

STI

In a year in which Alumina's market capitalization increased by $1.9 billion, it was pleasing to see financial targets exceeded and the corporate element of the scorecard trigger for the first time in three years. In 2014, the Compensation Committee recommended individual executive performance ratings and STI payments based on:

- Assessment of Balanced scorecard outcomes
- Appropriateness in the context of shareholder returns
- Consideration of other factors (e.g. Highly valuable outcomes which were not on the scorecard.)

In total, in 2014, Alumina's STI scheme paid $1,010,000 to its KMPs, which was an increase of $411,000 on 2013's level. The higher amount being driven largely by the improved company performance offset by the lower payments arising from the first full year of the CEO's renegotiated remuneration. Of this STI overall award, the executives (other than the CEO) retained cash for half, investing 50 per cent after tax back into equity.

LTI

In 2014 the LTI performance test against the international comparator group for 2011's tranche 11 resulted in partial vesting of 75,619 Performance Rights for all eligible Plan participants into shares in the Company compared to 559,900 Performance Rights initially granted in tranche 11. The test against the ASX comparator group failed to meet minimum vesting. Mr Foster and Mr Wood were the only current senior executives to receive shares under the scheme (refer to Table 8 on page 72). These performance rights had a market value of $94,475 on vesting.

Equity Positions

As a result of the 2014 remuneration decisions and policy operation, all senior executives continued to increase their equity holdings and exposures. The CEO and CFO's holdings are still building up as their tenure is relatively new. Their equity positions are summarised in Table 11 on page 75.

Net (Loss)/Profit after tax excluding significant items

In setting priorities for management, the board works from first principles. For example, portfolio rationalisation and enhancement has been a key theme for several years. The Board charged its executives with ensuring that this topic had enduring focus within the Strategic Council and at asset company board meetings and, with supporting Alcoa on execution of closures, curtailments, and divestments.

In 2014, the Port Henry smelter (which was commissioned in 1963) was closed. For decades, Port Henry represented state of the art aluminium smelting and made a huge contribution to the city of Geelong. Sadly, after 51 years of operation, this plant was no longer competitive in global terms.

In December 2014, Jamalco (founded in 1959) was divested to Noble Group Limited.

These two operations were large scale assets and so the resultant negative adjustments to the profit and loss are significant – $90.8 million and $106.5 million respectively.

For the purposes of the STI, these adjustments have been excluded because:

- the Board considers these decisions and actions to be positive ones for Alumina's investment
- they pre-date the current executives
- it is consistent with the Company's financial statements.

In deciding whether it is appropriate to use adjusted earnings within the STI scheme, the board considers factors including:

- The rationale and circumstances causing the adjustment or simply put was it the right thing to do
- The impact on shareholders
- Was the matter caused by error or poor judgement
- Was the matter within management's control (e.g. Legacy matters)
- The Audit and Risk Committee's review of these matters.

2.3.3 CEO and Senior Executives Remuneration Mix and Comparables

Remuneration Mix Overview

The Chief Executive Officer, other senior executives and professional employees all share the same remuneration principles.

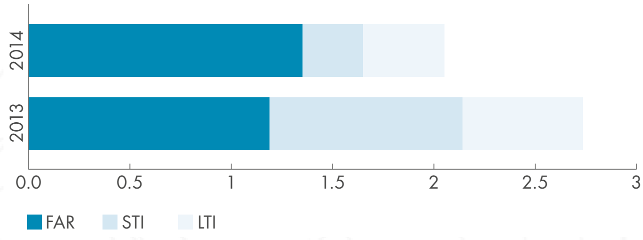
However, there are differences in the structures and relativities.

In 2013, the CEO's remuneration was renegotiated such that his fixed remuneration includes an annual share right component. The initial grant value was $200,000 (or 15% of total fixed remuneration). This equity component of fixed remuneration is conditional on a minimum of 18 months service and deferred for three years from the date of the grant. It is subject to share price fluctuations and therefore the final value reflects the experience of shareholders over the deferral period. This reinforces the remuneration policy that the CEO acts in the longer term interests of the Company and its shareholders. Including the LTI component of 20 per cent of total remuneration, the CEO has approximately 30 per cent of his at target remuneration allocated as equity. (The CEO's STI is awarded in cash.)

The following bar chart compares the CEO's 2014 at target repositioned remuneration to the 2013 at target remuneration package, indicating the significant reduction in STI and LTI opportunities.

Despite having a higher percentage of FAR, it is important to recognise that approximately 15 per cent of Mr Wasow's FAR is received in deferred equity and so his base remuneration is, and remains, exposed to the Company's share price. Also, his FAR in absolute terms is below the median, and falls at approximately 40th percentile of the ASX 100 CEO FAR.

CEO at target remuneration (A$ million)



The senior executive fixed remuneration represents 51 per cent of their total at target remuneration (TTR). Although the senior executives are eligible to receive approximately 50 per cent of their STI award in cash, they (except Mr Wood) are required under the terms of the STI Plan to apply 50 per cent of their after tax STI award in purchasing Alumina shares that must be held for three years. In total, those senior executives would hold approximately 35 per cent of their at target remuneration on a deferred basis.

CEO Remuneration Market Comparable

Alumina's CEO fixed remuneration (inclusive of his equity exposed component) lies at the 40th percentile of the ASX 100 companies within 50 to 200% of Alumina's market capitalisation, excluding financial sector companies (ASX 100 Market Cap) comparator group but in the bottom quartile at approximately the 8th percentile for his total target remuneration (TTR). The Board believes positioning his fixed remuneration slightly below the median is appropriate. On the one hand, the bauxite, alumina and aluminium markets and industries are complex and dynamic, and the CEO's role in influencing the joint venture and equity partner across many jurisdictions is demanding, tactically and strategically. On the other hand, Alumina is a non-operating company and the CEO's is new to the role. The modest level of TTR is a direct reflection of the positioning of his fixed remuneration coupled with an incentive scheme that is designed to be attractive but moderated.

Relative position of CEO remuneration compared to comparator group.

	ASX76-100		ASX100 MARKET CAPITALISATION	
Role	FAR	TTR	FAR	TTR
Chief Executive Officer	58th	12th	40th	8th

Between Median (50th) and 75th Percentiles
Between 25th Percentile and Median (50th)
Below 25th Percentile

2.3.4 STI Scorecard and Governance

At the beginning of the year, the Compensation Committee establishes a scorecard with objectives focussed on key financial outcomes for the year ahead together with critical initiatives, issues and projects (which could be at asset, joint venture or industry level). The level of performance against each is set, some are easily measurable against a specific quantifiable metric and some demand that an initiative delivers a specific minimum milestone (e.g. agreement to the initiative by the joint venture and delivery of a detailed assessment of options). Some, however, are still emerging as issues, the possible range of outcomes or the way forward may be unclear. For these matters, the Compensation Committee has to judge just how specific to be.

The Board is responsible for approving the scorecard. Through the year, as part of a suite of reporting, the CEO presents updates on progress against the scorecard. This is discussed by the board.

At the end of the year, for each individual, the Compensation Committee reviews performance against the scorecard. The Committee's decision is usually made early in the new financial year. In making its assessment, the Committee considers actual performance results as well as internal and external factors that may have contributed to the results. The Committee receives a report from the CEO detailing:

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

In determining its recommendations to the board on the level of STI payments, the Compensation Committee decides and, through discussion, tests:

- what weighting to apply to the individual scorecard components, weighting more highly those that had the potential to create (or depreciate) significant shareholder value
- whether each individual element was achieved, in which case this is likely to result in a "target" rating for that element
- if an element was achieved and surpassed, whether it was sufficiently demanding or created sufficient additional value to warrant an above target rating and if so, by how much
- if an element was not achieved, whether and for what reason a positive rating is given, otherwise likely to be zero.

Given the nature of the building blocks to the Alumina STI scheme, a simple distinction between threshold, target and stretch performance isn't 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.

For corporate objectives, minimum performance thresholds must be met for any STI payments for corporate objectives to be paid – Alumina Limited must not make a net loss after tax excluding significant items at the end of the financial year or must declare a dividend. An outline of the corporate objectives set and the results achieved are set out in Table 4 below (there are some matters relating to corporate objectives which are commercially sensitive and for that reason not disclosed).

For personal objectives, individuals are assessed on their actual performance against annual individual commercial objectives agreed to at the beginning of the performance period. These personal objectives related to key areas of performance over which the individual had accountability and influence for the delivery of an outcome which is adding or protecting value for Alumina Limited. An outline of the personal objectives set and the results achieved are set out in Table 5 on page 68.

2.3.5 LTI Plan and Governance

The Employee Share Plan (ESP) is designed to link Alumina Limited executives' rewards with the long-term goals and performance of Alumina Limited, and the generation of shareholder returns. Each year, senior executives may be granted (at the Board's discretion) a conditional entitlement under the ESP to fully paid ordinary shares in the Company (Performance Rights), with the shares (in practice) being purchased on market. The Performance Rights vest to senior executives if certain performance tests are met at the end of the performance period.

The performance criteria and testing period for each annual grant under the ESP are determined by the Board at the time the Board determines to offer the Performance Rights (usually in December of each year) and the testing period commences at that time.

The implementation of that Board determination, including the period in which executives can consider and accept the offer, normally results in the actual granting of the Performance Rights in January/February. One hundred per cent of the Performance Rights are tested against the TSR hurdle. Alumina Limited's TSR performance has been measured against the TSR performance of an ASX Comparator Group and an International Comparator Group.

Alumina's LTI plan TSR calculations are verified by Mercer Consulting (Australia) Pty Ltd.

TABLE 2

2014 KEY FEATURES OF THE EMPLOYEE SHARE PLAN	
Purpose	• The ESP is designed to link Alumina Limited executive's rewards with the long-term goals and performance of Alumina Limited and the generation of shareholder returns.
LTI value	• The CEO's LTI component is a Performance Right entitlement limited to a maximum benefit of up to $414,000 in 2015 (with the discretion to be adjusted annually for cost of living increases) equivalent in Alumina Limited shares (valued at grant date) (approximately 35 per cent of FAR). • The Long-Term Incentive (LTI) component of remuneration is a maximum of 40 per cent of FAR for Mr Thiris and Mr Foster and 30 per cent for Mr Wood. • The annual dollar LTI grant is 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 ESP for the relevant year, in order to determine the number of Performance Rights to be offered.
Duration of performance period	• Three years.
What is the value of a Performance Right	• On vesting, each Performance Right results in delivery to the holder of an ordinary share in Alumina Limited.

2014 KEY FEATURES OF THE EMPLOYEE SHARE PLAN	
Performance hurdle	• Involves two tests comparing Alumina Limited's TSR relative to the TSR of the following Comparator Groups: » (Test 1 – ASX Comparator Group) ASX100 Index companies excluding the Company, the top 20 companies by market capitalization and property trusts (50% of the award); and » (Test 2 – International Comparator Group) eight selected companies in the alumina and/or aluminium industries that are listed in Australia or overseas, excluding the Company (50% of the award). • Prior to 2012, the ASX Comparator Group did not exclude the top 20 companies by market capitalization and property trusts, and the International Comparator Group instead comprised 30 international metals and mining companies. » Companies in the Comparator Groups may be changed over the performance period if the Board considers it appropriate or for example if a company is de-listed, taken over or restructured to the extent it is no longer a relevant comparator. • Testing is conducted at the end of the performance period.
Rationale for the selection of each Comparator Group	• The International Comparator Group comprises companies that reflect Alumina Limited's direct competitors in the market and operate in the alumina and/or aluminium industries. The ASX Comparator Group was developed in order to measure Alumina's performance with reference to companies which are alternative investments (in the Australian context) for the Company's shareholders.
Why use TSR	• TSR was chosen as a performance measure as an appropriate means of measuring Company performance as it incorporates both capital growth and dividends.
How is TSR calculated	• Under the performance tests, the TSR for each entity in the Comparator Groups and for Alumina Limited is calculated according to a prescribed methodology determined by remuneration consultants Mercer Consulting (Australia), engaged for this purpose. The entities (or securities, as appropriate) in the Comparator Group are then ranked by TSR performance.
Vesting arrangements	• Performance hurdles are independently measured at the conclusion of the performance period. Alumina Limited's TSR is ranked against the TSR of companies in each of the Comparator Groups. • If Alumina Limited's TSR is: » less than the TSR of the company at the 50th percentile of the comparator group, ranked by TSR performance 0 per cent » equal to the TSR of the company at the 50th percentile of the comparator group, ranked by TSR performance* 50 per cent » equal to or greater than the TSR of the company at the 75th percentile of the comparator group, ranked by TSR performance* 100 per cent. * If Alumina Limited's TSR performance is between that of the companies at the median (i.e. the 50th percentile) and the 75th percentile of the ASX Comparator Group ranked by TSR performance, the number of Performance Rights in a tranche that vests will increase from 50% by two percentage points for each percentage point by which the Company's percentile ranking is higher than the 50th percentile * If the Company's TSR performance is equal to that of any company 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 tranche that vests will be equal to the vesting percentage assigned by the Board to that company. If the Company's TSR performance is between that of any two such companies in the International Comparator Group, the number of Performance Rights in the relevant tranche that vests will be determined on a pro-rata basis relative to the vesting percentages assigned by the Board to those companies.

2014 KEY FEATURES OF THE EMPLOYEE SHARE PLAN	
Retesting	• All Performance Rights issued from 2014 onwards are not subject to retesting following a review and recommendation by the Compensation Committee in 2013. • For grants of Performance Right in 2014 and onwards, following testing at the end of the three year performance period, any Performance Rights that do not vest will lapse. • Retesting still applies to Performance Rights issued prior to 2014. If less than 100 per cent of Performance Rights vest when initially tested at the end of the three year performance period, two further retests apply, six months and 12 months after the initial test. Any Performance Rights that do not vest after the second retest will lapse.
Entitlements and benefits	• Prior to Shares vesting and being allocated to the Participant, the Participant does not have any beneficial or other interest in the Shares (other than an entitlement to be allocated Shares upon the Performance Conditions being satisfied) and is therefore not entitled to any benefits or entitlements attaching to the Shares including all dividends and other distributions, bonus issues or other benefits payable. • If the performance tests are met and the shares or a portion of the shares vest to the participant, the participant is entitled to proportionally receive, all dividends and other distributions, bonus issues or other benefits payable to the Trustee in respect of the Shares. • For Performance Rights granted from 2014, under certain circumstances involving a Change of Control Event or cessation of employment, the Board has the discretion to determine that Cash Settlement Amounts will be paid in respect of ESP Entitlements that vest, instead of Shares being allocated.
Cessation of employment	• For Performance Rights granted prior to 2014, unvested Performance Rights will lapse unless, in the case of death, total and permanent disablement, redundancy or retirement, the Board determines otherwise. • For Performance Rights granted from 2014, on cessation of employment and prior to ESP entitlements 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 ESP Entitlements will lapse. The number of ESP Entitlements 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 ESP Rules to determine, within two months of employment ceasing, that any remaining ESP Entitlements is forfeited. • If a Participant ceases employment with Alumina Limited for any reason at any time following ESP Entitlements vesting, it will be treated as having applied on the date of cessation for the corresponding Shares (if applicable) to be transferred into the participants name.
Change of Control	• In the event of a change in control, the Board may determine in its discretion that performance conditions will be tested at a date to be determined. A change of control is, in general terms, an entity acquiring unconditionally more than 50 per cent of the issued shares of the Company, or the Company being required, under a takeover bid or scheme of arrangement, to issue an aggregate number of shares greater than the number existing before the issue (i.e. a “reverse takeover”).

2.3.6 Other remuneration matters

Superannuation

All Alumina Limited employees are members of a fund of their choice. Contributions are funded at the Superannuation Guarantee Contributions rate, currently 9.50 per cent (following an increase from 9.25 per cent effective July 2014) of an employee's fixed annual remuneration. Alumina Limited contributes 9.50 per cent of employees' salary up to the maximum superannuation contributions base, which is linked to each individual's earnings. The maximum contributions base is an annual income of approximately $197,720.

Clawback Policy

In 2014 the Compensation Committee adopted a Clawback Policy that provides scope for the Board to recoup incentive remuneration paid to senior executives where:

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

To the extent permitted by law, the Board will seek to recoup incentive remuneration, in all appropriate cases, paid (or in the case of equity-based compensation, which vested) to any senior executives on or after the effective date of this Policy if and to the extent that;

In the case of equity awards that vested based on the achievement of financial results that were subsequently reduced, the Board also may seek to recover gains from the sale or disposition of vested shares. In addition, the Board may to the extent it deems appropriate determine to cancel unvested equity awards where the Board or the Compensation Committee took into account the financial performance of the Company in granting such awards and the financial results were subsequently reduced due to a restatement.

Share Trading and Hedging Prohibitions

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

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

3. COMPANY PERFORMANCE AND REMUNERATION OUTCOMES

In 2014, Alumina Limited's share price appreciated strongly by more than 60 per cent and its market capitalisation increased by $1.9 billion. This was the 5th highest return in the ASX 100. In 2014, Alumina Limited's executives worked with their Alcoa colleagues to deliver important portfolio improvements including closures, divestments and sustainable developments in the form of the Ma'aden joint venture mine and refinery and energy options. In addition, further balance sheet improvement was achieved in tenor and terms. Outperformance was delivered on operating cost reductions at Alumina. Finally, the Company returned a dividend to shareholders, albeit a small one, not having done so since payment of the 2011 full year dividend.

In this context of better shareholder returns, it was pleasing to see the corporate element of the STI scheme trigger for the first time in three years. In judging the performance of executives in 2014, the Board decided (on recommendation from the Compensation Committee) that they had delivered high quality outcomes, notably in terms of cash flow, debt, and cost base, and important portfolio improvements. However, on one of the strategic challenges, although they were successful in developing Alumina's case, no tangible outcomes resulted in the year. So whilst the Board decided that performance was worthy of incentives, the overall award was just below target. Also, some vesting of LTI occurred as the 2014 share price performance was sufficient to trigger a 2011 tranche of performance rights.

The diagrams that follow highlight Alumina Limited's improved share price performance over the year such that market capitalisation reached $5 billion and outperformance against market indices. In addition, debt was paid down further so that the balance sheet provides strength and flexibility.

ASX 100 TSR Year ended 31 December 2014

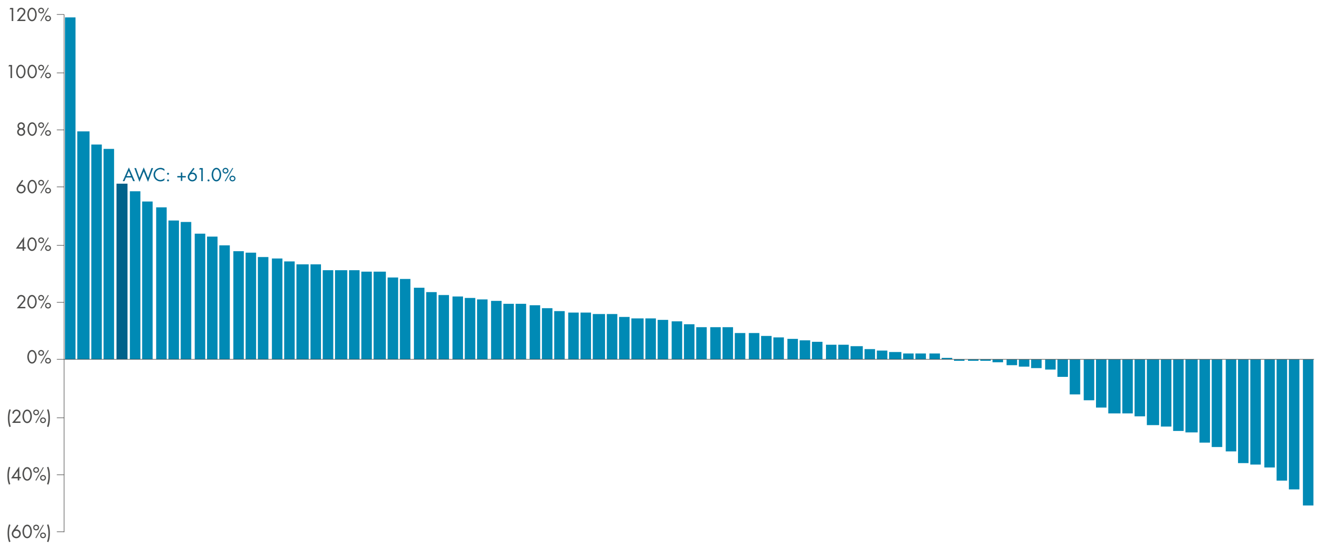
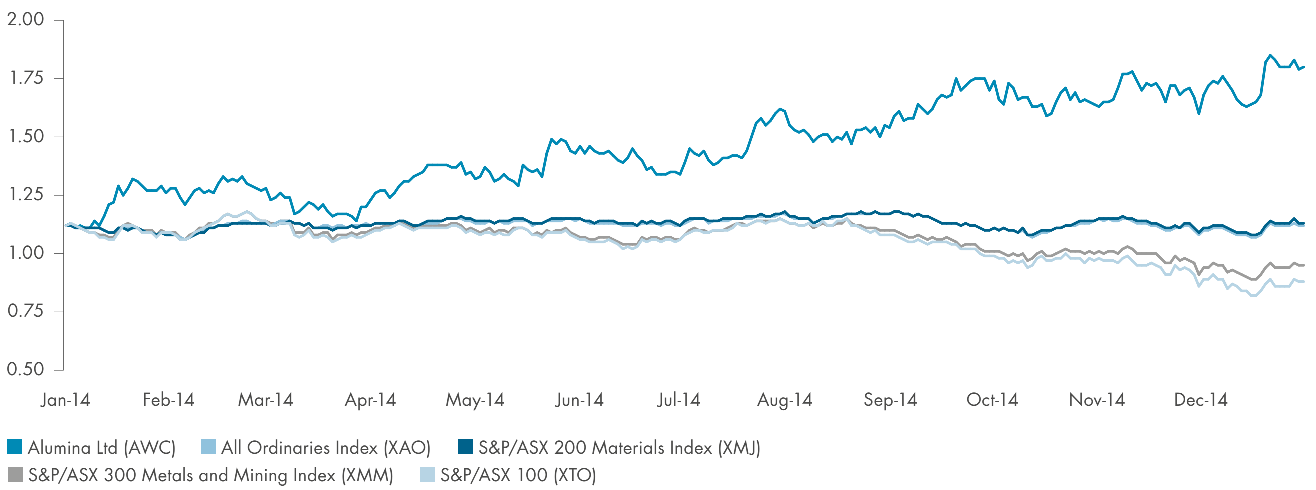


TABLE 3

ALUMINA LIMITED'S FINANCIAL PERFORMANCE 2010 – 2014					
	2014	2013	2012	2011	2010
Dividends declared per share (US cents per share)	1.6	Nil	Nil	6	6
Percentage change in share price	61%	20%	(21)%	(55)%	32%
Market Capitalisation ($ million)	5,023[1]	3,143[1]	2,196[2]	2,733[2]	6,052[2]
Net debt ($million)	86.6	135.2	664.4	471.6	353.5
Net (Loss)/Profit After Tax ($million)	US$(98)	US$0.5	US$(56)	US$127m	US$35m

1 2,806,225,615 issued fully paid ordinary shares
2 2,440,196,187 issued fully paid ordinary shares

Alumina relative share price performance



3.1 2014 PERFORMANCE UNDER THE STI PLAN

Tables 4 and 5 below provide a summary assessment of performance against STI performance measures for 2014.

TABLE 4

Corporate Scorecard – 50% of Potential STI Award

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT	WEIGHT
Short-term financial objectives, Cash flow, investment rating and gearing	Achieve 2014 cash flow distributions from AWAC of $85 million at a minimum.	The most appropriate financial measure of the management of the AWAC joint venture. Provides the basis for payment of dividends to Alumina Limited shareholders.	Distributions of $119 million received during 2014.	Surpassed target	15%
	Maintain key financial metrics consistent with investment grade credit rating: (i) Funds from operations/debt >20% (ii) Debt / EBITDA<4 times.	Indicator of whether a company generates sufficient positive cash flow to maintain its target capital structure, or whether it may require external financing.	Funds from operations/ total debt 60%. Full year forecast for Net debt/ EBITDA is 1.4 times.	At target	5%
Strategic objectives • lifting long term cost curve positioning and options • preserving shareholder interests	Demonstrable progress on WA Energy strategy: • Establish a Committee of the Strategic Council to review progress • Complete the first two stages of project development for alternate energy options by the end of 2014.	As gas markets in Western Australia change, it is important that AWAC develops energy alternatives in a timely way.	Committee of the Strategic Council established, project team established First stage of project development complete. Second stage of project development approved, target completion by year end. Various engineering, environmental, energy market and banking consultants engaged.	Surpassed target	10–15%
	Demonstrate influence on AWAC strategic direction: • Bauxite options • Portfolio composition.	Alumina Limited is more than a silent partner in the management of AWAC and proposes strategic alternatives to develop the business.	Portfolio composition actions agreed. Bauxite: review of market, strategy and development options with Alcoa.	Not achieved	13%

3.1 2014 PERFORMANCE UNDER THE STI PLAN (continued)

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT	WEIGHT
Strategic objectives • lifting long term cost curve positioning and options • preserving shareholder interests	Define the future governance role for Alumina Limited in AWAC.	Effectiveness of working relationship with Alcoa, outcomes on related party transactions, changes to or clarity on AWAC governance, governance activities.	Review of service charges undertaken. Strategic Council role and meeting framework agreed. AWAC entity Board charters proposed and being agreed. Related party protocol agreed.	At target	5%

TABLE 5

Personal objectives – 50% of potential STI award

PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT	WEIGHT
Reduce Alumina Limited costs by $0.5 million annual run rate	Improve internal operating efficiency and profitability.	Achieved	Surpassed target	10–15%
Develop a capital structure and financial policies consistent with the underlying business: • Reduce all-in finance cost by 75 basis points • Refinance BNDES with a tenor of at least five years	A sound balance sheet with key banking relationships is critical to the Company's strength, stability and future success.	All in finance costs reduced by more than 75 basis points. BNDES refinanced.	At target	10%
Ensure Alumina is not disadvantaged on AWAC asset sales or purchases and related party transactions with Alcoa	Protect shareholder interests.	Jamalco sale completed, satisfactory outcome. Point Henry smelter closure	At target	10–15%
Lead the development of corporate strategy and industry communication • Progress towards a satisfactory outcome on specified AWAC/ Alcoa related party transaction	Ensuring Alcoa treats transactions at arm's length is an important function of Alumina Limited to protect our shareholders' interests.	Progressing according to Plan.	At target	15%

3.2 LTI PERFORMANCE TESTING FOR THE 2014 FINANCIAL YEAR

Following testing, the number of Performance Rights senior executives will receive is determined according to the scale outlined under Vesting arrangements in Table 2 on pages 62 and 63.

The Performance Rights granted in 2012 were tested (three year performance test) in December 2014 and failed to meet the vesting criteria of fifty per cent and above for either the ASX100 Comparator Group or the International Comparator Group.

The 2012 Performance Rights will be retested twice in 2015. Retesting was abolished for Performance Rights grants from 2014 onwards.

The Performance Rights (559,900) granted in 2011 were tested against the TSR hurdles at the end of the three-year performance period in December 2013. The two TSR hurdles for those Performance Rights were not met and as a result, there was no vesting. A further two further retests of these 2011 Performance Rights were conducted in 2014, six and 12 months after the initial test. None of the retests against the ASX Comparator group were successful. The TSR hurdles were partially met (53.3 percentile) on the first retest against the International Comparator Group and again on the second retest (73.3 percentile). As a result, 75,619 of the potential Performance Right entitlement of 76,750 against the International Comparator Group for the 2011 Performance Rights vested to eligible Plan participants. Mr Foster and Mr Wood were the only senior executives to receive shares (refer page 73). Mr Wasow and Mr Thiris were not employed at the time of the grant and therefore did not participate in the 2011 Performance Rights.

The performance tests for Performance Rights issued in 2012 were both unsuccessful and therefore no Performance Rights vested. The 2012 Performance Rights will be retested twice in 2015. Retesting was abolished for Performance Rights grants from 2014 onwards.

TSR (THREE YEAR) PERFORMANCE RESULTS FOR THE YEARS 2010 TO 2014

	2014	2013	2012	2011	2010
Percentile ranking of TSR against ASX 100 and	46[1]	18	27	46	4
International Comparator Groups	38[2]	30	33	43	10
Percentage of total remuneration relating to vested long-term incentive	2%[3]	8%	Nil	Nil	Nil

1 TSR percentile ranking of 46.3 is applicable to Performance Rights granted in 2012 under the ESP against the ASX Comparator Group, performance period 12 December 2011 to 11 December 2014, calculated on the average closing share price over the 20 trading days up to and including the start of the performance period, and on the average closing share price over the 20 trading days up to and including the end of the performance period

2 TSR percentile ranking of 37.5 is applicable to Performance Rights granted in 2012 under of the ESP against the International Comparator Group, performance period 12 December 2011 to 11 December 2014, calculated on the average closing share price over the 20 trading days up to and including the start of the performance period, and on the average closing share price over the 20 trading days up to and including the end of the performance period. The testing of the 2012 International Comparator Group was against a population of eight aluminium or alumina companies listed on overseas exchanges.

3 Represents the average applicable to senior executives.

3.3 2014 REMUNERATION OUTCOMES

3.3.1 Remuneration Tables

The following tables contain the components that form the total statutory remuneration paid in 2014 to the Company's CEO and senior executives. Remuneration outcomes presented in Table 6 are prepared in accordance with relevant accounting standards.

TABLE 6

Chief Executive Officer's and Senior Executives Remuneration For The Year Ended 31 December 2014

KMP	YEAR	SHORT-TERM BENEFITS					POST-EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS			TERMINATION PAYMENT[8]	TOTAL REMUNERATION
		FAR[2]	STI[3]	Non-Monetary[4]	Other[5]	Total	Superannuation[6]	FAR[2]	Performance rights[7]	Total		
Peter Wasow (CEO)[1]	**2014**	**1,131,721**	**300,000**	**28,120**	**129,516**	**1,589,357**	**18,279**	**122,222**	**125,240**	**247,462**	**–**	**1,855,098**
John Bevan (CEO)[1]	2013	1,172,778	286,000	34,457	3,000	1,496,235	17,122	–	444,795	444,795	1,748,664	3,706,816
Chris Thiris (CFO)	**2014**	**638,021**	**344,000**	**23,368**	**–**	**1,005,389**	**29,979**	**–**	**168,690**	**168,690**	**–**	**1,204,058**
	2013	631,378	145,000	22,459	–	798,837	17,122	–	85,021	85,021	–	900,980
Stephen Foster (General Counsel/ Company Secretary)	**2014**	**476,739**	**255,000**	**22,105**	**–**	**753,844**	**22,261**	**–**	**161,748**	**161,748**	**–**	**937,853**
	2013	467,278	108,000	22,072	–	597,350	17,122	–	157,851	157,851	–	772,323
Andrew Wood (Group Executive Strategy and Development)	**2014**	**333,821**	**111,000**	**14,347**	**–**	**459,168**	**18,279**	**–**	**57,033**	**57,033**	**–**	**534,480**
	2013	324,678	60,000	15,481	–	400,159	17,122	–	54,345	54,345	–	471,626
Total Executive remuneration	**2014**	**2,580,302**	**1,010,000**	**87,940**	**129,516**	**3,807,758**	**88,798**	**122,222**	**512,711**	**634,933**	**–**	**4,531,489**
	2013	2,596,112	599,000	94,469	3,000	3,292,581	68,488	–	742,012	742,012	1,748,664	5,851,745

1 Mr Wasow was appointed Chief Executive Officer, succeeding Mr Bevan from 1 January 2014.

2 Short-Term FAR is the total cost of salary, exclusive of superannuation. FAR for Mr Wasow includes a share based payment that is amortised over an 18 month (conditional) period.

3 Short-term incentive payments reflect the cash value paid for the years ended 31 December 2014 and 31 December 2013.

4 Non-monetary benefits represent accrued long service leave and value of the car park.

5 Other short-term benefits include personal financial advice allowance. For 2014 it also includes relocation costs for Mr Wasow.

6 Superannuation contributions reflect the SGC payment.

7 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.

8 Termination benefit relates to the retirement benefit accrued in 2013 for payment in lieu of notice (nine months and 27 days including at target STI).

TABLE 7

2014 STI – Most highly remunerated executives

The following table indicates the actual value of STI paid to senior executives and the percentage of total potential STI paid and the percentage of STI that was forfeited by each executive.

KMP	YEAR	STI PAID	PERCENTAGE	
			Paid	Forfeited
Peter Wasow (CEO)[1]	**2014**	**300,000**	**75%**	**25%**
John Bevan (CEO)[2]	2013	286,000	24%	76%
Chris Thiris (CFO)	**2014**	**344,000**	**74%**	**26%**
	2013	145,000	32%	68%
Stephen Foster (General Counsel/Company Secretary)	**2014**	**255,000**	**73%**	**27%**
	2013	108,000	32%	68%
Andrew Wood (Group Executive Strategy and Development)	**2014**	**111,000**	**63%**	**37%**
	2013	60,000	36%	64%
Total Executive remuneration	**2014**	**1,010,000**	**73%**	**27%**
	2013	599,000	28%	72%

1 Mr Wasow was appointed CEO on 1 January 2014, succeeding Mr Bevan. In 2014 Mr Wasow's maximum potential STI award was capped at $400,000. Mr Wasow was rewarded for at target performance $300,000.

2 Mr Bevan's maximum potential STI in 2013 was 100 per cent of his FAR $1,189,900. Mr Bevan was awarded $286,000, zero for the corporate component and approximately 70 per cent for personal objectives.

The following Performance Rights were granted in February 2014 for employment in 2013: Chris Thiris 269,900, Stephen Foster 201,600 and Andrew Wood 71,100. Mr Wasow also received 404,000 Performance Rights as per his contract and approved by shareholders at the 2014 Annual General Meeting.

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

TABLE 7a

GRANT DATE	END OF PERFORMANCE PERIOD	VALUE PER PERFORMANCE RIGHT AT GRANT DATE[1] $
18/02/2011[2]	06/12/2013	2.03
09/03/2012[2]	11/12/2014	0.787
08/02/2013[2]	07/12/2015	0.875
10/02/2014[3]	06/12/2016	0.93

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

2 Performance Rights granted for 2009 onwards are subject to retesting six months and 12 months after the conclusion of the three year Performance Period should the Rights not completely vest at the end of the Performance Period. Any Rights that do not vest after the second retest will lapse. The Performance Rights granted in 2011 and initially tested in December 2013 did not meet the vesting criteria. As a result a further two tests were conducted in June 2014 and December 2014 that resulted in vesting against the International Comparator Group (refer to Table 9 for detail on the outcome)

3 Retesting was abolished for the 2014 and subsequent Rights grants.

Set out below are the assumptions made for the Performance Rights granted on 10 February 2014:

Share price at valuation date	$1.28
Risk free rate	2.93%
Dividend yield	1.5%
Volatility	41%
Initial TSR	29.8%
Post-vesting withdrawal rate	Nil

TABLE 8

Value of Performance Rights For The Year Ended 31 December 2014 and 31 December 2013

		(A)	(B)	(C)	(D)	(E)
Director/Senior Executive	Year	Value granted Performance Rights $	Value vested Performance Rights $	Value lapsed Performance Rights $	Total Column Performance Rights A+B-C $	Value as proportion of remuneration %
Peter Wasow	**2014**	**375,720**	**–**	**–**	**375,720**	**20.29%**
John Bevan	2013	584,938	140,179	(799,907)	(74,790)	(2.01%)
Chris Thiris	**2014**	**251,007**	**–**	**–**	**251,007**	**20.85%**
	2013	255,063	–	–	255,063	27.61%
Stephen Foster	**2014**	**187,488**	**71,021**	**(89,194)**	**169,315**	**18.05%**
	2013	190,488	47,130	(87,526)	150,092	19.80%
Andrew Wood	**2014**	**66,123**	**23,454**	**(29,457)**	**60,120**	**11.25%**
	2013	67,200	15,590	(28,954)	53,836	11.12%

Table 8 shows the total value of any Performance Rights granted, exercised and lapsed in the year in relation to Directors and senior executives, based on the following assumptions:

(A) The value of Performance Rights granted in the year reflects the value of a Performance Right, multiplied by the number of Performance Rights granted during 2013 and 2014. Performance Rights were valued independently by Mercer Consulting (Australia) using the assumptions underlying the Black-Scholes methodology to produce a Monte Carlo simulation model that accommodates features associated with Alumina Limited’s ESP such as exercise, lapsed and performance hurdles. The rights are those granted in 2014. Performance Rights issued in 2014 relate to performance during 2013.

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

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

(D) The total value is the sum of the value of Performance Rights granted during 2014, plus the value of Performance Rights vested during 2014, less the value of Performance Rights that lapsed during 2014.

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

TABLE 9

Senior Executive – Holdings of Performance Rights for the Years Ended 31 December 2014 and 31 December 2013

	YEAR	BALANCE AT 1 JANUARY[1]	NUMBER GRANTED DURING THE YEAR AS REMUNERATION[2]	NUMBER VESTED DURING THE YEAR	NUMBER LAPSED DURING THE YEAR[3]	NUMBER EXERCISED DURING THE YEAR	BALANCE AT 31 DECEMBER
CEO							
Peter Wasow	**2014**	**–**	**404,000**	**–**	**–**	**–**	**404,000**
John Bevan	2013	997,200	668,500	(109,515)	(469,185)	–	1,087,000
Senior Executives							
Chris Thiris	**2014**	**291,500**	**269,900**	**–**	**–**	**–**	**561,400**
	2013	–	291,500	–	–	–	291,500
Stephen Foster	**2014**	**440,600**	**201,600**	**(42,662)**	**(43,938)**	**–**	**555,600**
	2013	328,100	217,700	(36,820)	(68,380)	–	440,600
Andrew Wood	**2014**	**153,400**	**71,100**	**(14,089)**	**(14,511)**	**–**	**195,900**
	2013	111,400	76,800	(12,180)	(22,620)	–	153,400

1 Includes the number of Performance Rights granted that were subject to testing in 2014 but not yet vested.

2 Performance Rights granted in February 2014 for the three year performance test period concluding in December 2016.

3 For Performance Rights granted under ESP in February 2011 and tested in December 2013 were subject to two further tests applied over a (four week period) six and 12 months after the initial test. The testing of those Performance Rights in 2014 resulted in 49% of those Performance Rights being awarded, and 51% lapsing.

TABLE 10

Details of Performance Rights Granted as Remuneration

		RIGHTS NUMBER[1]	DATE OF GRANT	% VESTED IN 2014	% FORFEITED IN 2014	PERFORMANCE RIGHTS YET TO VEST	FINANCIAL YEAR IN WHICH GRANTS MAY VEST[6]	VALUE OF RIGHTS OUTSTANDING 31/12/14[7]	
								$MIN[2]	$MAX[3]
CEO									
Peter Wasow	**2014**	**404,000**	**Feb-14[4]**	**–**	**–**	**404,000**	**2016**	**–**	**375,720**
John Bevan	2013	668,500	Feb-13[4]	–	–	668,500	2015	–	584,938
	2012	418,500	Mar-12[4]	–	–	418,500	2015	–	329,360
Senior Executives									
Chris Thiris[5]	**2014**	**269,900**	**Feb-14**	**–**	**–**	**269,900**	**2016**	**–**	**251,007**
	2013	291,500	Feb-13	–	–	291,500	2015	–	255,063
Stephen Foster	**2014**	**201,600**	**Feb-14**	**–**	**–**	**201,600**	**2016**	**–**	**187,488**
	2013	217,700	Feb-13	–	–	217,700	2015	–	190,488
	2012	136,300	Mar-12	–	–	136,300	2015	–	107,268
	2011	86,600	Feb-11	49.26	50.74	–	–	–	–
Andrew Wood	**2014**	**71,100**	**Feb-14**	**–**	**–**	**71,100**	**2016**	**–**	**66,123**
	2013	76,800	Feb-13	–	–	76,800	2015	–	67,200
	2012	48,000	Mar-12	–	–	48,000	2015	–	37,776
	2011	28,600	Feb-11	49.26	50.74	–	–	–	–

1 The terms of Performance Rights granted to Chris Thiris, Stephen Foster and Andrew Wood were not altered during 2014. Mr Wasow's LTI entitlement had a ceiling of $400,000 in 2014 otherwise the Performance Rights conditions applicable to his grant are the same as the other senior executives.

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

3 The maximum value has been calculated by reference to valuations determined on the basis as outlined in Note 1 in Table 7a on page 71.

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

5 Mr Thiris was appointed Chief Financial Officer in December 2011. The LTI incentive was not applicable for his service in 2011.

6 Performance Rights granted before 2014 that do not vest at the conclusion of their three year testing period are subject to retesting six and 12 months after the initial test. For Performance Rights granted in 2014 and onwards, there is no retesting. Following testing, any Performance Rights that do not vest are forfeited.

7 This shows the fair value of the Performance Rights at grant date. Refer to Tables 6 for amounts expensed in accordance with AASB 2.

SENIOR EXECUTIVE SHAREHOLDING

TABLE 11

Senior Executive Shareholdings for the Years Ended 31 December 2014 and 31 December 2013

		BALANCE OF SHARES AS AT 1 JANUARY[1]	SHARES ACQUIRED DURING THE YEAR UNDER EMPLOYEE SHARE PLAN[2]	OTHER SHARES ACQUIRED DURING THE YEAR	SHARES SOLD DURING THE YEAR	BALANCE OF SHARES HELD AT 31 DECEMBER
Peter Wasow	**2014**	**50,000**	**–**	**–**	**–**	**50,000**
John Bevan	2013	432,152	109,515	302,500	–	844,167
Chris Thiris	**2014**	**40,000**	**–**	**29,500**	**–**	**69,500**
	2013	–	–	40,000	–	40,000
Stephen Foster	**2014**	**281,795**	**42,662**	**21,847**	**–**	**346,304**
	2013	157,127	36,820	87,848	–	281,795
Andrew Wood	**2014**	**37,680**	**14,089**	**–**	**–**	**51,769**
	2013	25,500	12,180	–	–	37,680

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

2 Includes vested 2011 Performance Rights that were tested in June 2014 and December 2014. Does not include Performance Rights granted under the ESP but not vested.

4 EXECUTIVES' SERVICE AGREEMENTS

Service Agreements

Remuneration and other terms of employment for executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the Board's discretion. 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) such that they do not require shareholder approval.

TABLE 12

TERM OF AGREEMENT AND NOTICE PERIOD	FIXED ANNUAL REWARD ("FAR")[1]	OTHER COMPONENTS OF REMUNERATION AND BENEFITS	TERMINATION PAYMENTS[2]
Peter Wasow			
No fixed term From 1 January 2014 12 month written notice from either party. Mr Wasow's employment may be terminated immediately for any conduct that would justify summary dismissal.	• Base salary including superannuation $1,190,300 • Annual conditional share rights grant to the value of $207,000	• Target STI award of $310,500 (or a maximum of $414,000) • LTI award up to $414,000 • Personal financial advice up to a maximum of $3,000 • Additional 10 days of paid leave for each completed year of service	• A pro-rata payment of long service leave (after three or more years of continuous service) and accrued annual leave • A severance payment of 2.5 weeks per complete year of service, pro-rated for completed months of service • 13 weeks ex gratia payment • Number of shares equal to the granted conditional rights that would have vested during notice period • Company may make a discretionary payment in lieu of some or all of the notice period • If the Board determines that he is a good leaver, any unvested conditional share rights that have been granted and would have vested had he remained in employment during any period for which he is paid in lieu of notice, will immediately vest and the applicable shares will be transferred to him upon termination. • If the Board determine that his status is not that of a good leaver, the shares received on vesting may be subject to immediate forfeiture.
Chris Thiris			
No fixed term, From 13 December 2011 Six month notice from the Company, three month from Mr Thiris	• Base salary including superannuation $691,400	• STI award of up to 70% of FAR • LTI award up to 40% of FAR	• A pro-rata payment of long service leave (after three or more years of continuous service) and accrued annual leave • 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

TERM OF AGREEMENT AND NOTICE PERIOD	FIXED ANNUAL REWARD ("FAR")[1]	OTHER COMPONENTS OF REMUNERATION AND BENEFITS	TERMINATION PAYMENTS[2]
Stephen Foster			
No fixed term, from 6 November 2002 Six month notice from the Company, three month from Mr Foster	• Base salary including superannuation $516,500	• STI award of up to 70% of FAR • LTI award up to 40% of FAR	• A pro-rata payment of long service leave (after three or more years of continuous service) and accrued annual leave • 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
Andrew Wood			
No fixed term, from 1 September 2008 Four month notice from the Company, two month from Mr Wood	Base salary including superannuation $364,500	STI award of up to 50% of FAR LTI award up to 30% of FAR	• A pro-rata payment of long service leave (after three or more years of continuous service) and accrued annual leave • 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 › six weeks ex gratia payment

1 FAR and other components of remuneration are for the year started 1 January 2015; they are reviewed annually by the Compensation Committee.

2 Payable upon termination with notice and without the cause (eg 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 Wasow; and FAR + STI at target for Mr Thiris, Mr Foster and Mr Wood. The above termination entitlements are subject to any restrictions imposed by the Corporations Act.

OPTION PLANS

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

5. NON-EXECUTIVE DIRECTOR REMUNERATION

The maximum remuneration for Non-Executive Directors is determined by resolution of shareholders. The maximum aggregate remuneration approved for Non-Executive Directors is $1,250,000 per annum. A total of $1,092,168 was paid in Non-Executive Director fees in 2014.

In 2014, Non-Executive Director's base fees remained unchanged from the fee level set in 2011. In addition to the base fee, Non-Executive Directors receive fees for participation on the Board Committees and Superannuation Guarantee Contributions.

Committee Member[1]	$10,000 (aggregate)
Committee Chair	$10,000
Audit & Risk Committee Chair	$15,000

Non-Executive Directors participation on Board Committees is set out on page 18.

1 Effective from 1 January 2015, the Chair of the Compensation Committee will receive an additional $5,000 in recognition of the increased workload.

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

The Board reviewed Non-Executive Directors' fees and determined in the context of business conditions that there would be no increase for the 2015 year.

Non-Executive Directors' remuneration details are set out in Table 13.

TABLE 13

		SHORT-TERM BENEFITS		POST EMPLOYMENT	
		FEES – CASH	NON-MONETARY BENEFITS	SUPERANNUATION GUARANTEE[3]	TOTAL REMUNERATION
John Pizzey	**2014**	**358,191**	**–**	**18,279**	**376,470**
	2013	359,347	–	17,122	376,469
Emma Stein	**2014**	**169,395**	**–**	**15,905**	**185,300**
	2013	169,806	–	15,492	185,298
Chen Zeng	**2014**	**159,430**	**–**	**14,969**	**174,399**
	2013	126,484	–	11,580	138,064
Peter Day[1]	**2014**	**174,359**	**–**	**16,371**	**190,730**
	2013	–	–	–	–
Mike Ferraro[1]	**2014**	**151,059**	**–**	**14,210**	**165,269**
	2013	–	–	–	–
Peter Hay[2]	**2014**	**–**	**–**	**–**	**–**
	2013	169,806	–	15,492	185,298
Peter Wasow[2]	**2014**	**–**	**–**	**–**	**–**
	2013	174,800	–	15,947	190,747
Total	**2014**	**1,012,434**	**–**	**79,734**	**1,092,168**
	2013	1,000,243	–	75,633	1,075,876

1 Mr Day and Mr Ferraro joined the Board of Directors on 1 January 2014 and 5 February 2014 respectively and therefore do not have comparative figures for 2013.

2 Mr Wasow and Mr Hay resigned as company Directors on 31 December 2013.

3 Non-Executive Directors receive, in addition to their fees, a SGC. For 2014, this was initially 9.25 per cent (and adjusted to 9.5 per cent in July 2014). For 2013, this was initially 9 per cent (and adjusted to 9.25 per cent in July 2013). Non-Executive Directors do not receive any other retirement benefits.

NON–EXECUTIVE DIRECTOR SHARE ACQUISITIONS

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 at the expiry of five years from appointment as directors. The requirement can be satisfied when shares are acquired during the Director's first term or at the expiry of the five years.

TABLE 14

Non–Executive Director Shareholdings for the Years Ended 31 December 2014 and 31 December 2013

		BALANCE OF SHARES AS AT 1 JANUARY[1]	OTHER SHARES ACQUIRED DURING THE YEAR	BALANCE OF SHARES HELD AT 31 DECEMBER
John Pizzey	**2014**	**65,445**	**–**	**65,445**
	2013	65,445	–	65,445
Emma Stein[2]	**2014**	**39,781**	**18,627**	**58,408**
	2013	14,281	25,500	39,781
Chen Zeng[4]	**2014**	**4,804**	**–**	**4,804**
	2013	4,804	–	4,804
Peter Day[3]	**2014**	**–**	**54,800**	**54,800**
	2013	–	–	–
Mike Ferraro[3]	**2014**	**–**	**–**	**–**
	2013	–	–	–
Peter Hay[5]	**2014**	**–**	**–**	**–**
	2013	112,598	–	112,598
Peter Wasow[6]	**2014**	**–**	**–**	**–**
	2013	–	50,000	50,000

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

2 Ms Stein purchased 18,627 shares indirectly as beneficiary of her Superannuation Fund.

3 Mr Day commenced as a director on 1 January 2014 and Mr Ferraro commenced on 5 February 2014 and therefore had no comparables for 2013, Mr Day purchased 54,800 shares.

4 Mr Zeng is a nominee of CITIC and CITIC holds 386,294,067 ordinary shares in Alumina Limited.

5 Mr Hay retired from the Company on 31 December 2013. His shareholding is of that date.

6 Mr Wasow resigned as a Non-Executive Director on 31 December 2013 and was appointed CEO from 1 January 2014. Details of Mr Wasow's 2014 shareholding is found in Table 11 on page 75.

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

GJ PIZZEY
Chairman
6 March 2015

FINANCIAL
REPORT

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the operating and financial review on pages 36 to 49 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 6 March 2015.

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***.

CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	US$ MILLION	
		2014	2013
Revenue from continuing operations		0.1	0.3
Other income	2(d)	3.1	140.1
General and administrative expenses	7	(13.5)	(17.2)
Finance costs	7	(13.6)	(25.3)
Share of net loss of associates accounted for using the equity method	2(c)	(73.6)	(97.4)
(Loss)/profit before income tax		**(97.5)**	**0.5**
Income tax expense	8	(0.8)	–
(Loss)/profit for the year attributable to the owners of Alumina Limited		**(98.3)**	**0.5**
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Share of reserve movements accounted for using the equity method		(0.6)	3.0
Foreign exchange translation difference	9(c)	(224.6)	(373.1)
Items that will not be reclassified to profit or loss			
Re-measurements of retirement benefit obligations accounted for using the equity method	9(b)	(46.6)	67.7
Other comprehensive loss for the year, net of tax		**(271.8)**	**(302.4)**
Total comprehensive loss for the year attributable to the owners of Alumina Limited		**(370.1)**	**(301.9)**
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9(a)	**(3.5¢)**	**0.02¢**
Diluted earnings per share	9(a)	**(3.5¢)**	**0.02¢**

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

	NOTES	US$ MILLION	
		2014	2013
CURRENT ASSETS			
Cash and cash equivalents	4(a)	24.9	24.0
Receivables		0.2	0.1
Other assets	2(d)	3.5	23.7
Total current assets		**28.6**	**47.8**
NON-CURRENT ASSETS			
Investments in associates	2(c)	2,514.5	2,798.9
Property, plant and equipment		0.1	0.2
Other assets	2(d)	-	117.1
Total non-current assets		2,514.6	2,916.2
TOTAL ASSETS		**2,543.2**	**2,964.0**
CURRENT LIABILITIES			
Payables		1.9	3.9
Borrowings	4(b)	-	50.6
Derivative financial instruments	4(c)	-	6.4
Provisions		0.2	0.3
Current tax liabilities		0.8	-
Other		0.2	0.2
Total current liabilities		**3.1**	**61.4**
NON-CURRENT LIABILITIES			
Borrowings	4(b)	111.5	108.6
Derivative financial instruments	4(c)	4.1	-
Provisions		0.5	0.6
Total non-current liabilities		**116.1**	**109.2**
TOTAL LIABILITIES		**119.2**	**170.6**
NET ASSETS		**2,424.0**	**2,793.4**
EQUITY			
Contributed equity	9(a)	2,620.0	2,620.0
Treasury shares		(1.2)	(1.3)
Retained earnings	9(b)	658.2	803.1
Reserves	9(c)	(853.0)	(628.4)
TOTAL EQUITY		**2,424.0**	**2,793.4**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	US$ MILLION			
		Contributed Equity[1]	Reserves	Retained Earnings	Total
Balance as at 1 January 2013		**2,152.6**	**(259.0)**	**734.9**	**2,628.5**
Profit for the year		–	–	0.5	0.5
Other comprehensive (loss)/profit for the year		–	(370.1)	67.7	(302.4)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs after tax	9(a)	465.9	–	–	465.9
Movement in treasury shares		0.2	–	–	0.2
Movement in share based payments reserve	12	–	0.7	–	0.7
Balance as at 31 December 2013		**2,618.7**	**(628.4)**	**803.1**	**2,793.4**
Balance as at 1 January 2014		**2,618.7**	**(628.4)**	**803.1**	**2,793.4**
Loss for the year		–	–	(98.3)	(98.3)
Other comprehensive loss for the year		–	(225.2)	(46.6)	(271.8)
Transactions with owners in their capacity as owners:					
Movement in treasury shares		0.1	–	–	0.1
Movement in share based payments reserve	12	–	0.6	–	0.6
Balance at 31 December 2014		**2,618.8**	**(853.0)**	**658.2**	**2,424.0**

[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 FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	US$ MILLION	
		2014	2013
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(15.0)	(14.7)
GST refund received		0.5	0.6
Dividends received from associates		16.0	100.0
Distributions received from associates		4.3	7.3
Interest received		0.1	0.3
Finance costs		(12.5)	(25.5)
Other		(1.0)	(0.5)
Net cash (outflow)/inflow from operating activities	10(a)	**(7.6)**	**67.5**
Cash flows from investing activities			
Payments for investment in associates		(41.5)	(12.0)
Return of capital from associates		98.9	3.0
Net cash inflow/(outflow) from investing activities	2(c)	**57.4**	**(9.0)**
Cash flows from financing activities			
Proceeds from note issue		107.1	-
Proceeds from share issue	9(a)	-	467.2
Share issue transaction costs	9(a)	-	(1.3)
Repayment on termination of cross currency interest rate swap	5(a)	(6.9)	-
Proceeds from borrowings		55.0	70.0
Repayment of borrowings		(202.6)	(581.4)
Net cash outflow from financing activities		**(47.4)**	**(45.5)**
Net increase in cash and cash equivalents		**2.4**	**13.0**
Cash and cash equivalents at the beginning of the financial year		24.0	10.1
Effects of exchange rate changes on cash and cash equivalents		(1.5)	0.9
Cash and cash equivalents at the end of the financial year	4(a)	**24.9**	**24.0**

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 2014

ABOUT THIS REPORT

Alumina Limited (Company or parent entity) 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 2014 was authorised for issue in accordance with a resolution of the directors on 6 March 2015.

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 for 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 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.
- is presented in US dollars and all amounts are rounded off to the nearest hundred thousand dollars, unless otherwise stated, in accordance with Class Order 98/100 issued by the Australian Securities and Investment Commission.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are effective for the annual reporting period beginning 1 January 2014.
- 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.
- 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 functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses

ABOUT THIS REPORT (continued)

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 proportionate share of such exchange differences are reclassified to the profit or loss, as part of the gain or loss on sale.

GROUP STRUCTURE AND AWAC PERFORMANCE

1. SEGMENT INFORMATION

(a) Segment Description

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 interests in AWAC forms a reportable segment. Equity interest in AWAC is represented by investments in a number of entities in different geographical locations (refer Note 2(a)).

Alumina Limited participates in AWAC through the Strategic Council, which consists of three members appointed by Alcoa Inc and two members appointed by Alumina Limited.

(b) Geographical Segment Information

YEAR ENDED 31 DECEMBER 2014	US$ MILLION			
	Australia	Brazil	Other	Total
Investments in Associates	1,072.5	908.2	533.8	2,514.5
Other assets	27.2	0.7	0.8	28.7
Liabilities	(118.4)	–	(0.8)	(119.2)
Consolidated net assets	**981.3**	**908.9**	**533.8**	**2,424.0**

YEAR ENDED 31 DECEMBER 2013	US$ MILLION			
	Australia	Brazil	Other	Total
Investments in Associates	1,100.6	1,068.9	629.4	2,798.9
Other assets	26.5	0.6	138.0	165.1
Liabilities	(41.1)	(129.5)	–	(170.6)
Consolidated net assets	**1,086.0**	**940.0**	**767.4**	**2,793.4**

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	
			2014	2013
Alcoa of Australia Limited	Bauxite, alumina & aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina production	America	40	40
Alumina Espanola S.A.	Alumina production	Spain	40	40
Alcoa World Alumina Brasil Ltda.	Bauxite and alumina production	Brazil	40	40
AWA Saudi Ltda.	Bauxite and alumina production	Hong Kong	40	40
Enterprise Partnership	Finance lender	Australia	40	40

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 and Enterprise Partnership (AWAC entities) further issue audited financial statements prepared in accordance with the requirements of the Corporation Act 2001, Australian Accounting Standards and interpretation issued by Australian Accounting Standards Board.

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

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 recognised a net liability for retirement benefit obligations under the defined benefit superannuation arrangements through its investment in AWAC. All plans are valued in accordance with AASB 119 *Employee Benefits*. These valuations require actuarial assumptions to be made. All 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 IFRS. This requires judgemental assumptions regarding the extent of reclamation activities required, plant and site closure and discount rates to determine the present value of these cash flows.

Carrying value of investment in associates

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

In the event that a trigger for impairment is identified, the recoverable amounts of cash generating units are determined based on the value-in-use calculations. The key assumptions used in the calculation are those relating to discount rate, future aluminium and alumina prices, energy prices and exchange rates. Discount rate is determined with references to the long term cost of finance sources, which are then weighted based on the desirable gearing ratio. Other key assumptions are determined with reference to industry participants and brokers' forecasts, commodity and currency forward curves, industry consultant views and brokers' consensus.

2. INVESTMENTS IN ASSOCIATES (continued)

(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 equity method, including adjustments for differences in accounting policies.

SUMMARISED BALANCE SHEET	US$ MILLION	
	2014	2013
Current assets	1,563.1	1,970.4
Non-current assets	6,834.4	8,135.6
Current liabilities	(1,407.5)	(1,891.8)
Non-current liabilities	(1,677.9)	(1,845.8)
Net assets	**5,312.1**	**6,368.4**
Group Share as a percentage	40%	40%
Group Share in dollars	2,124.9	2,547.4
Goodwill	175.8	175.8
Net value of mineral rights and bauxite assets	111.3	113.4
Deferred Tax Liability (DTL) on mineral rights and bauxite assets	(36.1)	(37.7)
Allocation of Alba settlement – *Note2(d)*	138.6	–
Carrying value	**2,514.5**	**2,798.9**
Reconciliation to carrying amount:		
Opening carrying value 1 January	2,798.9	3,296.1
Net additional (return)/funding in AWAC entities	(57.4)	9.0
Allocation of Alba settlement – *Note2(d)*	138.6	–
Loss for the year	(73.6)	(97.4)
Other comprehensive loss for the year	(271.7)	(301.5)
Dividends and distributions paid	(20.3)	(107.3)
Closing net assets	**2,514.5**	**2,798.9**

SUMMARISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	US$ MILLION	
	2014	2013
Revenues	5,862.0	5,884.6
Loss from continuing operation	(180.2)	(239.8)
Loss for the year	**(180.2)**	**(239.8)**
Other comprehensive loss for the year	(679.5)	(753.7)
Total comprehensive loss for the year	**(859.7)**	**(993.5)**
Group Share of loss for the year in percentage	40%	40%
Group Share of loss for the year in dollars	(72.1)	(95.9)
Mineral rights and bauxite assets amortisation	(2.1)	(2.1)
Movement in DTL on mineral rights and bauxite assets	0.6	0.6
Share of loss from associate accounted for using equity method	**(73.6)**	**(97.4)**
Dividends and distributions received from AWAC	**20.3**	**107.3**

2. INVESTMENTS IN ASSOCIATES (continued)

(d) Allocation of Alba settlement terms and related transactions

As previously disclosed, in September 2012, Alcoa Inc and Alumina Limited had entered into an agreement that the cash costs (including legal fees) of settlement of the Department of Justice (DoJ) and Securities & Exchange Commission (SEC) investigations, as well as the $85 million civil settlement with Alba reached in October 2012 recorded in the accounts of Alcoa World Alumina LLC (AWA), will be adjusted to ensure that 85% will be allocated to Alcoa Inc and 15% to Alumina Limited (should settlements be reached on the regulatory investigations, as described above). AWA is a company within Alcoa World Alumina and Chemicals.

With the DoJ and SEC settlements having been reached in January 2014, the allocation provisions of the above agreement became applicable. To reflect the provisions of the allocation agreement, as at 31 December 2013, Alumina Limited recognised $137.1 million (representing 25% of the total Alba settlement payments and costs) as other assets ($20.0 million as current and $117.1 million as non-current) with the corresponding credit recognised in the statement of profit or loss as other income.

At the time of recognition, Alumina Limited was evaluating with Alcoa Inc the structural options (including the form and timing) for the recovery of the other assets recognised under the provisions of the allocation agreement. Therefore, the tax impact in relation to the other income recognised by Alumina Limited under the agreement's provisions was unable to be determined at 31 December 2013.

During 2014 it was resolved that the other assets recognised as at 31 December 2013 in relation to this matter will be recovered through Alcoa World Alumina LLC equity allocations to Alumina Limited, funded by Alcoa Inc. On this basis, the $137.1 million that was previously recognised in other assets has been reclassified to investments in associates.

In October 2014, Alumina Limited received the first equity allocation of $21.3 million which included an additional $1.5 million "true up" of the previously recognised amount. This additional amount was recognised as investment in associates with the corresponding credit recognised in the statement of profit or loss as other income. The balance of $117.3 million of equity will be allocated over a four-year period with each 15th January instalment payment to the DoJ and SEC, with the last allocation due in January 2018. Alumina Limited's interest in AWA will remain at 40%.

Alumina Limited has since obtained independent expert advice and as at 31 December 2014, recognised a net current tax liability of $0.8 million in relation to the above matter.

(e) Commitments and contingent liabilities in respect of AWAC

St Croix proceedings

As previously reported, in September 1998, Hurricane Georges struck the U.S. Virgin Islands, including the St. Croix Alumina, L.L.C. (SCA) facility on the island of St. Croix. The wind and rain associated with the hurricane caused material at the location to be blown into neighbouring residential areas. SCA undertook or arranged various clean-up and remediation efforts. The Division of Environmental Protection (DEP) of the Department of Planning and Natural Resources (DPNR) of the Virgin Islands Government issued a Notice of Violation that Alcoa has contested. In February 1999, certain residents of St. Croix commenced a civil suit in the Territorial Court of the Virgin Islands seeking compensatory and punitive damages and injunctive relief for alleged personal injuries and property damages associated with "bauxite or red dust" from the SCA facility. In September 2009, the Court granted defendants' motion for summary judgment on the class plaintiffs' claim for injunctive relief. In October 2009, plaintiffs appealed the Court's summary judgment order dismissing the claim for injunctive relief and in March 2011, the U.S. Court of Appeals for the Third Circuit dismissed plaintiffs' appeal of that order. In September 2011, the parties reached an oral agreement to settle the remaining claims in the case which would resolve the personal property damage claims of the 12 remaining individual plaintiffs. On 12 March 2012, final judgment was entered in the District Court for the District of the Virgin Islands. AWAC's share of the settlement is fully insured. On 23 March 2012, plaintiffs filed a notice of appeal of numerous non-settled matters, including but not limited to discovery orders, Daubert rulings, summary judgment rulings, as more clearly set out in the settlement agreement/release between the parties. Plaintiffs' appellate brief was filed in the Third Circuit Court on 4 January 2013, together with a motion seeking leave to file a brief of excess length. The court has suspended the remainder of the briefing schedule, including the date for AWAC's reply brief, until it rules on plaintiffs' motion to file its brief of excess length. The Third Circuit Court of Appeals issued a new scheduling order regarding briefing in the matter. The matter has been fully briefed with plaintiffs' brief filed on 25 November 2013 and the matter is now before the court. On 10 July 2014, the Third Circuit Court of Appeals affirmed the dismissal by the district court and the case is now concluded. There will be no further reporting of this matter.

As previously reported, on 14 January 2010, Alcoa was served with a complaint involving approximately 2,900 individual persons claimed to be residents of St. Croix who are alleged to have suffered personal injury or property damage from Hurricane Georges or winds blowing material

2. INVESTMENTS IN ASSOCIATES (continued)

from the property since the time of the hurricane. This complaint, Abednego, et al. v. Alcoa, et al. was filed in the Superior Court of the Virgin Islands, St. Croix Division. The complaint names as defendants the same entities as were sued in the February 1999 action earlier described and have added as a defendant the current owner of the alumina facility property. In February 2010, Alcoa and SCA removed the case to the federal court for the District of the Virgin Islands. Subsequently, plaintiffs filed motions to remand the case to territorial court as well as a third amended complaint, and defendants have moved to dismiss the case for failure to state a claim upon which relief can be granted. On 17 March 2011, the court granted plaintiffs' motion to remand to territorial court. Thereafter, Alcoa filed a motion for allowance of appeal. The motion was denied on 18 May 2011. The parties await assignment of the case to a trial judge.

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

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

3. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alumina Limited as at 31 December 2014 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 2014 are set out below.

NAME	NOTES	PLACE OF INCORPORATION	PERCENTAGE OWNERSHIP	
			2014	2013
Alumina Employee Share Plan Pty Ltd	A	VIC, Australia	100	100
Alumina Finance Pty Ltd. (formerly Alumina Finance Limited)	A,B	VIC, Australia	100	100
Alumina Holdings (USA) Inc.	C	Delaware, USA	100	100
Alumina International Holdings Pty. Ltd.	D	VIC, Australia	100	100
Alumina Brazil Holdings Pty Ltd	A	VIC, Australia	100	100
Alumina Limited Do Brasil SA	E	Brazil	100	100
Alumina (U.S.A.) Inc.	C	Delaware, USA	100	100
Butia Participaçoes SA	E	Brazil	100	100
Westminer Acquisition (U.K.) Limited	E	UK	100	100

A. A small proprietary company, which is not required to prepare a financial report.
B. The company was incorporated on 5 May 2008. On 6 September 2013 the company was converted to a proprietary Company.
C. A company has not prepared audited accounts as they are non-operating or audited accounts are not required in their country of incorporation. Appropriate books and records are maintained for these entities.
D. The company has been granted a relief from the necessity to prepare accounts pursuant to Australian Securities and Investment Commission (ASIC) Class Order 98/1418. For further information refer Note 17.
E. 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.

The Group holds the following financial instruments:

	AT FAIR VALUE THROUGH PROFIT OR LOSS	AT AMORTISED COSTS	TOTAL
2014	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents - *Note 4(a)*	–	24.9	24.9
Receivables	–	0.2	0.2
Total financial assets	**–**	**25.1**	**25.1**
Payables	–	1.9	1.9
Borrowings – *Note 4(b)*	–	111.5	111.5
Derivative financial instruments – *Note 4(c)*	4.1	–	4.1
Total financial liabilities	**4.1**	**113.4**	**117.5**
Net financial liabilities	**4.1**	**88.3**	**92.4**

	AT FAIR VALUE THROUGH PROFIT OR LOSS	AT AMORTISED COSTS	TOTAL
2013	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents – *Note 4(a)*	–	24.0	24.0
Receivables	–	0.1	0.1
Total financial assets	**–**	**24.1**	**24.1**
Payables	–	3.9	3.9
Borrowings – *Note 4(b)*	–	159.2	159.2
Derivative financial instruments – *Note 4(c)*	6.4	–	6.4
Total financial liabilities	**6.4**	**163.1**	**169.5**
Net financial liabilities	**6.4**	**139.0**	**145.4**

The Group's exposure to various risks associated with the financial instruments is discussed 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.

4. FINANCIAL ASSETS AND LIABILITIES (continued)

(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	
	2014	2013
Cash on hand and at bank	2.4	4.0
Money market deposits	22.5	20.0
Total cash and cash equivalents as per the Statement of Cash Flows	**24.9**	**24.0**

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

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

	US$ MILLION	
	2014	2013
Bank loans	10.0	159.2
Fixed rate note	101.5	–
Total borrowings	**111.5**	**159.2**

Bank loans

In December 2013, Alumina Limited established a US$300 million syndicated bank facility with equal tranches having terms of two and four years and cancelled several bilateral and syndicated bank facilities which were surplus to requirements. The new syndicated facility was fully committed as at 31 December 2013 and became available to draw funds on 24 January 2014 following satisfaction of all conditions precedent. As at 31 December 2014, $10 million was drawn against the four year tranche, which matures in December 2017. The remaining undrawn available facility at 31 December 2014 was $290 million.

As at 31 December 2013, available funding facilities included a US$50 million bilateral bank facility drawn to $30 million, and a $129.2 million fully drawn development bank loan. The development bank loan was fully repaid during 2014. Funding facilities in currencies other than US dollars have been converted to US dollar equivalents at year end exchange rates.

Fixed rate note

On 12 November 2014, Alumina Limited issued an A$125 million face value 5.5% fixed rate note at a discount of A$0.7 million. The note matures on 19 November 2019 and was used to repay the development bank loan mentioned above. The fixed rate note has been converted to US dollar equivalents at year end exchange rates.

4. FINANCIAL ASSETS AND LIABILITIES (continued)

(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 month 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 the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2014	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Cross-currency interest rate swap (CCIRS AUD/USD)	–	4.1	–	4.1
Total financial liabilities at fair value through profit or loss	**–**	**4.1**	**–**	**4.1**
2013				
Cross-currency interest rate swap (CCIRS BRL/USD)	–	6.4	–	6.4
Total financial liabilities at fair value through profit or loss	**–**	**6.4**	**–**	**6.4**

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. This is the case for unlisted equity securities.

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 equivalent, and derivative financial instruments	Credit ratings	Credit limits, letters of credit, approved counterparties 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.

5. FINANCIAL RISK MANAGEMENT (continued)

(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.

On 12 November 2014 Alumina Limited issued an A$125 million face value 5.5% fixed rate note at a discount of A$0.7 million. The note 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.

As at 31 December 2013 the Group had an outstanding balance under the fully drawn Brazil National Development Bank (BNDES) loan facility. The funding was predominately in US dollars with the balance in Brazilian Real (BRL). To mitigate the exposure to the BRL/USD exchange rate and BRL interest rates the Group entered into the CCIRS for the full amount of the BRL tranche to swap the exposure back to US dollars. The CCIRS were terminated in December 2014 following full repayment of the BNDES loan.

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

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

	USD	AUD	OTHER	TOTAL
2014	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents	23.8	0.8	0.3	24.9
Receivables	–	0.2	–	0.2
Total financial assets	**23.8**	**1.0**	**0.3**	**25.1**
Payables	–	1.8	0.1	1.9
Borrowings	10.0	101.5	–	111.5
Total non-derivative financial liabilities	**10.0**	**103.3**	**0.1**	**113.4**
Net non-derivative financial assets/(liabilities)	**13.8**	**(102.3)**	**0.2**	**(88.3)**
Derivative financial instruments (notional principal)	(108.4)	108.4	–	–
Net financial assets/(liabilities)	**(94.6)**	**6.1**	**0.2**	**(88.3)**

	USD	AUD	OTHER	TOTAL
2013	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents	21.6	2.1	0.3	24.0
Receivables	–	0.1	–	0.1
Total financial assets	**21.6**	**2.2**	**0.3**	**24.1**
Payables	0.3	3.6	–	3.9
Borrowings	136.7	–	22.5	159.2
Total non-derivative financial liabilities	**137.0**	**3.6**	**22.5**	**163.1**
Net non-derivative financial assets/(liabilities)	**(115.4)**	**(1.4)**	**(22.2)**	**(139.0)**
Derivative financial instruments (notional principal)	(30.2)	–	30.2	–
Net financial assets/(liabilities)	**(145.6)**	**(1.4)**	**8.0**	**(139.0)**

5. FINANCIAL RISK MANAGEMENT (continued)

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 2014, 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. In 2013, as part of the BNDES financing, CCIRS for the whole amount of the BRL denominated tranche were used to manage the exposure to BRL interest rates over the life of the loan.

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:

	FLOATING INTEREST	FIXED INTEREST	NON-INTEREST BEARING	TOTAL
2014	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents	24.9	–	–	24.9
Receivables	–	–	0.2	0.2
Total financial assets	**24.9**	**–**	**0.2**	**25.1**
Payables	–	–	1.9	1.9
Borrowings	10.0	101.5	–	111.5
Total non-derivative financial liabilities	**10.0**	**101.5**	**1.9**	**113.4**
Net non-derivative financial assets/(liabilities)	**14.9**	**(101.5)**	**(1.7)**	**(88.3)**
Weighted average interest rate before derivatives	1.9%	5.5%		
Weighted average interest rate after derivatives	1.9%	3.1%		

	FLOATING INTEREST	FIXED INTEREST	NON-INTEREST BEARING	TOTAL
2013	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Cash and cash equivalents	24.0	–	–	24.0
Receivables	–	–	0.1	0.1
Total financial assets	**24.0**	**–**	**0.1**	**24.1**
Payables	–	–	3.9	3.9
Borrowings	159.2	–	–	159.2
Total non-derivative financial liabilities	**159.2**	**–**	**3.9**	**163.1**
Net non-derivative financial assets/(liabilities)	**(135.2)**	**–**	**(3.8)**	**(139.0)**
Weighted average interest rate before derivatives	5.6%			
Weighted average interest rate after derivatives	4.5%			

Had interest rates on floating rate debt during 2014 been one percentage point higher/lower than the average, with all other variables held constant, pre-tax profit for the year would have been US$1.4 million lower/higher (2013: US$2.5 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 and 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, represents 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	
	2014	2013
Expiring within one year	150.0	–
Expiring beyond one year	140.0	320.0
Total undrawn borrowing facilities	**290.0**	**320.0**

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

	LESS THAN 6 MONTHS	6 – 12 MONTHS	1 – 2 YEARS	2 – 5 YEARS	TOTAL
2014	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION	US$ MILLION
Trade payables	1.9	–	–	–	1.9
Borrowings	–	–	–	111.5	111.5
Total financial non-derivative liabilities	**1.9**	**–**	**–**	**111.5**	**113.4**
2013					
Trade payables	3.9	–	–	–	3.9
Borrowings	–	50.6	50.6	58.0	159.2
Total financial non-derivative liabilities	**3.9**	**50.6**	**50.6**	**58.0**	**163.1**

6. CAPITAL MANAGEMENT

(a) Risk management

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

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 2014 and 31 December 2013 were as follows:

	US$ MILLION	
	2014	2013
Total borrowings	111.5	159.2
Less: cash and cash equivalents	(24.9)	(24.0)
Net debt	**86.6**	**135.2**
Total borrowings	111.5	159.2
Total equity	2,424.0	2,793.4
Total capital	**2,535.5**	**2,952.6**
Gearing ratio	**3.4%**	**4.6%**

(b) Dividends

	US$ MILLION	
	2014	2013
No interim dividend was declared by the Directors for the year ended 31 December 2014 (Year ended 31 December 2013: no interim dividend declared).	–	–
No final dividend was declared by the Directors for the year ended 31 December 2013 (Year ended 31 December 2012: no final dividend declared).	–	–
Total dividends	**–**	**–**

Since the year end the Directors have recommended the payment of a final dividend of US1.6 cent per share (2013: nil), fully franked based on the tax paid at 30%. Record date to determine entitlements to the dividend is 5 March 2015. The aggregate amount of the proposed dividend expected to be paid on 25 March 2015 out of retained earnings at 31 December 2014, but not recognised as a liability at the year end, is $44.9 million.

(c) Franked dividends

	A$ MILLION	
	2014	2013
Franking credits available for subsequent financial years, based on a tax rate of 30% (2013: 30%)	409.1	409.1

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.

	US$ MILLION	
	2014	2013
The fully franked dividends received from AWAC in the financial year were	–	100.0

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 reporting date on national government 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 employees are members of an Alumina Limited Super Plan managed by MLC MasterKey Super, except for employees who elected to contribute to an alternate fund. The plan is an accumulation category plan which offers a minimum Company contribution (subject to certain cashing out options and legislation) of 9.5 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	
	2014	2013
(Loss)/profit before income tax included the following specific expenses:		
Defined contribution superannuation expense	0.2	0.2
Other employee benefits expense	4.6	9.0
Total employee benefits expense	**4.8**	**9.2**

(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	
	2014	2013
Finance costs:		
Interest expense	10.1	14.0
Commitment and upfront fees	2.6	7.5
Amortisation of capitalised upfront fees	0.8	3.7
Bank charges	0.1	0.1
Total finance costs	**13.6**	**25.3**

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

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

	US$ MILLION	
	2014	2013
Current tax	0.8	–
Deferred tax	–	–
Aggregate income tax expense	**0.8**	**–**

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	
	2014	2013
Deferred tax liabilities		
Payables	2.0	0.1
Total deferred tax liabilities	**2.0**	**0.1**
Deferred tax assets		
Employee benefits	0.2	0.3
Derivative financial instruments	1.2	1.9
Borrowing costs	–	0.1
Accrued liabilities	0.4	1.0
Transaction costs	0.3	0.4
Total deferred tax assets other than tax losses	**2.1**	**3.7**
Net deferred tax assets before tax losses	**0.1**	**3.6**
Deductible temporary differences and tax losses not recognised	**(0.1)**	**(3.6)**
Net deferred tax assets	**–**	**–**

Deferred tax assets are recognised only to the extent of deferred tax liabilities existing at reporting date. Remaining deferred tax assets 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	
	2014	2013
(Loss)/profit before income tax	**(97.5)**	**0.5**
Prima facie tax benefit/(expense) for the period at the rate of 30%	**29.2**	**(0.2)**
The following items caused the total charge for income tax to vary from the above:		
Share of equity accounted loss not assessable for tax	73.6	97.4
Foreign income subject to accruals tax	0.6	1.7
Share of Partnership income assessable for tax	4.3	7.3
Timing differences not recognised	–	(2.3)
Tax losses not recognised	37.3	30.8
Amounts non-assessable for tax	(17.5)	–
Non-deductible expenses	1.7	1.7
Net movement	**100.0**	**136.6**
Consequent increase in charge for income tax	**(30.0)**	**(40.9)**
Prima facie charge not recognised as cannot yet be determined – *Note 2(d)*	–	41.1
Estimated tax expense in relation to allocation agreement – *Note (2d)*	(0.8)	–
Aggregate income tax expense	**(0.8)**	**–**

(c) Tax expense/(benefit) relating to items of other 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	
	2014	2013
Cash flow hedges	0.3	(1.3)
Actuarial (losses)/gains on retirement benefit obligations	(23.0)	30.4
Total tax (benefit)/expense relating to items of other comprehensive income	**(22.7)**	**29.1**

(d) Tax losses

	US$ MILLION	
	2014	2013
Tax losses - revenue	905.7	928.3
Tax losses - capital	951.5	951.5
Total unused tax losses	**1,857.2**	**1,879.8**
Potential tax benefit - revenue	297.1	305.4
Potential tax benefit - capital	285.4	285.4
Total potential tax benefit	**582.5**	**590.8**

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.

	US$ MILLION	
	2014	2013
Balance brought forward	2,620.0	2,154.1
Shares issued	–	467.2
Less: Transaction costs on share issue	–	(1.3)
Total issued capital	**2,620.0**	**2,620.0**

On 14 February 2013, CITIC Resources Australia Pty Ltd and Bestbuy Overseas Co., Ltd unconditionally subscribed, in aggregate, for 366,029,428 fully paid ordinary shares in Alumina Limited, being 15% of Alumina Limited's then current capital base, representing 13.04% of Alumina Limited's capital base following completion (the Placement).

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

MOVEMENTS IN ORDINARY SHARE CAPITAL	NUMBER OF FULLY PAID SHARES	
	2014	2013
Opening number of shares	2,806,225,615	2,440,196,187
Movement for the period	–	366,029,428
Closing number of shares	**2,806,225,615**	**2,806,225,615**

Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share calculated as weighted average number of ordinary shares outstanding during the financial year, adjusted for treasury shares issued. As at 31 December 2014 the Group had 423,695 treasury shares (2013: 499,314 shares).

	NUMBER OF SHARES	
	2014	2013
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	2,805,745,467	2,760,518,829

(b) Retained earnings

Movement in retained earnings were as follows:

	US$ MILLION	
	2014	2013
Retained earnings at the beginning of the financial year	803.1	734.9
(Loss)/profit attributable to the owners of Alumina Limited	(98.3)	0.5
Re-measurements of retirement benefit obligations accounted for using the equity method	(46.6)	67.7
Total retained earnings at the end of the financial year	**658.2**	**803.1**

9. EQUITY (continued)

(c) Other reserves

The following table shows a breakdown of the balance sheet line item "reserves". A description of the nature and purpose of each reserve as well as the movement in these reserves during the year is provided below.

	US$ MILLION	
	2014	2013
Asset revaluation reserve	30.8	30.8
Capital reserve	12.5	12.5
Foreign currency translation reserve	(918.5)	(693.9)
Option premium on convertible bonds	18.6	18.6
Share-based payments reserve	6.3	5.7
Cash-flow hedge reserve	(2.7)	(2.1)
Total Reserves	**(853.0)**	**(628.4)**

Asset revaluation reserve

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

Capital reserve

The reserve records dividends arising from share of profits on sale of investments.

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.

FOREIGN CURRENCY TRANSLATION RESERVE	US$ MILLION	
	2014	2013
Balance at the beginning of the financial year	(693.9)	(320.8)
Currency translation differences arising during the year	(224.6)	(373.1)
Balance at the end of the financial year	**(918.5)**	**(693.9)**

Option premium on convertible bonds

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

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of performance rights issued but not exercised. For further details refer to Note 12.

Cash-flow hedge reserve

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The year end balance and movements within the cash-flow hedge reserve of AWAC is accounted for via the equity accounting method.

10. CASH FLOW INFORMATION

(a) Reconciliation of (loss)/profit after income tax to net cash (outflow)/inflow from operating activities

	US$ MILLION	
	2014	2013
(Loss)/profit from continuing operations after income tax	(98.3)	0.5
Allocation of Alba settlement	(1.5)	(137.1)
Share of net loss of associates accounted for using equity method	73.6	97.4
Dividends and distributions received from associates	20.3	107.3
Depreciation of property, plant and equipment	0.1	–
Amortisation of commitment and upfront fees	0.8	3.7
Commitment and upfront fees capitalised	(2.6)	(7.5)
Non-cash employee benefits expense-share based payments	0.6	0.7
Close out of derivative instrument	0.4	–
Net exchange differences	0.1	0.1
Sub total	**(6.5)**	**65.1**
Change in assets and liabilities		
(Increase)/decrease in receivables	(0.1)	–
(Increase)/decrease in other assets	0.2	1.2
(Decrease)/increase in payables	(2.0)	1.2
(Decrease)/increase in current tax liability	0.8	–
Net cash (outflow)/inflow from operating activities	**(7.6)**	**67.5**

(b) Non-cash financing and investing activities

During 2014 it was resolved that the other assets of $137.1 million recognised as at 31 December 2013 an additional $1.5 million "true up" recognised in 2014 in relation to Alba matter will be recovered through Alcoa World Alumina LLC equity allocations to Alumina Limited, funded by Alcoa Inc.

On this basis, the total of $138.6 million has been classified as investments in associates. Refer Note 2(d) for further details.

There were no other non-cash financing or investing activities in 2014 (2013: nil).

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's Directors and Senior Executives, are provided in the remuneration report on pages 52 to 79 of this annual report.

The remuneration report has been prepared in Australian dollars, whilst the financial report has been prepared in US dollars. The average exchange rate for 2014 of 0.9021 (2013: 0.9677) has been used for conversion.

DIRECTORS AND SENIOR EXECUTIVES	US$	
	2014	2013
Short-term employee benefits	4,348,296	4,183,202
Post-employment benefits	152,033	139,466
Share based payments	572,773	718,045
Termination payment	–	1,692,182
Total	**5,073,102**	**6,732,895**

(c) Other transactions and balances with related parties

There have been no other related party transactions made during the period or balances outstanding as at 31 December 2014, between the Group, its related parties, the directors or key management personnel (2013: Nil).

12. SHARE-BASED PAYMENTS

The Group provides benefits to employees (including 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 62 to 64 of this annual report.

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

2014						
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 end of the year Number
18/2/2011	6/12/2013	153,500	–	(75,619)	(77,881)	–
9/3/2012	11/12/2014	666,040	–	–	–	666,040
8/2/2013	7/12/2015	1,378,780	–	–	(23,900)	1,354,880
10/2/2014	6/12/2016	–	1,135,450	–	(22,100)	1,113,350
Total		**2,198,320**	**1,135,450**	**(75,619)**	**(123,881)**	**3,134,270**

2013						
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 end of the year Number
12/2/2010	20/12/2012	485,600	–	(169,960)	(315,640)	–
18/2/2011	6/12/2013	419,300	–	–	(265,800)	153,500
9/3/2012	11/12/2014	666,040	–	–	–	666,040
8/2/2013	7/12/2015	–	1,378,780	–	–	1,378,780
Total		**1,570,940**	**1,378,780**	**(169,960)**	**(581,440)**	**2,198,320**

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 2.1 years (2013: 2.6 years).

In addition to the ESP, the Chief Executive Officer (CEO) fixed remuneration includes an annual share right component. This share based component of CEO's fixed remuneration is conditional on a minimum of 18 months service and deferred for three years from the date of the grant. For further details on refer to the remuneration report on page 60 of this annual report.

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

	US$ 000'S	
	2014	2013
Performance rights granted under the Alumina Limited Employee Share Plan	544	794
CEO annual conditional share rights grant	110	–
Total	**654**	**794**

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	
	2014	2013
PricewaterhouseCoopers Australia:		
Audit and review of the financial reports	497	726
Other assurance services	7	116
Related practices of PricewaterhouseCoopers Australia:		
Overseas taxation services	9	16
Total	**513**	**858**

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.

Alumina Limited has filed a Form 15F with the SEC with the intention of deregistering and terminating its reporting obligations under the relevant sections of the Securities Exchange Act of 1934, as amended. As a result of this filing, Alumina's reporting obligations with the SEC, including its obligations to file annual reports on Form 20–F and reports on Form 6–K, was immediately suspended. This change in reporting obligation has been reflected in the audit fees reduction.

14. COMMITMENTS AND CONTINGENCIES

Capital commitments

There are no contractual capital commitments at reporting date but there are expected to be capital injections to AWAC during 2015.

Contingent liabilities

There are no contingent liabilities of the Group as at 31 December 2014 and 31 December 2013, other than as disclosed in Note 2(e) and Note 16.

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 2014.

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.

16. PARENT ENTITY FINANCIAL INFORMATION (continued)

(a) Summarised financial information

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

	US$ MILLION	
	2014	2013
BALANCE SHEET		
Current assets	28.5	34.2
Total assets	3,928.1	3,860.6
Current liabilities	2.1	10.3
Total liabilities	123.4	46.0
SHAREHOLDERS' EQUITY		
Issued capital	2,620.0	2,620.0
Reserves	239.3	238.7
Retained earnings	945.4	955.9
TOTAL SHAREHOLDERS' EQUITY	**3,804.7**	**3,814.6**
(Loss)/profit for the year	**(10.5)**	**77.1**
Total comprehensive (loss)/income for the year	**(10.5)**	**77.1**

(b) Guarantees entered into by the parent entity

The parent entity has provided a guarantee in August 2010 for 40 per cent of Alumina Espanola SA's obligation to purchase fuel oil for one year. This was extended in February 2014 until March 2015. The parent entity also provided guarantees in November 2013 and November 2014 in respect to the construction of a natural gas supply pipeline and the supply of gas to the alumina refinery located at San Ciprian, Spain.

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

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

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 or the group in relation to the abovementioned guarantees, as the fair value of the guarantees are immaterial.

(c) Contingent liabilities the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2014 or 31 December 2013. 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 at reporting date.

17. DEED OF CROSS GUARANTEE

Alumina Limited and Alumina International Holdings Pty. Ltd. are parties to the cross guarantee under which each of these companies guarantees the debts of the other. By entering into the deed, a wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (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	2014	2013
Revenue from continuing operations	120.5	107.6
Other income	6.7	0.1
General and administrative expenses	(12.7)	(16.5)
Other expenses	(4.1)	(1.0)
Finance costs	(7.0)	(15.1)
Profit from ordinary activities before income tax	**103.4**	**75.1**
Income tax expense	–	–
Net profit for the year	**103.4**	**75.1**
Other comprehensive income net of tax	–	–
Total comprehensive income for the year	**103.4**	**75.1**
MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS	2014	2013
Retained profits at the beginning of the financial year	**704.2**	**629.1**
Net profit for the year	103.4	75.1
Dividend provided for or paid	–	–
Retained profits at the end of the financial year	**807.6**	**704.2**

17. DEED OF CROSS GUARANTEE (continued)

(b) Consolidated balance sheet

	US$ MILLION	
	2014	2013
Current assets		
Cash and cash equivalents	23.8	22.8
Receivables	75.4	77.8
Other assets	3.1	3.6
Total current assets	**102.3**	**104.2**
Non-current assets		
Investments in associates	1,681.5	1,624.3
Other financial assets	2,006.7	1,880.2
Property, plant and equipment	0.1	0.2
Total non-current assets	**3,688.3**	**3,504.7**
Total assets	**3,790.6**	**3,608.9**
Current liabilities		
Payables	1.9	3.4
Derivative financial instruments	–	6.4
Provisions	0.3	0.3
Other	–	0.1
Total current liabilities	**2.2**	**10.2**
Non-current liabilities		
Borrowings	116.8	35.1
Derivative financial instruments	4.1	–
Provisions	0.5	0.6
Total non-current liabilities	**121.4**	**35.7**
Total liabilities	**123.6**	**45.9**
Net assets	**3,667.0**	**3,563.0**
Equity		
Contributed equity	2,620.0	2,620.0
Reserves	239.4	238.8
Retained profits	807.6	704.2
Total equity	**3,667.0**	**3,563.0**

18. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2014 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:

(a) AASB 9 Financial Instruments, AASB 2009–11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2018).

AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets and was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption.

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

(b) AASB 2014-1 Part A: Annual improvements project (2010-2012 Cycle). Amendments to clarify minor points in various accounting standards, including AASB 2, AASB 3, AASB 8, AASB 13, AASB 116, AASB 138 and AASB124 (effective from 1 July 2014).

The annual improvements project makes minor but necessary annual amendments to various accounting standards. The AASB has made the following amendments:

- AASB 2: clarifies the definition of 'vesting condition' and now distinguishes between 'performance condition' and 'service condition'.
- AASB 3: clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in AASB 132 and that all non-equity contingent consideration (financial and nonfinancial) is measured at fair value at each reporting date.
- AASB 8: requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.
- AASB 13: confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.
- AASB 116 and AASB 138: clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts.
- AASB 124: where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.

The Group will adopt the above amendments as required for the 2015 reporting period. Potential effect of the above changes had not yet been fully determined by the Group.

(c) AASB 2014-1 Part A: Annual improvements project (2011-2013 cycle. Amendments to clarify minor points in various accounting standards, including AASB 1, AASB 3, AASB 13 and AASB 140 (effective from 1 July 2014).

The AASB amended the following standards:

- AASB 1: confirms that first-time adopters of Australian Accounting Standards can adopt standards that are not yet mandatory.
- AASB 3: clarifies that AASB 3 does not apply to the accounting for the formation of any joint arrangement.
- AASB 13: clarifies that the portfolio exception in AASB 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of AASB 139 or AASB 9.
- AASB 140: clarifies that AASB 140 and AASB 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination.

The Group will adopt the above amendments as required for the 2015 reporting period. Potential effect of the above changes had not yet been fully determined by the Group.

(d) IFRS 15 Revenue from contracts with customer (effective 1 January 2017).

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The above Standard have not yet been adopted by the AASB and the effects of this Standard have not been fully determined by the Group.

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

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 80 to 110 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 2014 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 3 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 Chief Financial Officer required by section *295A of the Corporation Act 2001.*

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

GJ PIZZEY
Chairman
6 March 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALUMINA LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Alumina Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, significant accounting policies, other explanatory notes and the directors' declaration for the Alumina Limited Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

    (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the notes to the consolidated financial statements.

REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in pages 52 to 79 of the directors' report for the year ended 31 December 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Alumina Limited for the year ended 31 December 2014 complies with section 300A of the Corporations Act 2001.

Pricewaterhouse Coopers

PRICEWATERHOUSECOOPERS

Nadia Carlin

NADIA CARLIN
Partner
Melbourne
6 March 2015

Liability limited by a scheme approved under Professional Standards Legislation

DETAILS OF SHAREHOLDINGS AND SHAREHOLDERS LISTED SECURITIES – 28 FEBRUARY 2015

Alumina Limited has 2,806,225,615 issued fully paid ordinary shares.

SIZE OF SHAREHOLDINGS AS AT 28 FEBRUARY 2015

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 - 1,000	21,046	9,935,415	0.35%
1,001 - 5,000	22,818	57,150,180	2.04%
5,001 - 10,000	7,348	54,548,504	1.94%
10,001 - 100,000	8,005	203,255,059	7.24%
100,001 - 9,999,999,999	429	2,481,336,457	88.42%
Total	**59,646**	**2,806,225,615**	100.00%

Of these, 6,837 shareholders held less than a marketable parcel of $500 worth of shares (272). In accordance with ASX Business Rules, the last sale price on the Company's shares on the ASX on 27 February 2015 was used to determine the number of shares in a marketable parcel.

NAME	NO. OF FULLY PAID ORDINARY SHARES	PERCENTAGE
HSBC Custody Nominees (Australia) Limited	518,263,164	18.47%
JP Morgan Nominees Australia Limited	478,633,085	17.06%
National Nominees Limited	469,622,641	16.74%
CITIC Resources Australia Pty Ltd	219,617,657	7.83%
Citicorp Nominees Pty Ltd	217,796,383	7.76%
Bestbuy Overseas Co., Ltd	146,411,771	5.22%
BNP Paribas Noms Pty Ltd	66,335,246	2.36%
Citicorp Nominees Pty Limited<Colonial First State Inv A/C>	44,489,671	1.59%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	21,953,805	0.78%
HSBC Custody Nominees (Australia) Limited<NT Commonwealth Super Corp A/C>	20,892,465	0.74%
RBC Global Services Limited	20,700,072	0.74%
CITIC Resources Australia Pty Ltd	20,264,639	0.72%
UBS Nominees Pty Ltd	18,829,325	0.67%
National Nominees Limited <N A/C>	15,887,300	0.57%
Australian Foundation Investment Company Limited	14,323,142	0.51%
Argo Investments Limited	11,779,840	0.42%
AMP Life	11,756,991	0.42%
Queensland Investment Group	9,955,497	0.35%
Share Direct Nominees Pty Ltd	7,931,454	0.28%
Mirrabooka Investments Limited	5,321,800	0.19%
Total held by 20 largest shareholders	**2,340,765,948**	**83.41%**
Total remaining Holders Balance	**465,459,667**	**16.59%**
	2,806,225,615	**100.00%**

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

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

SUBSTANTIAL SHAREHOLDING AS AT 28 FEBRUARY 2015	SHAREHOLDING	PERCENTAGE
CITIC Resources Australia Pty Ltd	366,029,428	13.04%
Schroder Investment Management Australia Limited	165,760,804	5.91%
BlackRock Group	147,253,370	5.24%

FINANCIAL HISTORY

ALUMINA LIMITED AND CONTROLLED ENTITIES

as at 31 December	2014 US$ million	2013 US$ million	2012 US$ million	2011 US$ million	2010 US$ million
Revenue from continuing operations	**0.1**	0.3	0.1	0.2	1.4
Other income	**3.1**	140.1	0.6	0.1	2.1
Share of net (loss)/profit of associates accounted for using the equity method	**(73.6)**	(97.4)	(7.5)	173.1	84.5
Finance costs	**(13.6)**	(25.3)	(29.4)	(28.5)	(38.7)
General and administrative expenses	**(13.5)**	(17.2)	(19.0)	(17.3)	(14.7)
Income tax (expense)/benefit	**(0.8)**	–	(0.4)	(1.0)	–
Net (loss)/profit attributable to owners of Alumina Limited	**(98.3)**	0.5	(55.6)	126.6	34.6
Total assets	**2,543.2**	2,964.0	3,311.4	3,350.4	3,542.5
Total liabilities	**119.2**	170.6	682.9	496.4	471.0
Net assets	**2,424.0**	2,793.4	2,628.5	2,854.0	3,071.5
Total equity	**2,424.0**	2,793.4	2,628.5	2,854.0	3,071.5
Dividends declared	**–**	–	73.2[2]	170.8	91.6
Dividends received from AWAC	**16.0**	100.0	86.0	232.2	234.4
Statistics					
Dividends declared per ordinary share	**US1.6c**	–[3]	–[3]	US6c	US6c
Dividend payout ratio (cash dividends)	**–**	–	–	136%	271%
Return on equity[1]	**(3.5)%**	0.02%	(2.0)%	4.1%	1.2%
Gearing (net debt to equity)	**3.4%**	4.6%	20.1%	14.1%	10.0%
Net tangible assets backing per share	**$0.77**	$0.91	$0.97	$1.06	$1.14

1 Based on net profit attributable to members of Alumina Limited.

2 Final dividend for the financial year ended 31 December 2011, declared and paid in 2012.

3 No interim or final dividend declared for the years ended 31 December 2013 and 31 December 2012.

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Some statements in this report are forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements also include those containing such words as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions. Forward looking statements involve risks and uncertainties that may cause actual outcomes to be different from the forward looking statements. Important factors that could cause actual results to differ from the forward looking statements include: (a) material adverse changes in global economic, alumina or aluminium industry conditions and the markets served by AWAC; (b) changes in production and development costs and production levels or to sales agreements; (c) changes in laws or regulations or policies; (d) changes in alumina and aluminium prices and currency exchange rates; and (e) the other risk factors summarised in Alumina's Form 20 F for the year ended 31 December 2013.

ALUMINA LIMITED