ALUMINA
LIMITED

CONSISTENCY AMIDST CHANGE

ANNUAL REPORT **2019**

03
ABOUT ALUMINA LIMITED

04
AT A GLANCE

06
CHAIRMAN AND CEO REPORT

12
SUSTAINABILITY

14
DIRECTORS' REPORT

20
OPERATING AND FINANCIAL REVIEW

30
ALUMINA LIMITED FINANCIAL REVIEW

36
LETTER BY CHAIR OF COMPENSATION COMMITTEE

38
REMUNERATION REPORT

62
FINANCIAL REPORT

91
DIRECTORS' DECLARATION

92
INDEPENDENT AUDITOR'S REPORT

98
FINANCIAL HISTORY

In an ever-changing market, Alumina Limited remains consistently focused on maintaining its unique position in the world alumina industry.

A clear strategy today, delivering consistent rewards tomorrow.

The Company's strong balance sheet and joint venture distribution arrangements have been crucial in delivering another year of healthy dividends to shareholders.

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

ABOUT ALUMINA LIMITED

Alumina Limited is a leading Australian company listed on the Australian Securities Exchange (ASX). Alumina Limited is the 40 per cent partner in the AWAC joint venture whose assets comprise globally leading bauxite mines and alumina refineries in Australia, Brazil, Spain, Saudi Arabia and Guinea. AWAC also has a 55 per cent interest in the Portland aluminium smelter in Victoria, Australia.

AWAC's joint venture partner and operator is Alcoa Corporation. The AWAC joint venture was formed in 1994 and our relationship with Alcoa dates back to the early 1960s when Western Mining Corporation (now called Alumina Limited) began to explore bauxite deposits and other resources in the Darling Ranges of Western Australia. Alcoa Inc. was invited to join the project to provide technology, aluminium expertise and finance.

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

WMC Limited and Alcoa Inc. combined their respective bauxite, alumina and alumina-based chemicals businesses and investments and some selected smelting operations to create Alcoa World Alumina and Chemicals (AWAC) in January 1995. Alumina Limited was created on 11 December 2002 when WMC Limited's alumina assets were demerged from the nickel, copper and fertilizer businesses (WMC Resources Limited).

The demerger has enabled investors to benefit directly from the full value of the bauxite, alumina and aluminium business.

AT A GLANCE

In 2019 Alumina Limited posted a profit after tax of $214 million compared to the record net profit of $635.4 million in 2018. Excluding significant items of $113 million, the net profit after tax would have been $327 million (2018: $690 million). Net receipts from AWAC totalled $420.9 million (2018: $678.2 million).

The Company declared a fully franked final dividend of 3.6 US cents per share, bringing the full year dividend to 8.0 US cents per share.

ALUMINA LIMITED RESULTS

It was a solid result in a year that experienced a softening alumina market leading to a steady decline in the Alumina Price Index (API). The average realised alumina price in 2019 declined 25 per cent to $336 per tonne. In 2019, AWAC sold about 94 per cent of its smelter-grade alumina on an alumina index or spot pricing basis.

The API in 2019 was adversely impacted by lower than expected smelter demand, additional alumina supply following the ramp up of the Alunorte refinery in Brazil returning from its forced 50 per cent curtailment in 2018, and also additional supply from other refineries.

Despite softer prices, record production at AWAC's tier 1 low cost refineries has enabled it to deliver strong margins and returns. This enabled the Company to record a strong result, return cash to shareholders, and maintain a strong balance sheet.

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

$214.0m

2019 NET PROFIT AFTER TAX
2018: $635.4 MILLION

$420.9m

2019 NET CASH RECEIPTS
2018: $678.2 MILLION

8.0 cents per share

2019 DIVIDENDS
2018: 22.7 CENTS PER SHARE

$54.8m

NET (CASH)/DEBT
2018: ($95.8) MILLION

AWAC – A GLOBAL BUSINESS

$565.1m

AWAC NET PROFIT AFTER TAX
2018: $1,640.2 MILLION

$336/tonne

2019 REALISED ALUMINA PRICE
2018: $447 PER TONNE

$906.3m

AWAC CASH FROM OPERATIONS
2018: $1,969.6 MILLION

$1,586.0m

AWAC EBITDA EXCL SIGNIFICANT ITEMS
2018: $2,796.8 MILLION

AWAC RESULTS (USGAAP)

In 2019, AWAC recorded a net profit after tax of $565.1 million compared to a net profit after tax of $1,640.2 million in 2018. The decline in profit was due to a softening market price for alumina. AWAC's EBITDA for 2019 was $1,260.7 million (2018: $2,630.1 million) and excluding significant items, relating mainly to the announced closure of the Point Comfort refinery, would have been $1,586.0 million (2018: $2,796.8 million).

In 2019 AWAC's average realised alumina price was $336 per tonne (2018: $447 per tonne).

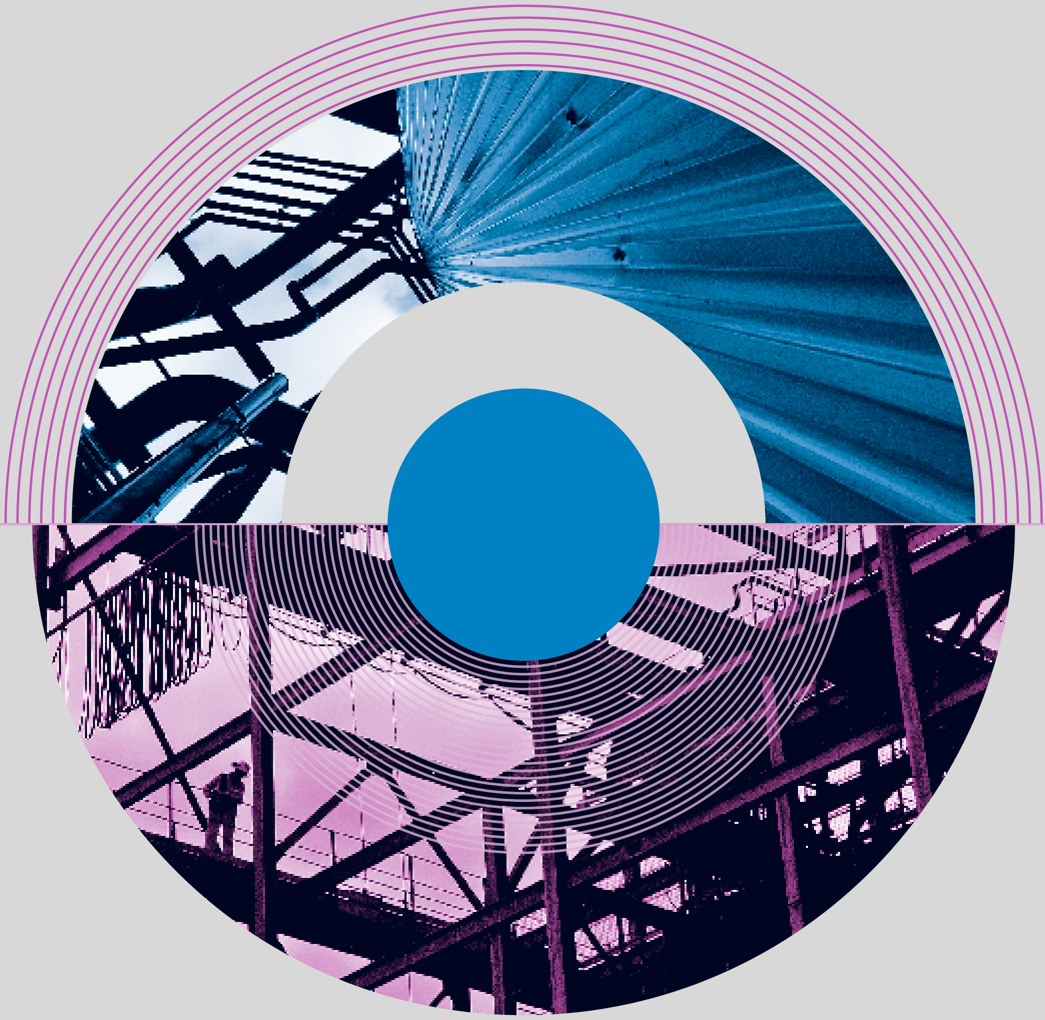
AWAC benefited from record annual alumina production of 12.6 million tonnes (by the existing refinery portfolio) and a seven per cent improvement in the average cost of production to $210 per tonne (2018: $226 per tonne).

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

AWAC's 60 per cent managing partner is Alcoa Corporation. The AWAC joint venture was formed in 1994 and our relationship with Alcoa dates back to 1961. Alumina Limited was created on 11 December 2002 when WMC Limited's alumina assets were demerged from the nickel, copper and fertilizer businesses.

The demerger has enabled investors to benefit directly from the full value of the bauxite, alumina and aluminium business.

CHAIRMAN AND CEO REPORT



Alumina Limited ("Alumina") has reported a third successive year of strong returns for shareholders. Following the record results in 2018 the Company reported a profit of $214.0 million and distributed fully franked dividends to shareholders of US 8.0 cents.

Mr W Peter Day

Mr Michael Ferraro

Alumina owns 40% of the AWAC joint venture, whose assets include the low cost, long life bauxite mines and alumina refineries built on the extensive bauxite resources of the Darling Ranges in Western Australia.

When a business such as AWAC enjoys the strong alumina price that existed in the first half of 2019, it assures a very good result. In the second half the alumina market was more subdued but nevertheless the quality of AWAC's tier one low cost alumina refineries ensured a solid outcome for the year.

Alumina's Strategy

The benefits of the Company's unique exposure to alumina in the aluminium supply chain is gaining greater appreciation and recognition. This follows several years of consistent performance and the renegotiation of the AWAC JV agreement in 2016, which saw the Company's position in the joint venture strengthened.

Alumina's business model is relatively straightforward:

We have a 40% interest in the AWAC joint venture which owns alumina refineries positioned toward the bottom end of the cost curve. This low-cost position has been maintained for a long period.

We are focused on the alumina part of the aluminium supply chain.

We offer investors a relatively undiluted exposure to the alumina market with AWAC selling predominantly at the market driven alumina price indices (API), reflecting global alumina market fundamentals.

Alumina's balance sheet and low debt provides investors a direct and transparent exposure to AWAC's strong cash flows and the alumina price. This also allows the Company to navigate changing industry conditions and cycles.

Accordingly, we continue to have confidence in the quality of the AWAC assets and the attractiveness of alumina and bauxite markets. The WA refineries are well-placed to grow with their existing infrastructure and low-cost position. AWAC's growth options will continue to be assessed in 2020.

A Year Reflecting AWAC's Quality Assets

AWAC's alumina assets again demonstrated their ability to deliver solid returns through the cycle. AWAC had 94 per cent of its smelter grade alumina sales priced at API. This meant the benefits of favourable alumina prices in the first half flowed through to AWAC.

The average API for the 2019 year was $332 per tonne as alumina prices weakened in the second half due to increased global supply. This compared with an average price of $473 per tonne in 2018. The lower prices in the second half of 2019 were due to both increased alumina supply and lower-than-expected demand, resulting in a modest alumina surplus.

AWAC maintained its low-cost position during the year, with its cost of alumina production falling by 7 per cent. Cash margins for AWAC were a healthy $126 per tonne of alumina for the year.

AWAC's alumina production of 12.6 million tonnes in 2019 represented an increase of 400,000 tonnes compared to the previous year.

AWAC's bauxite mines are long life and low cost, providing consistent production and profits year on year. AWAC produced 40.7 million bone dry tonnes (BDT) of bauxite in 2019, a 3.8 per cent increase from 2018.

The Company's results and AWAC operating performance are discussed in more detail in the operating and financial review.

Alumina Markets

Alumina pricing in 2019 reflected the fundamentals of global alumina markets. In Brazil, the Alunorte refinery had curtailed 50% of its capacity in 2018 following extreme rainfall and consequent environmental issues. This continued to impact the global alumina market in the first half of 2019. However, in May 2019 it was announced that Alunorte would restart its idled capacity, triggering the beginning of a decline in alumina prices.

For the first time in a decade, in 2019, world primary and semi-fabricated aluminium consumption contracted. Global primary metal consumption and aluminium semi-fabricated consumption fell by just under 1% respectively. Transportation, machinery and equipment sectors led the decline, particularly automotive. A stagnant construction and electrical industry, as well as a poor macroeconomic environment, all contributed.

Over the longer term, aluminium demand is forecast to continue to grow through economic expansion and increasing intensity of use. For example, in developed countries it is expected that more stringent environmental requirements, to reduce emissions and waste and to promote increased efficiencies, will lead to greater light weighting of transport and electric vehicles. In developing economies, such as India and in South-East Asia, aluminium demand growth is expected through greater urbanisation leading to more investment in infrastructure and construction.

However, if ongoing, the effects of the COVID-19 on global economic activity and markets will likely have a countervailing impact on the demand for aluminium.

Energy

The energy supply arrangements for the Portland aluminium smelter expire in mid-2021. The smelter in recent years has not been contributing to the profitability of the Company. Energy prices in Eastern Australia continue to be very high and there have been more interruptions to power supply than in the past. The future of the smelter is dependent upon identifying a long-term lower cost and reliable energy solution. Efforts continue to develop a solution to this issue.

AWAC's Western Australian refineries utilise gas from the North West Shelf for their energy source. This long term, competitive energy supply has been a critical part of AWAC's strength.

The WA gas markets have, like most commodities, operated cyclically. Over the next few years there will be increases in AWAC's energy costs as supply contracted during less favourable periods takes effect. The WA gas market cycle has recently been more favourable to purchasers and this should benefit AWAC over the medium to long term.

Sustainability

Environmental, health and safety management by AWAC is continually seeking to meet higher standards. The Company strengthened its own governance regime by establishing a Board Sustainability Committee during the year which will provide a platform for greater review of sustainability issues.

In 2019 the Company issued its Climate Change Position Statement and has been working with Alcoa on AWAC's climate change strategy.

We are working with AWAC to:

- establish GHG targets for our refineries;
- identify and assess climate change risks and opportunities and undertake scenario analysis;
- align disclosures with the recommendation of the Task Force on Climate-related Financial Disclosure; and
- evaluate technological and abatement measures to reduce environmental impacts.

In 2020 there will be an increased emphasis on sustainability oversight and management. This forms a central part of Alumina Limited's strategy going forward. Conservation of natural resources, such as water, and reducing CO_2 emissions intensity, are a critical part of our business objectives.

Governance

The Remuneration Report reviews the Company's remuneration strategy, policy and outcomes. The Company's 2019 Remuneration Report provides full details of the CEO and the Senior Executives' objectives and an assessment of performance against those objectives.

The Company has updated its governance practices to adopt the revisions to the 4th Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council. This has involved updating the Company's Board and Committee Charters, diversity objectives and risk framework. A copy of the 2019 Corporate Governance Statement is available on the Company website. Alumina's compliance with the Corporate Governance Principles and Recommendations is set out in the Appendix 4G lodged with the ASX.

In 2020 there will be an increased emphasis on sustainability oversight and management. This forms a central part of Alumina Limited's strategy going forward.

The quality of our tier one bauxite mines and alumina refineries in Western Australia was evident again in 2019. The Company's low leverage and improved joint venture position ensured their performance provided a healthy level of dividends to shareholders.

Capital Management / Shareholder Returns

Alumina received $420.9m in net cash distributions from AWAC in 2019 (2018: $678.2m). As a result Alumina has been able to pay most of its free cash flow to shareholders by way of dividends. This enabled payment of a final dividend of US3.6 cents per share, bringing the total declared dividends for the year to US8.0 cents per share. Although this is less than the dividends paid in 2018, it represents a yield of 5.0 per cent to shareholders for 2019. The outlook for dividends in 2020 will be affected by the lower alumina prices since mid-2019 and the impact of COVID-19.

Alumina Limited has been a consistent source of strong dividends over the last 3 years. Dividends since 2017 have delivered an average yield for shareholders of 8.6 per cent per annum, not including franking.

Alumina's debt is currently at low levels and gearing is 3.0%. The Company's low debt level enables cash received from AWAC to be readily distributed to shareholders. The Company's A$125m Corporate Bond matured in 2019. The Bond was repaid utilising bank facilities. As at 31 December 2019 the Company had undrawn debt facilities of US$280 million with maturities ranging from 2022 to 2024.

Board and Management

The Board was pleased to approve the appointment of Mr Grant Dempsey as Chief Financial Officer of the Company in July 2019. Ms Galina Kraeva acted as Interim Chief Financial Officer in the first half and had a substantial impact in the role.

It was with much sadness we report that two of the Company's great figures, Sir Arvi Parbo and Don Morley, passed away in 2019. They were both long serving Chairs of the Company who had an enormous influence on its progress, and success.

Conclusion

The quality of our tier one bauxite mines and alumina refineries in Western Australia was evident again in 2019. The Company's low leverage and improved joint venture position ensured their performance provided a healthy level of dividends to shareholders.

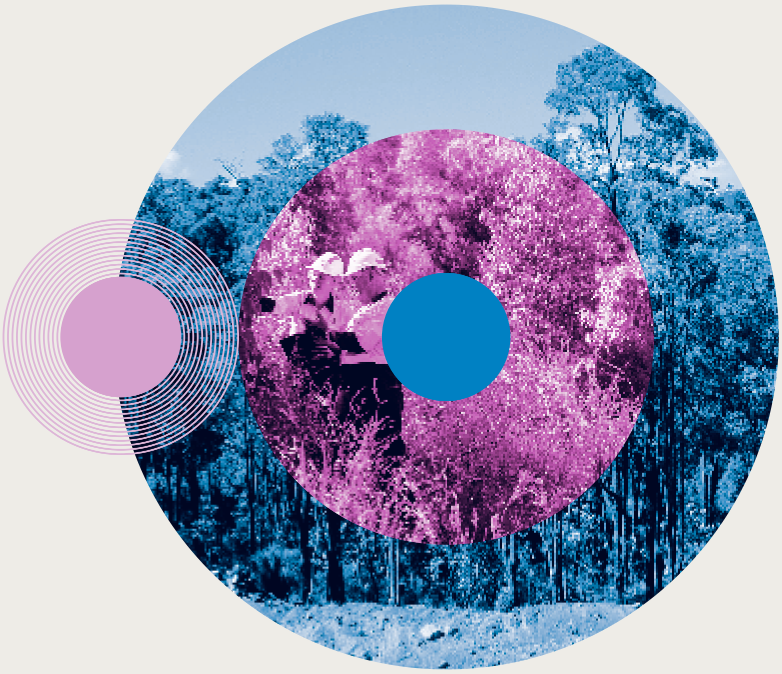
After 3 years of favourable global alumina markets we have seen a weakening in market conditions and prices. There have been serious and far reaching developments from the impact of COVID-19 for Australia and the Western World leading into late March. It appears the level of Western world economic activity will decline substantially in 2020. These developments have been rapid, and it is currently extremely difficult to assess the implications for the industry and the Company. However, if ongoing for a substantial period, the effects from COVID-19 on global economic activity and markets would likely have a material flow-on negative impact on aluminium demand. This is likely to have potential impacts on alumina and aluminium prices.

We remain focused on having our AWAC joint venture interest continue to deliver value to shareholders. The Board thanks the employees of Alumina Limited and AWAC for their work in 2019.

W Peter Day • Chairman

Mike Ferraro • Chief Executive Officer

SUSTAINABILITY



Sustainable, responsible business, environmental and societal practices have long been a foundation and guiding principle of AWAC operations. Guidelines have been established to put the safety of employees, contractors and the community firmly ahead of production and to focus on limiting the environmental impact of the operations, especially in restoration of mined areas.

The knowledge and understanding of sustainability risks and opportunities and practices is constantly evolving. To strive to be at the forefront of responsible sustainable practices requires an organisation to reassess and rethink its processes, policies, objectives and procedures.

In 2019, a number of sustainability-based initiatives were considered and actions taken.

Governance

Due to the increasing scope and importance of sustainability matters the Board decided to establish a Sustainability Committee, effective 1 January 2020.

The Sustainability Committee has broad responsibilities with regard to sustainability, climate change and health and safety and will provide a platform for more focussed review of material sustainability issues. The Committee also provides a clear sustainability governance structure to strengthen efforts on Environment, Social and Governance (ESG) policies and commitments, management activities, and deeper engagement with Alcoa (AWAC's operator/manager). A Charter for the Sustainability Committee has been approved and can be reviewed on the Company web site.

Continuing engagement of the Board on sustainability matters was also a priority in 2019. The Board of Directors participated in two workshop sessions on climate change prepared by external consultants, covering topics such as climate science, policies and targets, energy and carbon markets, corporate approaches and global climate change negotiations.

Alumina Limited interacted with Alcoa on a global review of AWAC storage impoundments. Two recent failures of non-AWAC impoundments in Brazil that resulted in loss of life and environmental contamination highlight the critical importance of maintaining safe and stable impoundments. Changes to the governance structure for the management of dams have been implemented within AWAC.

AWAC facilities will also become subject to the International Council of Mining and Metals (ICMM) guiding principles and assurance processes following Alcoa's initiation of membership of the ICMM and its commitment to meeting and adhering to the ICMM's Sustainable Development Framework. Alignment to the ICMM principles will progressively occur over a two-year period.

In 2019 Alumina Limited released its Climate Change Position Statement and is working with Alcoa towards a climate change strategy and action plan in regards to the AWAC operations, including scenario analysis and risk assessment.

Performance

AWAC's portfolio of alumina refineries has the lowest CO_2 intensity among the industries' largest operators.

Since 2015, the combined GHG intensity (per tonne of aluminium produced) of AWAC's refineries and smelter, has reduced by 13.5 per cent. In absolute volumes on a full facility basis, 2.67 million tonnes of GHG has been eliminated in the period between 2015 and 2018. The reduction has been achieved through a mix of:

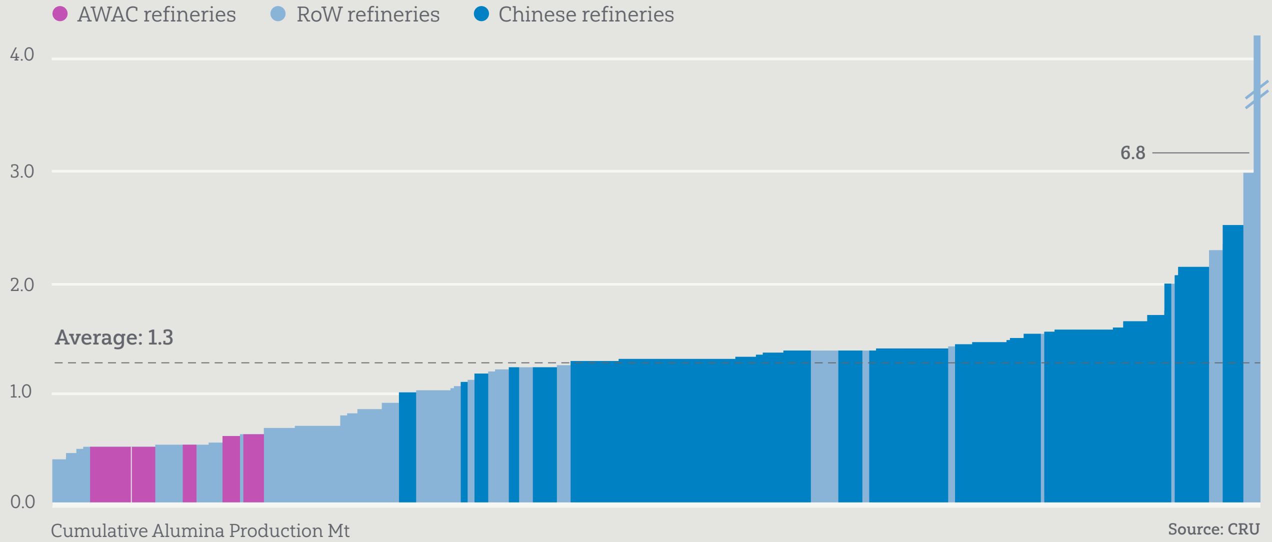
- targeted curtailment, closure or divestment of less efficient assets (eg. closure of Suriname and Point Comfort refineries);
- abatement measures including transitioning the San Ciprian refinery in Spain from dependence on fuel oil to natural gas;
- efficiency and process improvements.

However, in the longer term, a step change in technology or energy utilisation will be required to make significant inroads into reducing GHG emissions in refining operations. The fundamental process for alumina refining has not significantly changed in 100 years. The alumina refining process is energy intensive, requiring high temperatures (up to 1,000C). Alumina refineries around the world burn some form of fuel to generate the heat, steam and pressure required. Approximately 82 per cent of AWAC's alumina refineries energy is produced by natural gas, a much more environmentally friendly fuel source than coal or oil used by some other producers. Also, the majority of AWAC's bauxite is gibbsite, which can be digested in the refining process at lower temperatures, thereby using less energy and saving emissions per tonne of alumina.

AWAC continues to explore means of improving its sustainability practices. AWAC is assisting research into the application of solar thermal energy to provide heat and reduce the consumption of natural gas. The research indicates the potential to utilise solar thermal energy; however it is yet to be determined if it is commercially viable.

A more detailed analysis of AWAC sustainability performance can be found in the Company's Sustainability Update on the Company website.

Lowest refinery CO_2 emission intensity among major producers (includes direct and indirect emissions, in 2019)



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 2019 (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: **W P Day** (Chairman), **E R Stein**, **C Zeng, D O'Toole, J Bevan** and **M P Ferraro** (Managing Director and Chief Executive Officer)

Board of Directors

The Company's Directors in office as at 31 December 2019 were:

MR W PETER DAY • Mr Day was appointed as a Director of the Company on 1 January 2014 and was appointed Chairman of the Board on 1 April 2018. He is a member of the Nomination, Compensation and Audit & Risk Management Committees and Chair of the Sustainability Committee (effective 1 January 2020). Mr Day is also currently a Non-Executive Director of Ansell (appointed August 2007), Non-Executive Chairman of Australian Unity Investment Real Estate (appointed September 2015), and a former Director of: Boart Longyear (February 2014 –September 2017), Federation Centres (October 2009 –February 2014), Orbital Corporation (August 2007–February 2014) and SAI Global (August 2008–December 2016).

Mr Day brings extensive experience in the resource, finance and manufacturing sectors, having held a number of senior positions with Bonlac Foods, Rio Tinto, CRA, Comalco and the Australian Securities and Investments Commission. He is a former Chief Financial Officer (CFO) of Amcor Limited. He also supports initiatives in disability services and mentoring.

MS EMMA R STEIN • Ms Stein was elected as a Director of the Company on 3 February 2011. Ms Stein is currently a Non-Executive Director of Cleanaway Waste Management Limited (formerly known as Transpacific Industries Group Ltd) (appointed August 2011), Infigen Energy Limited (appointed September 2017) and Adelaide Brighton Ltd (appointed October 2019). She is a former Non-Executive Director of Programmed Maintenance Services Ltd (appointed June 2010 and resigned October 2017), Diversified Utilities Energy Trust (appointed June 2004 and resigned May 2017) and Clough Limited (appointed July 2008 and resigned December 2013). Formerly the UK Managing Director for French utility Gaz de France's energy retailing operations, Ms Stein moved to Australia in 2003. Before joining Gaz de France, she was UK Divisional Managing Director for British Fuels.

Ms Stein is Chair of the Compensation Committee (since 1 January 2014), current member and former Chair of the Audit and Risk Management Committee (Chair from 28 November 2013 to 31 December 2013) and current member and former Chair of the Nomination Committee (from 22 June 2017 to 31 March 2018) and a member of the Sustainability Committee (effective 1 January 2020). 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 15 years' experience as a listed Non-Executive Director and Board Committee Chair for capital intensive companies spanning resources, oil and gas and related sectors.

MR CHEN ZENG • Mr Zeng was appointed as a Director of the Company on 15 March 2013. He is a member of the Nomination, Compensation and Audit and Risk Management Committees (appointed 7 August 2014) and the Sustainability Committee (effective 1 January 2020). Mr Zeng is also currently a Director and Chairman (appointed July 15 2019) of of CITIC Pacific Limited, Chief Executive Officer and Chairman (appointed July 15 2019) of CITIC Pacific Mining and Chief Executive Officer of CITIC Mining International, the holding company of CITIC Pacific Mining and also DAH Chong Hong Holdings Ltd (as of January 2019, is now a wholly owned subsidiary of CITIC Pacific). 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 July 2007–October 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 Chief Executive Officer (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 31 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.

MS DEBORAH O'TOOLE • Ms O'Toole was appointed as a Director on 1 December 2017. She is a member of the Nomination Committee, the Compensation Committee, the Sustainability Committee (effective 1 January 2020) and Chair of the Audit and Risk Management Committee (from 1 April 2018). Ms O'Toole is a Non-Executive Director of Sims Metal Management Limited (appointed November 2014), the Asciano Rail Group of Companies operating as Pacific National Rail (appointed October 2016), Credit Union Australia Ltd (appointed March 2014) and the Wesley

Research Institute (appointed March 2013). She is a former Non-Executive Director of Boart Longyear Limited (appointed 1 October 2014 and resigned September 2017), CSIRO, Norfolk Group, various companies in the MIM and Aurizon Groups and Government and private sector advisory boards. She has acted as Chairperson of the Audit Committees of CSIRO, Norfolk Group and Pacific Aluminium.

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

MR JOHN A BEVAN • Mr Bevan was appointed Non-Executive Director on 1 January 2018. He has been appointed a member of the Audit and Risk Management Committee, the Compensation Committee, Sustainability Committee (effective 1 January 2020) and the Nomination Committee and Chair of the Nomination Committee from 1 April 2018. Mr Bevan is currently a Director and Chairman of BlueScope Steel Limited (appointed March 2014), a Director and Chairman of Ansell (appointed August 2012) and a former director of Nuplex Industries Limited (September 2015 – September 2016).

Mr Bevan was formerly the Chief Executive Officer and Executive Director of Alumina Limited (June 2008 – December 2013). Prior to his 2008 appointment to Alumina Limited, he spent 29 years in the BOC Group Plc where he was a member of the Board of Directors and held a variety of senior management positions in Australia, Korea, Thailand, Singapore and the United Kingdom. Mr Bevan brings to the Board extensive commercial and operational experience gained through operating joint ventures in many parts of the world, particularly Asia.

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

Between 2008 and 2010 Mr Ferraro was Chief Legal Counsel at BHP Billiton Ltd. Mr Ferraro has considerable experience in the resources sector and has over 35 years of experience in joint ventures, mergers and acquisitions, fund raising and regulatory issues across a wide range of sectors and countries. He also has considerable experience in the commercial and financing aspects of large transactions gained from a number of years in investment banking as a corporate adviser.

MR W PETER DAY

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

Independent Non-Executive Director

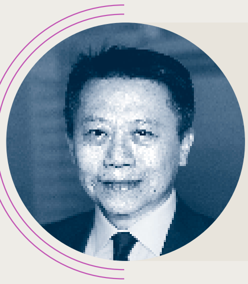
Victoria based

MS EMMA R STEIN

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

Independent Non-Executive Director

New South Wales based



MR CHEN ZENG

MIF

Non-Executive Director

Western Australia based

MS DEBORAH O'TOOLE

LLB, MAICD

Independent Non-Executive Director

Queensland based

MR JOHN A BEVAN

BCom

Non-Executive Director

New South Wales based

MR MICHAEL FERRARO

LLB (HONS)

Managing Director and Chief Executive Officer

Victoria based

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, at Village Roadshow and WMC Limited, after working with the legal firm of Arthur Robinson & Hedderwicks (now Allens). The appointment of the Company Secretary/General Counsel is ratified by the Board. As defined in the Board Charter, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

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

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

Meetings of Directors

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

Interests of Directors

Particulars of relevant interests in shares in the Company, or in any related body corporate held by the Directors as at the date of this report are set out in the Remuneration Report on page 56 of this report. Particulars of rights or options over shares in the Company, or in any related body corporate, held by the Directors as at the date of this report are set out in the Remuneration Report on page 56 of this report.

Insurance of Officers

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

Alumina Limited Directors' Attendance at Meetings January to December 2019

	Board Meeting		Board Committee Meetings		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	Eligible to attend	Attended
E R Stein	10	10	0	0	8	8	4	4	3	3
C Zeng	10	10	0	0	8	8	4	4	3	3
P Day	10	10	1	1	8	8	4	4	3	3
M Ferraro[1]	10	10	1	1	n/a	n/a	n/a	n/a	n/a	n/a
D O'Toole	10	10	0	0	8	8	4	4	3	3
J Bevan	10	10	0	0	8	8	4	4	3	3

1. Mr Ferraro is Managing Director and CEO and is not a member of the Committees of the Board however may attend in his capacity as CEO.

Indemnity of Officers

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

Dividends

Details of the dividends paid to members of the Company during the financial year are referred to in Note 6(b) of the Consolidated Financial Statements found on page 79.

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 profit after tax for the 2019 financial year attributable to members of the Company was US$214.0 million profit (2018: US$635.4 million profit). Excluding significant items, there would have been a net profit after tax of US$326.6 million (2018: US$689.9 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 20 to 35 of this report. The market outlook and guidance on pages 33-35, does not take into account the potential impact to the relevant factors as a result of COVID-19.

Matters Subsequent to the end of the Financial Year

Other than as reported in Note 15 of the Consolidated Financial Statements (refer to page 87), there are no significant matters, circumstances or events that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in the financial years subsequent to the financial year ended 31 December 2019.

Likely Developments

In the opinion of the Directors, it would prejudice the interests of the Group to provide additional information, except as reported in this Directors' Report (including the Operating and Financial Review on pages 20 to 35 of this report), relating to likely developments in the operations of the Group and the expected results of those operations in the financial years subsequent to the financial year ended 31 December 2019.

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. Alumina Limited is a non-operating joint venture partner that holds a 40 per cent interest in AWAC, a global enterprise. Alumina Limited annually reports its equity interest in the greenhouse gas emissions and energy consumption to the CDP and on an AWAC basis in the Company's Sustainability Update (Report). More information on environmental performance is included in the Company's latest Sustainability Update available online at **www.aluminalimited.com.**

Rounding of Amounts

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

Significant Changes in the State of Affairs

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

Auditor

PricewaterhouseCoopers continues in office, in accordance with the *Corporations Act 2001* (Cth) (**Corporations Act**). For a copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act refer to the adjacent declaration.

Non-Audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided by (or on behalf of) the auditor and its related practices are disclosed in Note 13 of the Notes to the Consolidated Statements in the Financial Report on page 87.

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

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants. The fees paid or payable during the financial year for services provided by (or on behalf of) the auditor of the parent entity are disclosed in Note 13 of the Notes to the Consolidated Statements in the Financial Report on page 87.

Corporate Governance Statement

The Company has, for the 2019 reporting year, elected to disclose the Corporate Governance Statement only on the Company's website.

The Corporate Governance Statement can be found at **www.aluminalimited.com/governance/**.

Auditor's Independence Declaration

As lead auditor for the audit of Alumina Limited for the year ended 31 December 2019, 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.

John O'Donoghue • Partner

PricewaterhouseCoopers
Melbourne
24 March 2020

PricewaterhouseCoopers
ABN 52 780 433 757
2 Riverside Quay, Southbank VIC 3006
GPO Box 1331, Melbourne VIC 3001

T: 61 3 8603 1000 F: 61 3 8603 1999 www.pwc.com.au
Liability limited by a scheme approved under Professional Standards Legislation

Alumina Limited has a 40 per cent joint venture interest in tier one long life alumina refineries. Shareholders have continued to benefit from these assets even as alumina markets change.

OPERATING AND FINANCIAL REVIEW

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

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

Contents

1.	Strategy and Business Model	21
2.	Principal Risks	23
3.	Review of AWAC Operations	25
4.	AWAC Financial Review	28
5.	Alumina Limited Financial Review	30
6.	Market Outlook and Guidance	33

1. Strategy and Business Model

Business Model

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

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

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

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

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

The following matters require a super-majority vote:

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

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

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

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

Also effective immediately on and from a change of control of Alcoa or Alumina Limited there is an increased opportunity for development projects and expansions, whereby if either Alumina Limited or Alcoa Corporation wishes to expand an existing AWAC operation, develop a new project on AWAC tenements or pursue a project outside of AWAC, it is entitled to do so on a sole basis after providing 180 days for the other party to explore joint participation in the proposed project.

A partner that avails itself of such an opportunity would pay for all costs related to the project, including for AWAC resources and shared facilities used, and would be entitled to all of the project's resulting off-take.

If there is a change of control of Alumina Limited then:

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

Strategy Analysis

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

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

2. Principal Risks

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

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

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

In addition, Chinese refineries being built outside of China at a much lower capital cost than the rest of the industry could increase the supply of alumina globally, which could lead to a fall in the market price of alumina. Similarly, a sustained increase in the supply of cheap bauxite from Asia to China, could also lower Chinese alumina production costs which could lead to a fall in the market price of alumina.

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

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

AWAC structure – Alumina Limited does not hold a majority interest in AWAC, and decisions made by majority vote may not be in the best interests of Alumina Limited. There is also a risk that Alumina Limited and Alcoa may have differing priorities. During 2016, the joint venture agreements were modified to ensure that certain key decisions require Alumina Limited's consent by a super-majority vote.

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

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

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

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

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

Climate change – Climate change is a systemic and material risk that will pose challenges in the future management of AWAC operations in regard to energy usage, greenhouse gas (GHG) emissions, carbon pricing policies and regulations and market demand. Climate change results in a number of physical and transitional risks, which affect AWAC in the following manner.

Physical risks include:

- increased risks to personnel, business continuity, production and facilities,
- climate factors like extreme weather events are likely to have an impact on AWAC's global mining and refining operations,
- water stress and potential impact on production if shortages occurred,
- disruption to supply chain efficiencies from storm activity, and the transportation of raw materials,
- climatic changes leading to changes in rainfall and sea levels.

Transitional risks include:

- the increased scrutiny by governments on GHG emissions and the establishment of a carbon pricing mechanism,
- emissions trading schemes, carbon taxes etc, present a challenge and a financial risk to the business,
- cost of emissions abatement,
- rising cost of energy.

Energy 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.

Additional information in respect of climate change risks, can be located in Alumina Limited 2018 Sustainability report, and Alumina Limited's Climate Change Position Statement. These documents can be found at **www.aluminalimited.com**

Other Risks

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

Review of AWAC Operations

Alumina Limited provides its shareholders with a unique investment in globally leading bauxite mines and alumina refineries in Australia, Brazil, Spain, Saudi Arabia and Guinea through its 40% investment in the AWAC joint venture. AWAC also has a 55% interest in the Portland aluminium smelter in Victoria, Australia.

The current refining portfolio is comprised mostly of tier one assets that allows AWAC to generate strong returns throughout the commodity cycle. Having long life bauxite mines located close to the Australian refineries is a key competitive advantage in terms of driving a low position on the cost curve.

With the return of operational stability, AWAC's operated assets performed strongly during 2019, culminating in an annual production record for AWAC's current portfolio of refineries of 12.6 million tonnes. Increased production helped drive lower cash costs of alumina production, which partially offset the decline in the average realised alumina price.

Alumina prices declined year-on-year due to a move from a market deficit to a small surplus of alumina following new and resumed refinery capacity, and also lower than expected global aluminium demand.

Despite the decline in alumina prices, AWAC has remained profitable and continues to return cash to its joint venture partners, primarily due to its low cost alumina refineries.

The Company is also proud that AWAC's Western Australian bauxite mines and alumina refineries, Juruti mine and Alumar refinery in Brazil received an Aluminium Stewardship Initiative Certification, in recognition of AWAC's commitment to sustainable production.

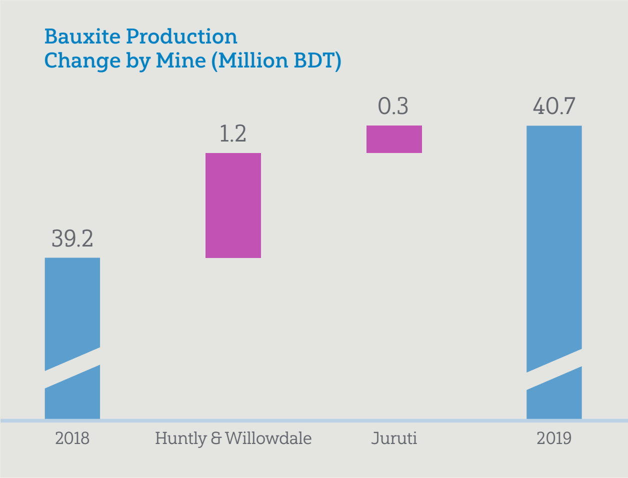
Bauxite Mining	31 Dec 2019	31 Dec 2018	Change	Change (%)
AWAC Operated Mines				
Production (million BDT)	40.7	39.2	1.5	3.8
Cash cost ($/BDT of bauxite produced)	10.2	11.4	(1.2)	(10.5)
Non-AWAC Operated Mines				
AWAC equity share of production (million BDT)[1]	4.1	4.0	0.1	2.5
Third Party Sales				
Shipments to third parties (million BDT)	6.2	5.6	0.6	10.7
Total third party revenue, inclusive of freight[2] ($ million)	274.7	250.5	24.2	9.7

1. Based on the terms of its bauxite supply contracts, AWAC's bauxite purchases from the Mineração Rio do Norte S.A. ("MRN") mine in Brazil, and Compagnie des Bauxites de Guinée (CBG) mine in Guinea, differ from their proportional equity in those mines.
2. Includes freight revenue of $79.1 million for 2019 (2018: $68.1 million).

AWAC Operated Mines

AWAC operated mines increased production by 3.8% driven by increased demand from AWAC owned refineries. Juruti's production improved following the completion of an expansion to a new capacity of 6.5 million BDT in 2018.

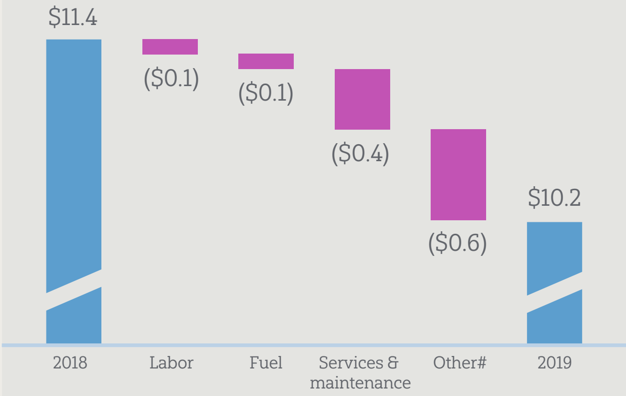
Production at Huntly increased to meet a third party supply contract and accommodate record production levels at the Pinjarra refinery. Willowdale's production was increased to meet demand from the Wagerup refinery, and Juruti's production was increased in order to meet greater third party demand.



In Western Australia, planning for the relocation of the Willowdale crusher to a new reserve area has begun and is well progressed. The move is expected to be completed by the end of 2021 and involve total sustaining capital expenditure of approximately $135 million, of which $14 million was spent in 2019 on planning and approximately $90 million will be spent during 2020. Similarly, planning for a new plateau in Juruti is being undertaken which will involve sustaining capital expenditure of approximately $5 million during 2020.

AWAC's cash cost per BDT of bauxite produced decreased by 10.5% to $10.2 per tonne, mostly due to a decline in royalty payments, and the stronger US dollar which had a favourable effect on the cash cost of bauxite produced.

Cash Cost per BDT of Bauxite Produced^



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

Non-AWAC Operated Mines

AWAC's equity share of production at MRN and CBG increased by 0.1 million BDT (2.5%) in 2019.

CBG's production increased by 10% to 3.0 million BDT, as the benefits from an expansion project begin to be realised. Once fully ramped up, the expansion will add an additional 1.1 million BDT to AWAC's share of production.

The production rate at MRN was marginally down, resulting in a decrease of AWAC's equity share of production by 0.1 million BDT to 1.1 million BDT.

AWAC's equity accounted share of profit after tax from CBG and MRN was $18.2 million (2018: $13.7 million).

Third Party Bauxite Sales

AWAC's shipments to third party customers increased by 10.7% to 6.2 million BDT with an increase in shipments from Huntly, CBG and Juruti, partially offset by a decline in shipments from MRN.

Third party revenue increased by 9.7%, with the increase in third party shipments partially offset by a decrease in the average FOB realised price of bauxite.

Refining	31 Dec 2019	31 Dec 2018	Change	Change (%)
AWAC operated refineries				
Shipments (million tonnes)	12.9	12.9	–	–
Production (million tonnes)	12.6	12.2	0.4	3.3
Average realised alumina price ($/tonne)	336	447	(111)	(24.8)
Cash cost per tonne of alumina produced	210	226	(16)	(7.1)
Margin[1] ($/tonne)	126	221	(95)	(43.0)
Smelter Grade Alumina ("SGA") shipments on spot or index basis (%)	94	92	2	2.2
Platts FOB Australia – one month lag ($/tonne)	344	473	(129)	(27.3)
Ma'aden joint venture				
Production (million tonnes)	1.839	1.765	0.074	4.2
AWAC's share of production (million tonnes)	0.462	0.443	0.019	4.3

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

AWAC Operated Refineries

Production from AWAC operated refineries was 12.6 million tonnes, an annual record for the current portfolio of assets. Pinjarra and Wagerup achieved annual production records. Alumar's production improved with its major boiler overhaul near completion.

The lower AWAC average realised alumina price in 2019 reflected lower global metal demand, and additional alumina supply following the restart of Alunorte, ramp up of Al Taweelah, and other refinery capacity.

Approximately 94% of AWAC's alumina shipments were priced on a spot or index basis. AWAC's average realised price of $336 per tonne, a decline of $111 per tonne compared to the previous corresponding period, reflected the average alumina price decline of 27.3% to $344 per tonne.

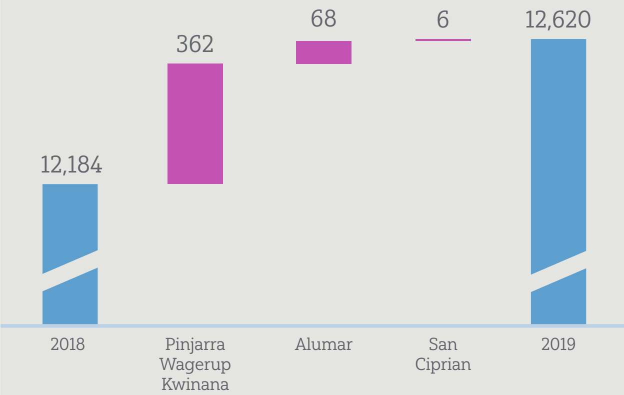
The average cash cost per tonne of alumina improved by 7.1% to $210 per tonne. An improved production rate reduced energy and caustic usage and the strength of the US dollar had a favourable effect on the cash cost of production.

Ma'aden Joint Venture

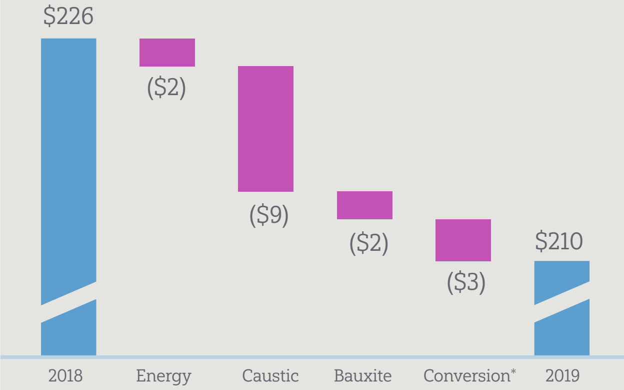
The Ma'aden refinery increased production by 4.2% in 2019 to 1.839 million tonnes of alumina (AWAC's share was 0.462 million tonnes), operating at 102% of nameplate capacity.

The equity profit relating to the Ma'aden joint venture for AWAC was $6.4 million during 2019 (2018: $32.5 million equity profit). The decline was predominantly driven by lower realised alumina prices.

Alumina Production Change by Refinery (Kt)



Cash Cost per Tonne of Alumina Produced^



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

Portland	31 Dec 2019	31 Dec 2018	Change	Change (%)
AWAC'S 55% Equity Share				
Production (thousand tonnes)	161	164	(3)	(1.8)
LME aluminium cash – 15 day lag ($/tonne)	1,799	2,119	(320)	(15.1)
EBITDA ($ million)	(20.0)	(29.7)	9.7	32.7

Portland's aluminium production decreased by 1.8% compared to 2018.

The improvement in earnings was primarily as a result of a lower cash cost of production due to lower alumina prices. This was partially offset by a decline in metal prices.

AWAC Financial Review

The decline in AWAC's 2019 net profit was largely due to lower realised alumina prices, charges related to the closure of Point Comfort, partially offset by improvements in the cash cost of production.

The decrease in the income tax charge was driven by lower taxable income, particularly in AWAC's Australian operations.

AWAC Profit and Loss (US GAAP)	US$ Million	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Net profit after tax	565.1	1,640.2
Add back: Income tax charge	394.8	701.3
Add back: Depreciation and amortisation	306.0	290.4
Add back: Net interest income	(5.2)	(1.8)
EBITDA	**1,260.7**	**2,630.1**
Add back: Significant items (pre-tax)	325.3	166.7
EBITDA excluding significant items	**1,586.0**	**2,796.8**

AWAC's net profit included the following significant items:

Significant Items (US GAAP)	US$ Million	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Suralco restructuring related charges[1]	(12.6)	(9.7)
Point Comfort restructuring related charges[1]	(289.0)	(34.3)
New operating model restructuring charges	(17.1)	–
Bauxite mining service contract final arbitration[2]	–	(29.0)
Derecognition of Brazil state VAT receivables[3]	–	(77.6)
Other[4]	(6.6)	(16.1)
Total significant items (pre-tax)	**(325.3)**	**(166.7)**
Total significant items (after-tax)	**(315.2)**	**(149.0)**

1. Including holding costs.
2. On December 16, 2016, Boskalis International B.V. (Boskalis) initiated a binding arbitration proceeding against Suriname Aluminum Company, LLC (Suralco), an AWAC company, seeking $47 million plus prejudgment interest and associated taxes in connection with a dispute arising under a contract for mining services in Suriname between Boskalis and Suralco. In February 2018, the arbitration hearing was held before a three-person panel. The panel awarded Boskalis $29 million, including prejudgment interest of $3 million. The award is final and cannot be appealed. The cash payment of $29 million to Boskalis was made on 6 June 2018.
3. AWAC derecognised VAT receivables from certain Brazilian states. The company retains the ability to utilise the VAT credits in the future.
4. Other significant items include net charges related to Point Henry and Anglesea restructuring, severance, other payments, Portland government facility forgiveness, and Afobaka hydroelectricity dam accelerated depreciation.

AWAC Balance Sheet (US GAAP)	US$ Million	
	31 DEC 2019	31 DEC 2018
Cash and cash equivalents	418.7	740.3
Receivables	272.8	497.5
Inventories	518.8	565.4
Property, plant & equipment	3,138.0	3,317.2
Other assets	2,015.1	2,030.4
Total Assets	**6,363.4**	**7,150.8**
Short term borrowings	0.5	0.4
Accounts payable	548.1	623.9
Taxes payable and deferred	226.3	546.3
Capital lease obligations & long term debt	78.2	84.4
Other liabilities	1,235.2	1,028.4
Total Liabilities	**2,088.3**	**2,283.4**
Equity	**4,275.1**	**4,867.4**

The decline in the value of assets and liabilities includes the effect of the weaker Australian dollar and Brazilian Real against the US dollar as at 31 December 2019.

The lower average alumina prices and a tax payment in excess of $300 million relating to the prior period resulted in lower cash and cash equivalents as well as a reduction in receivables and taxes payable balances respectively.

The decrease in inventories and accounts payable includes the lower cost of raw materials, in particular caustic.

Property, plant and equipment value declined due to the write-down of the Point Comfort refinery as well as accelerated depreciation associated with the handback of the Afobaka hydroelectricity dam to the Suriname Government, partially offset by the capitalisation of operating leases following the adoption of the new accounting standard ASC 842 "Leases".

Other assets decreased slightly, mainly due to changes in the fair value of derivative assets associated with Portland's hedging arrangements.

Other liabilities increased mainly due to an increase in operating lease liabilities following the adoption of the new accounting standard ASC 842 "Leases".

AWAC Cash Flow (US GAAP)	US$ Million	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Cash from operations	906.3	1,969.6
Capital contributions arising from the allocation agreement[1]	–	74.0
Capital contributions from partners	127.5	371.9
Net movement in borrowings	(5.9)	63.3
Capital expenditure	(176.9)	(234.1)
Other financing and investing activities[2]	3.7	–
Effects of exchange rate changes on cash and cash equivalents	3.5	(68.4)
Cash flow before distributions	**858.2**	**2,176.3**
Distributions paid to partners – in respect of the current year	(645.8)	(1,540.4)
Distributions paid to partners – in respect of the previous year	(534.0)	(527.5)
Net change in cash and cash equivalents	**(321.6)**	**108.4**

1. Contributions by Alcoa in accordance with the allocation agreement whereby Alcoa assumes an additional 25% equity share relating to the Alba settlement payment and costs.
2. Made up of proceeds from sales of assets, and other.

Cash from operations in 2019 decreased primarily due to lower average realised alumina prices and a large tax payment in relation to the prior period.

In 2019, sustaining capital expenditure was $151.0 million (2018: $210.9 million). The most significant expenditure related to residue storage areas, completion of a press filtration facility and planning for the Willowdale mine's crusher move.

2019 sustaining capital expenditure was lower than 2018 as the majority of the Pinjarra press filtration facility was constructed throughout 2018, and completed in 1H 2019.

Growth capital expenditure was $25.9 million (2018: $23.2 million). This is down by $26 million from our previous guidance largely due to an extended timeline for the evaluation of the WA refineries growth opportunities. We expect a decision in relation to these projects to be made in 2020.

Other growth projects in 2019 included debottlenecking and a boiler upgrade at the Alumar refinery.

Alumina Limited Financial Review

Alumina Limited Profit and Loss	US$ Million	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Share of net profit of associates accounted for using the equity method	232.0	653.5
General and administrative expenses	(12.1)	(11.6)
Finance costs	(7.3)	(6.7)
Foreign exchange losses, tax and other	1.4	0.2
Profit for the year after tax	**214.0**	**635.4**
Total significant items after tax	112.6	54.5
Net profit after tax excluding significant items	**326.6**	**689.9**

Alumina Limited Significant Items (IFRS, Post-Tax)	US$ Million	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Suralco restructuring charges[1]	(2.2)	(1.2)
Point Comfort restructure-related charges[1]	(109.0)	(13.8)
New operating model restructuring charges	(4.9)	–
Bauxite mining service contract final arbitration	–	(11.6)
Derecognition of Brazil state VAT receivables	–	(25.8)
Other[2]	3.5	(2.1)
Total significant items	**(112.6)**	**(54.5)**

1. Including holding costs.
2. Other significant items include net charges related to Point Henry and Anglesea restructuring, severance, other payments, Portland government facility forgiveness, and Afobaka hydroelectricity dam accelerated depreciation.

Alumina Limited recorded a net profit after tax of $214.0 million (2018: $635.4 million).

Excluding significant items, net profit would have been $326.6 million (2018: $689.9 million).

The decrease in net profit was primarily due to a decline in AWAC's profit.

2019 general and administrative expenses were higher than 2018 due to several factors including the additional ASIC industry funding levy, higher consulting and recruitment fees.

The Company's finance costs in 2019 were higher as they included $1.3 million of charges relating to the renegotiation of the syndicated bank facility. This was partially offset by lower interest charges as a result of terminating the Company's A$125 million note in July 2019, and replacing it with the syndicated bank facility which has a lower coupon rate.

Alumina Limited Balance Sheet	US$ Million	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Cash and cash equivalents	15.2	183.8
Investment in associates	1,836.8	2,060.2
Other assets	1.8	1.1
Total Assets	**1,853.8**	**2,245.1**
Payables	0.9	1.2
Interest bearing liabilities	70.0	88.0
Other liabilities	0.8	20.1
Total Liabilities	**71.7**	**109.3**
Net Assets	**1,782.1**	**2,135.8**

The value of investments in associates decline includes AWAC profit, the closure of Point Comfort and a large tax payment in relation to the prior period.

Alumina Limited's net debt/(cash) as at 31 December 2019 was $54.8 million. (2018: $(95.8) million)

During 2019 the Company redeemed the A$125 million note and also early terminated, by cash settlement, the CCIRS which was used to mitigate the currency and interest rate exposure in relation to the Note.

The funds used to repay the Note and CCIRS were drawn down from the $350 million syndicated bank facility (tranche maturing 30 July 2023). The facility had $70 million drawn as at 31 December 2019.

Alumina Limited Cash Flow	US$ Million	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Dividends received	381.7	657.2
Distributions received	–	0.2
Net finance costs paid	(8.3)	(7.5)
Payments to suppliers and employees	(11.9)	(10.7)
GST refund, interest received & other	3.1	2.1
Cash from operations	**364.6**	**641.3**
Net receipts/(payments) – investments in associates	39.2	20.8
Free cash flow[1]	**403.8**	**662.1**

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

Alumina Limited's dividend policy is to distribute free cash received right up until the date of the dividend declaration whilst taking into consideration its capital structure, any capital requirements for AWAC and market conditions.

Net receipts from AWAC totalled $420.9 million (2018: $678.2 million), and an additional $31.3 million (2018: $193.6 million) received post 31 December 2020 is included in the 2019 final dividend paid on 17 March 2020.

Contributions to AWAC in 2019 of $51.0 million (2018: $108.8 million) were mainly to support one AWAC entity's purchases of alumina on a spot basis from other AWAC entities in order to meet the former's long term customer supply commitments which are on different pricing mechanisms.

The higher cash finance costs are a result of the bank facility's rollover and establishment fees incurred in 2019, which was partially offset by lower interest charges as a result of terminating the Company's A$125 million note in July 2019.

The lower dividend is driven by the reduction in distributions received from AWAC resulting from lower average alumina prices and a payment of $338 million relating to prior period tax.

Market, Outlook and Guidance

The market outlook and guidance on pages 33–35, does not take into account the potential impact to the relevant factors as a result of COVID-19.

Alumina

The alumina price ranged between $321 and $275 per tonne during the second half of 2019, averaging $290/t. This compares to the first half range between $321 and $418 per tonne, averaging $375/t. For the entire 2019 year the alumina price index averaged $332 per tonne, compared with $473 in 2018. Lower prices were due to both increased alumina supply and lower-than-expected demand, resulting in a modest alumina surplus outside China (exported to China). A global manufacturing slowdown reduced the need for primary aluminium and hence smelter-grade alumina (SGA).

Despite subdued prices, smelter-grade alumina production grew by 3.8 per cent outside China in 2019 driven largely by the resumption at the partially curtailed Alunorte refinery in Brazil, ramping up of the Al Taweelah refinery in the UAE, the Friguia refinery in Guinea and the Lanjigarh refinery in India. Only the Alpart refinery in Jamaica and the small Alro refinery in Romania announced a capacity curtailment in 2019.

Smelter-grade alumina production in China contracted by 1.2% in 2019, amid tightening environmental policies, lower alumina prices and increase in net imports. In May, over 4 million annual tonnes of capacity were curtailed in Shanxi due to bauxite residue issues, of which 2.8 million tonnes remain curtailed. Difficulty in accessing domestic bauxite, plus narrowing margins forced more high cost refineries in Northern China to curtail during the second half of 2019.

Chinese alumina prices remained subdued in the second half of 2019, causing the price outside China to fall as surplus alumina was exported to China as the market of last resort. Prices fell to the marginal cost level of RMB 2,400 including VAT (nearly US$350) per tonne in December and triggered some curtailments of high cost refineries. Prices have stabilised since.

China returned to being a net importer of alumina in 2019. China's net imports totalled 1.4 million tonnes in 2019, after being a net exporter in 2018 of nearly 1 million tonnes.

Going into 2020, whilst extra smelting production will require more alumina, additional global alumina supplies are likely to support a balanced to slight surplus SGA market (0.2 million tonnes). Winter cuts in China are having a reduced impact on production compared to previous years. Much less new refining capacity is expected to be built in China than in previous years, and any new capacity will most likely displace high cost existing capacity. Chinese smelter-grade alumina production is forecast to grow by 1.8% and non-Chinese production by 4.8% in 2020. Net alumina imported by China is forecast to increase to 2 million tonnes in 2020.

Over the medium to longer term China is expected to be broadly balanced in alumina, while continuing with modest imports from time to time and the rest of world is forecast to be balanced in the medium term. The Chinese Government has imposed a supply side reform cap of 45 million tonnes on primary aluminium capacity. If this is insufficient of itself to regulate over-capacity in the Chinese alumina industry, the Chinese Government might be expected to impose more specific measures, particularly while Chinese state-owned-enterprises are long alumina. Either way, it is not expected that there will be Chinese overproduction of alumina in the medium to long term (although China is forecast to maintain some spare capacity which can be ramped up or down in line with market needs and raw material cost or availability). New, more cost-effective refineries are likely to be built along the coast of China, or in bauxite-rich regions outside of China, taking advantage of Chinese low capital cost design and construction. Outside of China, greenfields alumina refinery projects continue to be challenged by high construction costs and distances between favourable energy sources and good quality bauxite.

It is likely that sustainability concerns will increasingly impact the industry into 2020 and beyond, at least outside China. Examples are the greater downstream consumer demand for responsible product chains, more stringent measures for tailings dams and residue disposal areas, climate change issues and air and water quality concerns. These may add to alumina production costs. Over 2020 energy and caustic soda costs are expected to be relatively stable, with some risk of increased costs. However, AWAC is relatively well advanced to meet industry sustainability issues within its operations, particularly with its low position on the industry CO_2 emissions curve and its rehabilitation practices.

Alumina price indices continue to be the main way smelter-grade alumina is priced. In March 2019, the LME launched a new cash-settled futures contract, the LME Alumina (CRU/Fastmarkets MB). This supplements CME's Alumina FOB Australia (Platts) Futures and Alumina FOB Australia (Metal Bulletin) Futures contracts. In China in 2019, Aladdiny introduced a physically settled alumina contract exchange platform. These types of price risk management tools continue to assist the development of alumina price indices.

Bauxite

China imported a record of 101 million tonnes of bauxite in 2019, representing a 22% increase from 82.4 million tonnes in 2018. Third party bauxite continues to be well-supplied globally and this is forecast to continue into 2020. Supply to China is expected to continue to come predominantly from Guinea and Australia. Indonesia remains the third largest bauxite supplier to China, consistently exporting over 1 million tonnes per month. These three countries currently comprise around 94% of the total China imports. The Indonesian Government has indicated the possibility of bringing forward its ban on bauxite exports from January 2022. Even if the Indonesian ban were brought forward, beyond potential short-term supply disruptions, there is sufficient potential supply from other sources, such as Guinea, Australia and Malaysia, to fill the gap. Political protests in Guinea in 2019 have impacted bauxite supply at times and, if there were any extended supply disruptions, they would be likely to have a far greater impact on Chinese refinery bauxite sourcing and cost.

China currently imports around 50% of its bauxite needs, up from around 30% five years ago and this is expected to increase to over 75% within the next five years.

In 2019, the Chinese imported bauxite price on a value-in-use adjusted basis has ranged from $49.50 to $55.10 per dry metric tonne, with a volume-weighted average of $51.80. There has been increasing usage of imported bauxite by Chinese inland refineries. In 2019, thirteen refineries either completed high temperature to low temperature conversions or installed sweetening "add-ons" – and as a result these lines are now using imported (low temperature) bauxite to produce alumina. Freight cost increases and logistical impacts are expected into 2020, due to new rules regulating sulphur content in fuels (MARPOL IMO 2020).

Given the expected on-going ample supply of bauxite, particularly from Guinea and Australia, and to a lesser extent Indonesia, the third party bauxite market is likely to remain relatively stable in the near future.

Aluminium

World primary and semi-fabricated aluminium consumption contracted in 2019. Global primary consumption fell by just under 1%. The transportation, machinery and equipment sectors led the decline, in particular automotive. Primary aluminium demand for the second half of 2019 fell by 4.6% year on year, led by North America. A stagnant real estate and electrical industry, as well as a poor macroeconomic environment, all contributed to an overall 1% contraction of global primary aluminium demand in 2019, despite marginal demand growth in China.

However, more favourable monetary policy, easing of US and Chinese trade tensions with the phase 1 agreement, stronger packaging demand and positive sentiment in global markets (particularly in emerging markets like China and India), are expected to drive the primary aluminium demand up in 2020.

Chinese primary aluminium production contracted by 2% in 2019, triggered by price driven curtailments in the first half of 2019, as well a series of unplanned outages in the second half of the year. Outside China, production expanded by 1.1% to 27.9 million tonnes in 2019. This was mainly due to the expansion of Alba (Bahrain), Rusal (Russia) and restarts at Albras (Brazil), Becancour (Canada), exceeding curtailments at Mostar (Bosnia), CVG (Venezuela) and in Spain.

Going into 2020, global primary aluminium production is expected to increase by 3.4%, with smelters started or re-started in 2019 (Alba's line 6, Rusal's BEMO expansion, Century (USA) restart) ramping up to full capacity and with the ramping up of Becancour and Albras, Xinfa and Weiqiao (China). In addition, there will be new Chinese capacity, particularly in the Southwestern provinces of Yunnan and Guangxi. Global demand is expected to be 66 million tonnes.

LME prices continued to fluctuate while trending lower during the second half of 2019 amid deteriorating sentiment for the aluminium industry in the Western World. In China, supply disruptions, decreasing inventory and improving macroeconomic data supported primary aluminium prices rebounding towards the end of the year. Smelter profitability has improved in 2019, driven by lower alumina and carbon prices.

During the first half of 2020, recovering demand for aluminium, easing trade/macro concerns and improving market sentiment are expected to be positive factors, but capacity expansion and restarts both in and out of China will provide ample supply and keep pressure on prices in 2020. Some Chinese economic slowdown due to COVID-19 is occurring and demand for aluminium may be reduced. There are unloading and transportation disruptions in China affecting bauxite, alumina and aluminium flows.

Over the medium and longer term, aluminium demand is forecast to continue to grow driven by economic expansion and increasing intensity of use. CRU expects primary aluminium demand to reach 87.6 million tonnes in 2045, compared with 64.9 million tonnes in 2019 and China, India and Southeast Asia are expected to account for around 63% of world aluminium demand in 2045. Whilst this is a modest growth rate, it would nevertheless require an additional 44 million tonnes of alumina production. In developed countries this is expected through more stringent environmental requirements to reduce emissions and waste and increase efficiency, leading for example to greater lightweighting of transport and electric vehicles. In developing countries, such as India and in Southeast Asia, aluminium demand growth is expected through greater urbanisation with more infrastructure and construction.

AWAC Guidance

The following 2020 guidance is provided to assist the understanding of the sensitivity of AWAC results to key external factors. The guidance cannot be expected to be predictive of exact results; rather it provides direction and approximate quantum of the impact on AWAC results. Sensitivity of each element of the guidance has been considered in isolation and no correlation with movements in other elements within the guidance has been made.

Item	2020 Guidance
Production – alumina	Approximately 12.7 million tonnes
Production – aluminium	Approximately 162,000 tonnes
Third party bauxite sales	Approximately 6.7 million BD tonnes
Alumina Price Index sensitivity[1]: +$10/t	Approximately +$115 million EBITDA
Caustic price sensitivity[2]: +$100/dry metric tonne	Approximately -$90 million EBITDA
Australian $ Sensitivity: + 1¢ AUD/USD	Approximately -$22 million EBITDA
Brazilian $ Sensitivity: + 1¢ BRL/USD	Minimal impact
SGA shipments expected to be based on alumina price indices or spot	Approximately 97% for the year
AWAC sustaining capital expenditure	Approximately $230 million
AWAC growth capital expenditure	Approximately $35 million
AWAC Point Comfort after tax restructuring[3, 4] Charges (IFRS) Cash Flows	 Approximately $15 million Approximately $55 million
AWAC Suralco after tax restructuring[3] Charges (IFRS) Cash Flows	 Approximately $10 million Approximately $40 million
AWAC Point Henry and Anglesea after tax restructuring[3] Charges (IFRS) Cash Flows	 Approximately $5 million Approximately $20 million

1. Excludes equity accounted income/losses for the Ma'aden joint venture.
2. Caustic inventory flow is 5–6 month.
3. Ongoing costs will be recognised in future financial years relating to the curtailments and closures.
4. The closure of the Point Comfort refinery was announced on 17 December 2019.

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 2020 are that total receipts by Alumina Limited should exceed its corporate needs.

In 2020, Alumina Limited anticipates there could be equity calls by AWAC entities in relation to working capital support. However, this is subject to market conditions.

LETTER BY CHAIR OF COMPENSATION COMMITTEE

Dear Shareholders,
I am pleased to present Alumina Limited's 2019 remuneration report.

Company Performance in 2019

In 2019, Alumina Limited reported a third successive year of strong returns for shareholders. Following the record results in 2018, the Company reported a profit of $214 million and distributed fully franked dividends to shareholders of US 8 cents. Although this is less than the dividends paid in 2018, it represents a yield of 5.0% to shareholders for 2019. These outcomes for shareholders are pleasing given the average alumina price for 2019 was $332 per tonne, as alumina prices weakened due to increased supply. (This compared with an average alumina price of $473 per tonne in 2018).

Remuneration Strategy and Structure

Alumina Limited's remuneration structures and levels of remuneration have been designed to reflect the unique nature of the company, the role of the executives, and their focus on longer term value creation for shareholders. In any one financial year, the Company's financial result is heavily determined by global commodity prices.

For these reasons, the Company's remuneration is designed:

- To pay fixed remuneration at a competitive level that will attract and retain high calibre executives (typically with strong leadership, relationship and influencing skills, proven track record in commercial and M&A transactions, ability to grasp the detail of complex matters yet think strategically and tactically).
- To offer meaningful incentives but to avoid large windfall gains as a result of factors outside of management's control (i.e. world alumina price rises or exchange rates); and
- To provide a meaningful part of the total remuneration package in equity that is earned and released over the medium to longer term to provide alignment with shareholders (hence the use of Conditional Rights (CR) (with 3 year lock) for the CEO and CFO, and for participating execs within STI's a requirement for 50% to be reinvested in equity, and LTI's delivered wholly in equity).
- With reference to the non-operating nature of the Company, as benchmarks are considered when setting remuneration levels for for participating executives.

In 2019, the Compensation Committee reviewed a number of topics including LTI performance vis-à-vis testing periods and the commodity cycle and NED equity policies. No changes to these policies resulted from the review, but the work enabled the company to have a more detailed understanding of the impacts of different scenarios and to be comfortable with the continued relevance of its remuneration policies and their alignment with Alumina's business context.

Remuneration Decisions and Outcomes

CEO Remuneration Outcomes

The CEO received no incentive payments in 2019. This is because he does not participate in an STI, and was not employed at the time of the FY17 LTI grant (which fell due for testing in 2019).

The CEO was awarded an increase of 6.0% to his total reward opportunity effective in 2020 reflecting his maturity, and strong performance in the role since his appointment in 2017. The majority of this increase is delivered in equity, either in the form of restricted conditional rights or performance tested LTI. Even with this increase, his total reward opportunity would remain in the lowest quartile, in accordance with Board discipline.

New CFO Remuneration Structure

In 2019, Alumina Limited was pleased to appoint Mr Grant Dempsey to the role of CFO. Grant was chosen following a structured recruitment process which allowed for market testing of remuneration structure and quantum. The structure of his remuneration mirrors that of the CEO, which is comprised of fixed pay, an annual grant of conditional rights (that are restricted for 3 years) and a modest LTI. Notably, the CEO and CFO do not participate in an STI which has been a specific design decision due to the unique nature of Alumina Limited's business.

Performance Under the LTI

The FY17 LTI was tested in 2019 (testing period December 2016 to December 2019) with 100% of the total award vesting. This outcome reflected shareholder experience over the period with the Company growing in market capitalization from a $3.3 billion to a $6.4 billion company, and record high profits being posted during the period (in 2018).

Senior Executives – Performance under STI

After transitioning the new CFO to the same structure as the CEO, the STI applies to only two KMP. As a result of the scorecard assessment, reviewed by the Compensation Committee, $443,000 was awarded in 2019 (in 2018 those same KMP received $392,000). Achievements on projects regarding Tailings Dams Integrity and JV value optimisation underpinned the 2019 STI decisions.

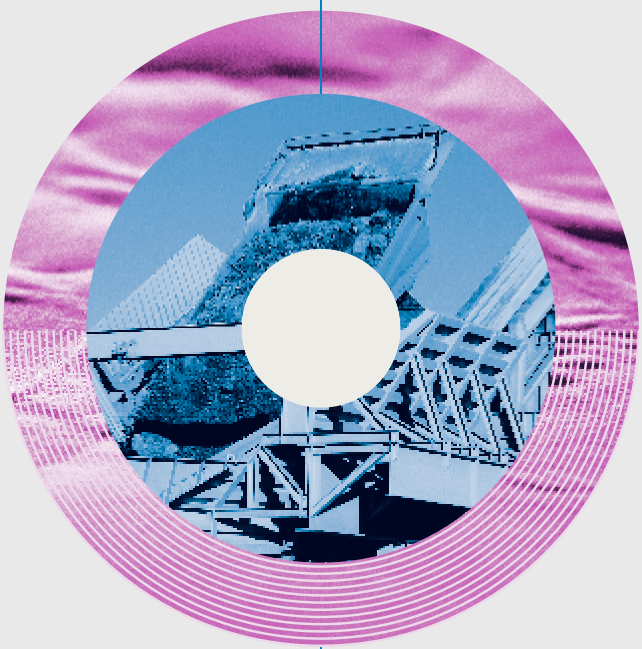
Now that the STI scheme at Alumina has less applicability, in this year's report we have chosen to structure our narrative to give more prominence to base remuneration and our LTI scheme ahead of STI.

2020 NED Committee Fees

Following 8 years of unchanged director base remuneration, to ensure Committee fees are market competitive to continue to attract high calibre NEDs to the Alumina Board, the Compensation Committee decided to make modest increases to some Committee fees.

I am grateful for the dialogue we have had with stakeholders in 2019, and as always we're pleased to receive thoughts from shareholders and the wider community. I look forward to continuing to work with you.

Emma Stein • Chair



REMUNERATION REPORT

The Remuneration Report is presented in the following sections:

1. Remuneration Framework

1.1. Persons Covered by this Report 39
1.2. Remuneration in Business Context 39
1.3. Remuneration Strategy, Components and Mix 40

2. Company Performance and Executive Remuneration Outcomes

2.1. Company Performance 43
2.2. Remuneration Decisions and Outcomes for 2019 45
2.3. CEO, CFO and Senior Executives Performance under the LTI Plan 45
2.4. Senior Executives (excluding CEO and CFO) Performance Under the STI Plan 47
2.5. CEO and Senior Executives Statutory Remuneration 50
2.6. Actual "Take Home" 2019 Remuneration Awarded to CEO and Senior Executives 52

3. Non-Executive Directors Remuneration

3.1. Remuneration Outcomes in 2019 54
3.2. Non-Executive Directors Share Holdings 56

4. Additional Disclosures

4.1. Reconciliation of Conditional Rights Held by CEO 56
4.2. Value Change Over Time of the CEO's Conditional Rights 57
4.3. Reconciliation of Performance Rights Held by KMP 57
4.4. Reconciliation of Ordinary Shares Held by KMP 58
4.5. CEO and Senior Executives Service Agreements 59
4.6. Cessation of Employment 60
4.7. Change of Control 60
4.8. Clawback Policy 60
4.9. Share Trading and Hedge Prohibition 60

1. Remuneration Framework

1.1. Persons Covered by this Report

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

- Non-Executive Directors (NED)
- Executive Director – CEO
- Other Senior Executives considered KMP.

Name	Role	
Non-Executive Directors		
Peter Day	Non-Executive Chairman	Appointed Chairman 1 April 2018 Director since 1 January 2014
John Pizzey	Non-Executive Chairman (retired)	Chairman from 1 December 2011 to 31 March 2018 Director from 8 June 2007 to 31 March 2018
Emma Stein	Non-Executive Director	Appointed 3 February 2011
Chen Zeng	Non-Executive Director	Appointed 15 March 2013
Deborah O'Toole	Non-Executive Director	Appointed 1 December 2017
John Bevan	Non-Executive Director	Appointed 1 January 2018
Executive Directors		
Mike Ferraro	Chief Executive Officer (CEO)	Appointed CEO from 1 June 2017
Other KMP		
Grant Dempsey	Chief Financial Officer (CFO)	Appointed 1 July 2019
Stephen Foster	General Counsel/Company Secretary	Appointed 4 December 2002
Andrew Wood	Group Executive Strategy & Development	Employed 1 September 2008
Galina Kraeva	Interim Chief Financial Officer (ICFO)	19 November 2018 to 30 June 2019

1.2. Remuneration in Business Context

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

Alumina Limited owns a 40 per cent interest in the multibillion-dollar global enterprise, AWAC, one of the world's largest bauxite and alumina producers. AWAC is a large capital-intensive business operating in a number of jurisdictions with some in remote locations. Alumina Limited's executives are responsible for protecting and advancing the interests of its approximately 56,000 shareholders in the management of AWAC. Consistent with the governing joint venture agreements, Alumina executives are responsible for providing strategic input and advice into the joint venture.

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

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

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

1.3. Remuneration Strategy, Components and Mix

Remuneration Strategy

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

REMUNERATION PRINCIPLES

ALIGNMENT

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

RELEVANCE

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

SUSTAINABILITY

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

TRANSPARENCY

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

Alignment of the CEO's and CFO's Remuneration Structure

In 2019, Alumina appointed a new CFO, Grant Dempsey, who brings an extensive range of relevant skills and commercial experience to help deliver Alumina's strategic objectives.

The CFO succession presented the Board with opportunity to align the CFO's remuneration structure with that of the CEO.

The CEO's and CFO's remuneration packages have been specifically designed to exclude an STI, which has been replaced with the restricted equity grant.

This design reflects the unique nature of the Company, the requirements of these critical leadership roles to create long term shareholder value, their responsibility for the relationship with our joint venture partner and influence the strategic direction of joint venture development and growth.

The decision to remove the STI component from CEO and CFO remuneration structure continues to align with Alumina Limited's remuneration strategy, in particular ensuring that swings in the commodity cycle do not excessively impact remuneration outcomes and rewarding longer term value creation through increased exposure to equity-based remuneration.

The Board continues to set specific annual objectives for the CEO. Progress is reviewed quarterly and at the end of the year. These steps ensure there is a formal and transparent process from which to assess, discuss and hold accountable CEO performance.

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

The same principle will be adopted for the CFO performance assessment. The alignment of the CFO remuneration structure and performance assessment framework with that of the CEO, is intended to promote a stronger leadership structure focusing on the value creation activities and eliminate potential prioritisation of the short-term goals over longer term strategic objectives.

The Board considered and maintained its discipline of setting overall level of remuneration at modest levels (lowest quartile). Having aligned the CEO and CFO remuneration structures in 2019, the remuneration structures for Alumina's General Counsel and GM Strategy & Development who make up the other KMP remain unchanged.

KMP Remuneration Components and Pay Mix

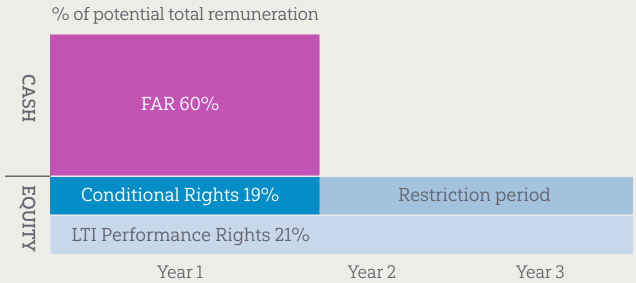
The table below sets out the different components of remuneration for the Alumina Limited's KMP, the performance measures used to determine the amount of remuneration executives will receive and how they are aligned with Alumina Limited's remuneration strategy.

Executive Remuneration Components	Fixed Remuneration ("FAR")	Long-Term Incentive (LTI)[1]	CEO & CFO Equity Based Award	Short-Term Incentive for Senior Executives[1]
Strategic Intent	Attract and retain executives with the capability and experience to deliver our strategy.	Align performance focus with the long-term business strategy and shareholders experience.	Align performance focus with the long-term business strategy and shareholder experience.	Performance incentive directed to achieving Board approved targets, reflective of market circumstances.
Performance Measure	FAR is set based on market relativities, reflecting responsibilities, qualifications, experience and effectiveness.	LTI vesting is subject to service and performance tested three years from the grant date. The testing criteria is three-year Company TSR equal to or outperforming the median of the two (one local, one international) comparator groups (half of the LTI is attributable to each comparator group).	Transfer of shares is conditional on a minimum of 12 months service period. There is a 3-year trading restriction on the shares from grant date. The value of the equity remains subject to performance of the Company's share price.	STI performance criteria are set by reference to: • A minimum performance threshold requirement (the "Corporate Gate") • Financial metrics • Strategic objectives • Individual performance and effort relevant to the specific objective.
Delivery	Cash Payment	Performance Rights	Conditional Rights	Mix of cash and equity • GE Strategy & Development: 100% cash • Company Secretary: 50% cash, 50% equity with three years trade restriction period

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

CEO

The CEO's remuneration package comprises FAR, an annual grant of Conditional Rights subject to dealing restrictions, and an LTI.



The remuneration structure for the CEO includes remuneration elements most aligned with the role of the CEO at Alumina Limited and the skills and experience of the individual in the role. The aspects considered most important centred on strategic influence, long term value creation, joint venture and industry relationships, identification of portfolio opportunities and leadership skills.

A greater proportion of equity exposure (delivered via the Conditional Rights and LTI) drives long-term focus and a provides a better measure of the CEO's performance. The equity component value will change over time and mirror the experience of shareholders.

As a part of the CEO performance assessment, the Board conducted a structured review of CEO effectiveness in the role, not only for 2019, but over the period of his appointment.

Since his appointment in 2017, which followed the separation of Alcoa Inc in late 2016, Mr Ferraro's priority was to engage with Alcoa to assess the potential growth and synergies within the alumina and bauxite segments, optimising and investing in AWAC's core assets, whilst maintaining good working relationships with our joint venture partner. Significant progress was achieved in the areas of long term gas sourcing, risk management, sustainability and residue disposal area management. Mr Ferraro's leadership of Alumina in terms of the quality of investor and stakeholder relationships was assessed.

The Board view was reaffirmed through canvassing the views of investors by the Chairman. The conclusion was that Mr Ferraro has matured in the role and his outperformance should be reflected in 2020's remuneration decision.

As a final test for the appropriateness and the quantum of CEO remuneration decision, a market comparison was conducted against the CEO remuneration of the ASX51-100, the Company's preferred comparator group that comprises companies with a market capitalisation of approximately 70% to 150% of Alumina Limited.

The CEO's 2019 FAR positions him at the 46th percentile of the ASX51-100 comparator group and at the 34th percentile of the ASX51-75 comparator group, whilst his total reward opportunity positions him at 8 percentile for both comparator groups.

Whilst the Board remains of the view that due to the non-operating nature of Alumina's business it is appropriate to maintain the total CEO reward opportunity positioning in the lowest quartile, the Board also considers the increased complexity and demand for proactive participation and contribution in certain areas of JV governance and operations.

On this basis, the Board thought the CEO's 2020 remuneration package should be revised to further increase CEO exposure to equity in the Company thus reflecting on the future strategic intent of the role.

The revision of the CEO remuneration package results in a 6% increase of the total reward opportunity and includes the following changes:

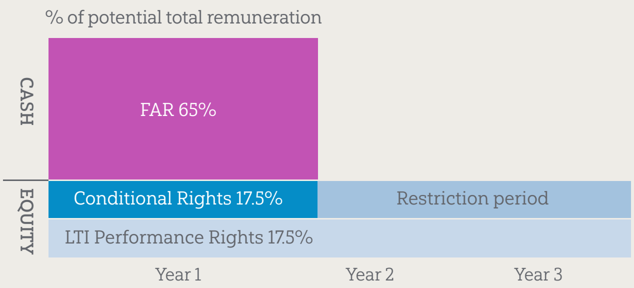
- 2.2% FAR increase;
- 12.5% increase in the value of conditional rights; and
- 11% increase in the value of LTI Performance rights.

The CEO's revised 2020 total reward opportunity would have positioned him at the 12th percentile of the ASX51-100 comparator group and at the 8th percentile of the ASX51-75 comparator group.

CFO

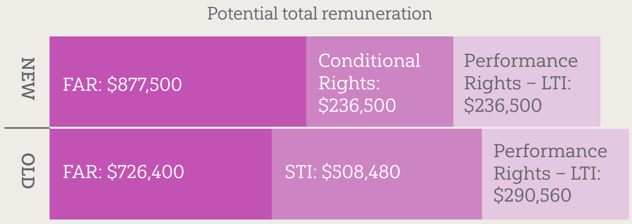
As previously mentioned, the Board took an opportunity to align the CFO remuneration structure to that of the CEO.

As with the CEO package, the CFO's remuneration package comprises a fixed cash component of $877,500, an equity component delivered via conditional rights and performance rights valued at $236,250 each at the time of the grant.



Restructuring of the CFO remuneration package resulted in a reduction of the overall potential quantum of the package (from $1,525,440 to $1,350,000), whilst doubling the exposure to the equity component (delivered via replacement of cash STI to Conditional Rights).

The Board is satisfied that the CFO's target remuneration is appropriate to attract, retain and motivate a high calibre, and with appropriate skill-set CFO. The revised CFO remuneration package was validated through external benchmarking.



Senior Executives

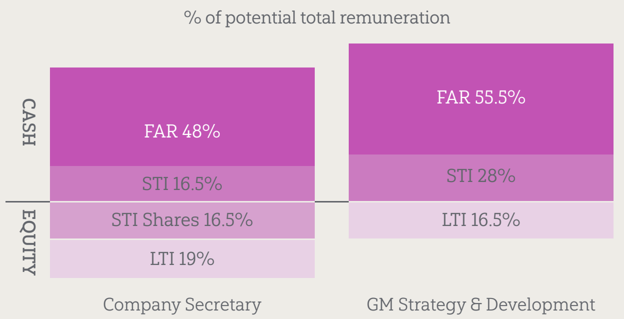
Senior Executive remuneration packages comprise FAR, STI and LTI. The STI component for the Senior Executives is considered appropriate and provides the CEO with a management tool to set annual priorities in the context of the Company's longer-term strategic plans, reinforced through the attachment of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

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

The Company strategic, financial and non-financial objectives are identified.

At the end of the year performance is evaluated based on the status of completion of objectives and individual performance relevant to the specific objective.

In the Board's opinion this approach directs Executive focus to the most significant business priorities, promote teamwork and present a transparent and equitable basis of the performance assessment.



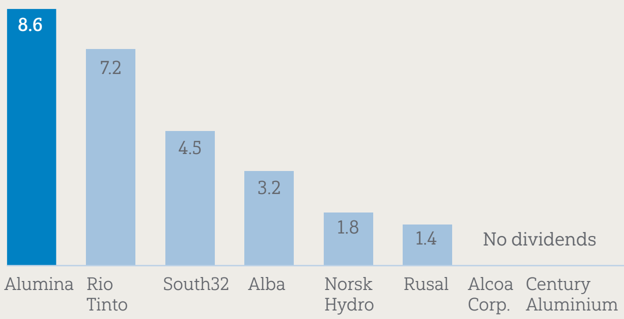
2. Company Performance and Executive Remuneration Outcomes

2.1. Company Performance

Some Company objectives are weighted differently for each of the KMP depending on the expected level of input and responsibilities assigned. In terms of financial performance, Alumina Limited has continued its recent history of strong results. Despite a softer alumina market, Alumina Limited recorded a profit of US$214.0 million. The profit decreased 66% compared to the record 2018 profit of US$635.4 million due to lower alumina prices and charges associated with the closure of the Point Comfort refinery in Texas.

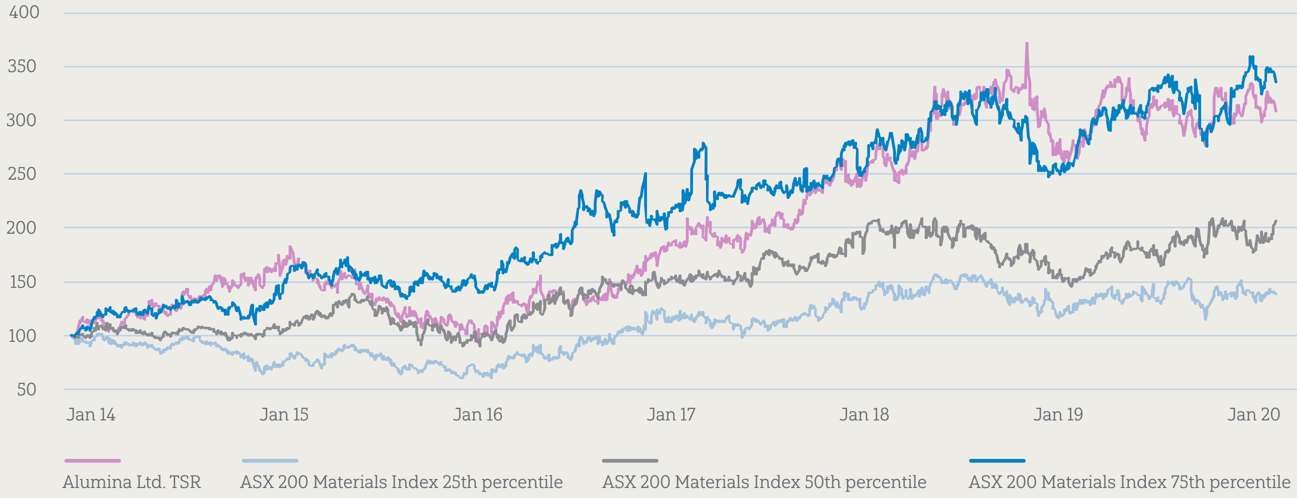
A low cost, tier one portfolio of assets, supports AWAC's ability to remain profitable despite lower alumina prices and has facilitated cash distributions of US$471.9 million to Alumina Limited during 2019. Whilst dividend distributions in 2019 were down compared to the record distributions of 2018, the chart shows that Alumina Limited's three-year dividend yield of 8.6% continues to compare favourably to peers. Additionally, Alumina Limited's TSR compared to relevant ASX indices, demonstrates a track record of solid returns to investors since 2016 following AWAC's asset portfolio transformation.

Alumina Limited vs Peers Avg Dividend Yield[1]
Past three calendar years, excl. franking credits



1. Dividend yield calculated as the average dividend declared from 26-Feb-17 to 26-Feb-20 divided by the average share price during that period.

Alumina Limited (including Franking Credits) (A$) 2014–2019 ASX200 Materials Company TSR's (Incl. Franking Credits) (A$)



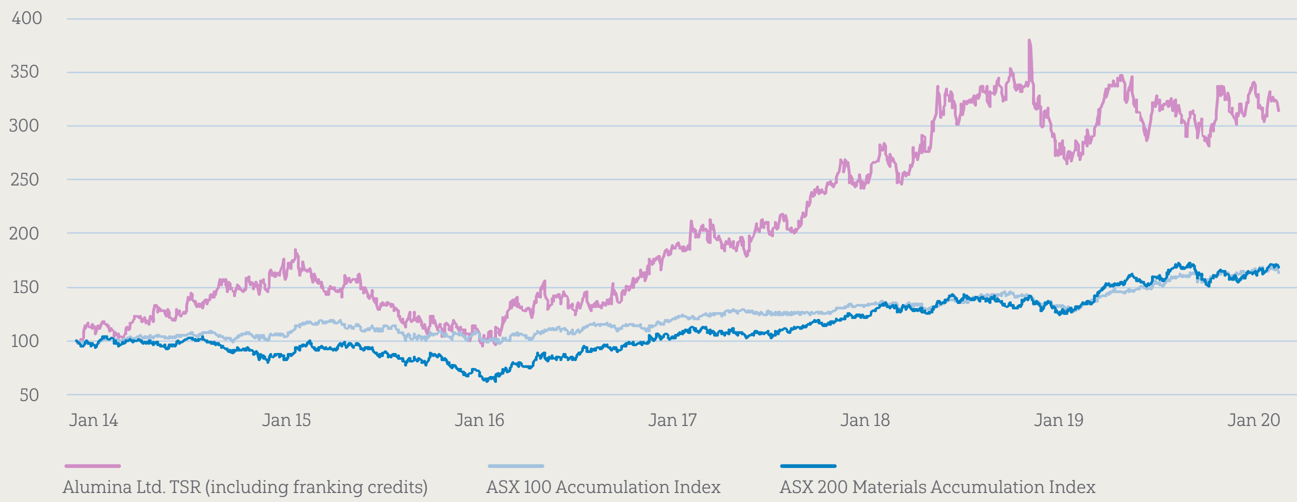
Alumina Limited undertook a number of actions to strengthen its balance sheet during 2019. The syndicated bank facility was renegotiated, and as a result Alumina Limited now has facilities totalling US$350 million, with the earliest tranche not maturing until October 2022.

Alumina Limited also redeemed the A$125 million note and early terminated the associated CCIRS. These actions give Alumina Limited greater flexibility and enhanced access to liquidity. As at 31 December 2019, Alumina Limited's net debt was US$54.8 million, equating to 3.0% gearing.

Alumina Limited's Board and Management continue to remain abreast of industry trends and developments in order to refine the future strategy of the business. We continue to engage with Alcoa to assess the potential growth and synergies within the alumina and bauxite segments, whilst maintaining good working relationships with our joint venture partner and contributed to discussion and analysis of various potential projects within AWAC.

Our investment in AWAC's portfolio of low cost assets, together with a very strong balance sheet, allows Alumina Limited to deliver consistent returns through the cycle while also investing for the long term. Changes to the AWAC distribution policies negotiated in 2016 provided greater certainty and control over cash flows to Alumina Limited and ultimately to its shareholders.

Alumina Limited 2019 TSR Compared to ASX Indices



2.2. Remuneration Decisions and Outcomes for 2019

Fixed Remuneration	
2019 Outcomes	Fixed remuneration for the CEO and Senior Executives increased in 2019 by 2.5%, which was generally in line with the increases applied to the broader staff in the Company, except for two staff members who received a higher increase in base remuneration due to changes in their respective responsibilities. The CFO's fixed remuneration was reviewed on appointment and details are set out in section 1.3. Ms Kraeva was appointed interim CFO for the period 19 November 2018 to 30 June 2019. Ms Kraeva's FAR was set at $600,000 per annum whilst she remained in the role.
Short Term Incentive	
2019 Outcomes	In 2019, STI payments were assessed against a range of corporate objectives, including financial strategic and non-financial objectives. "Corporate Gate" requirements were satisfied therefore STI was assessed based on 100% of the potential award. Senior Executives, achieved on average 75% of the maximum STI.
Long Term Incentive	
2019 Outcomes	The FY17 LTI was tested in 2019 (testing period December 2016 to December 2019) with 100% of the total award vesting. Alumina Limited's performance against the ASX Comparator group exceeded the 75th percentile and therefore 100 per cent of the potential entitlement vested. In relation to the International Comparator Group, Alumina Limited's performance was above top ranked peer company.

2.3. CEO, CFO and Senior Executives Performance under the LTI Plan

2019	Key Features of the LTI Plan
Description	The LTI is delivered in the form of Performance Rights that are tested over a three-year performance period. Each Performance Right that vests deliver to the holder an ordinary share in Alumina Limited upon exercising of the Right.
Performance Period	Three Year
Performance Hurdles	Alumina Limited's performance is tested using relative TSR compared against two comparator groups. Relative TSR was chosen as an appropriate means of measuring Company performance as it incorporates both capital growth and dividends. The two comparator groups against which Alumina Limited's performance were tested are: • ASX Comparator Group (Test 1 – 50% weighting): Australian listed entities in S&P/ASX 100 Index, excluding property trusts, the top 20 companies by market capitalisation and Alumina Limited. • International Comparator Group (Test 2 – 50% weighting): reflecting the Company's direct competitors in the market comprising nine selected companies in the alumina and/or aluminium industries that are listed in Australia or overseas, excluding the Company. The following companies were included in the group: South 32, Hindalco Industries, Century Aluminium, Norsk Hydro, China Hongqiao Group, Arconic, Yunnan Aluminium 'A' (CNY), Aluminium Corporation of China, United Company Rusal.

2.3. CEO, CFO and Senior Executives Performance under the LTI Plan (continued)

2019	Key Features of the LTI Plan (continued)				
Performance Assessment	Performance hurdles are independently measured by Mercer Consulting (Australia) at the conclusion of the relevant performance period. Alumina Limited's TSR is ranked against the TSR of companies in each of the comparator groups.				
	Alumina Limited's TSR Percentile Rank	**Percentage of Vesting in (applies individually to each comparator group)**			
	Below 50th	0%			
	Equal to 50th	50%			
	Between 50th and 75th (ASX Comparator Group)[1]	An additional 2% of award for each percentile increase			
	Equal to or greater than 75th	100%			
	Following testing, any Performance Rights that have not vested will lapse.				
Entitlements	The participant is only entitled to proportionally receive dividends and other distributions, bonus issues or other benefits if the performance conditions applicable to Performance Rights are satisfied (or waived) and the Performance Rights vest and are exercised. Shares relating to Performance Rights, are not automatically allocated upon vesting. Instead, participants are entitled to exercise each relevant Performance Right at any time during the applicable exercise period (Exercise Period) after vesting. The Exercise Period will generally end seven years after vesting of the relevant Performance Rights. However, the Exercise Period may be shortened in certain circumstances such as cessation of employment or a change of control event. Performance Rights that do not vest as at the end of the vesting period will lapse.				
Performance Levels[2]	**Percentage of FAR (%)**				
	CEO	CFO	Interim CFO	Company Secretary	GE Strategy & Development
	Approx 35	Approx 27	20	40	30

1. If the Company's TSR performance is equal to that of any entity (or security) between the 50th percentile and the 75th percentile of the International Comparator Group ranked by TSR performance, the number of Performance Rights in the relevant half of the LTI award that vest will be equal to the vesting percentage assigned by the Board to that entity (or security). If the Company's TSR performance is between that of any two such entities (or securities) in the International Comparator Group, the number of Performance Rights in the relevant half of the LTI award that vest will be determined on a pro rata basis relative to the vesting percentages assigned by the Board to those entities (or securities).
2. To determine the number of Performance Rights to be offered, the LTI opportunity is allocated using a face value allocation methodology being the annual dollar value of the LTI grant divided by the average Company share price over the 20 trading days leading up to the time that the Board determined to make offers of Performance Rights to CEO, CFO and Senior Executives under the LTI plan for the relevant year.

Alumina Limited's performance resulted in 100 per cent of the total potential entitlement vesting in 2019. The tables below summarise Alumina Limited's TSR performance against each of the comparator groups, and the number and value of the performance rights vested to KMP as result of this performance. Full reconciliation of number of rights at the beginning and the end of the financial year provided in section 4.3. of this report.

Description	ASX Comparator Group	International Comparator Group
Currency	AUD	USD[1]
Performance Period	7 December 2016 – 6 December 2019	
Alumina Limited's TSR	81.34%	65.54%
Alumina Limited's TSR Percentile Rank	84.48%	Above top ranked peer company
75th percentile TSR	67.24%	(10.51%)
50th percentile TSR	37.98%	(26.80%)

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

KMP	Number of Performance Rights Vested in 2019[1]	A$ Value of Performance Rights Exercised[2]
Michael Ferraro	–	–
Grant Dempsey	–	–
Galina Kraeva	36,600	86,376
Stephen Foster	125,600	–
Andrew Wood	66,500	156,940

1. Performance Rights vested in 2019 were issued based on 2016 employment. Mr Ferraro was appointed CEO from 1 June 2017, Mr Dempsey was appointed CFO from 1 July 2019, therefore performance rights granted to them are still subject to future performance testing. Ms Kraeva was appointed Interim CFO for the period 19 November 2018 until 30 June 2019, and therefore the Performance Rights vested reflect LTI grants granted to her prior to her becoming a KMP.
2. The value of Performance Rights exercised is determined by the number of Rights vested in 2019 multiplied by the market price at the exercise date. Mr Foster did not exercise his rights as yet. Had he done so on the vesting date the value of his respective performance rights would have been $296,416.

2.4. Senior Executives (excluding CEO and CFO) Performance Under the STI Plan

2019	Key Features of the STI Plan
Description	The Board sets financial and non-financial performance objectives at the start of each year. Performance is then assessed against each objective at the end of each year to determine whether executives receive payment under the STI plan.
Performance Period	Financial Year
Performance Hurdles	The STI is subject to the "Corporate Gate", a minimum performance threshold requirement under which Alumina Limited must pay a dividend or report an underlying profit before significant items. Significant items may include any positive or negative one-off items such as profit on asset sales, asset impairments or generally any matter which is not recurring. Where scorecard objectives are met and the "Corporate Gate" is satisfied, the STI payment can be at the target level. If the "Corporate Gate" is not satisfied the overall scorecard performance scores will be halved in determining STI payments. Where objectives are significantly exceeded, the STI payment can approach the maximum level indicated below.
Performance Assessment	The Compensation Committee reviews individual performance against the scorecard at year end. It takes into account actual performance outcomes and internal and external factors that may have contributed to the results based on a comprehensive report provided by the CEO. In determining its recommendations to the Board on the level of STI payments, the Compensation Committee decides and, through discussion, tests: • whether each individual element was achieved or surpassed • if an element was not achieved, whether this was due to the element no longer being considered a priority during the year due to changes in the operating environment, or whether due to poor performance (in which case a zero is likely to be given). Given the nature of the building blocks to the Alumina Limited STI scheme, a simple distinction between threshold, at target and stretch performance is not always apparent, especially at the beginning of the year. But in making its assessments as described above, the Compensation Committee is focused on a scheme which is sufficiently demanding and rewards hard-won achievements by executives.

2.4. Senior Executives (excluding CEO and CFO) Performance Under the STI Plan (continued)

2019	Key Features of the STI Plan			
Opportunity Levels	Level of Performance	Percentage of FAR (%)		
		Interim CFO	Company Secretary/ General Counsel	GE Strategy & Development
	Below expectations	0	0	0
	Corporate gate not met (50% of Target)	12	28	17.5
	Corporate gate satisfied (100% of target)	24	56	35
	Maximum	30	70	50

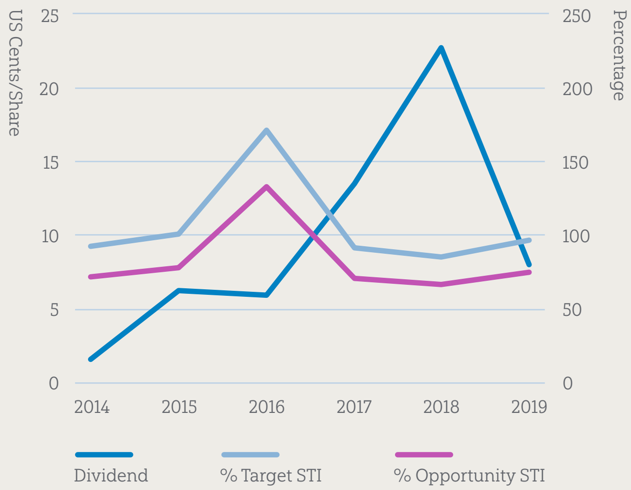
The tables below provide a summary assessment of performance against the STI scorecard, the actual value of STI paid to Senior Executives and the percentage of total maximum STI paid and forfeited for 2019.

2019 STI Scorecard		
Performance Measure	**Weighting**	**Performance Assessment**
Strategic objectives: • Engage with Alcoa to assess the potential growth and synergies within the alumina and bauxite segment • Implement Alumina Limited Risk Management plan and Contribute to risk management planning and actions undertaken in AWAC • Work with Alcoa on review of residue disposal areas and provide input into the recommendations and their implementation plans • Agree the climate change and sustainability strategy for AWAC	57%	**Partially Achieved:** Greater focus on sustainability and climate change achieved; however full strategy review delayed till 2020.
Financial objectives: • Ensure the cash distributions required under the AWAC Joint Venture agreements for 2019 are received and equity contributions properly assessed • Maintain key financial metrics • Develop funding strategy for growth	18%	**At target**
Non-Financial objectives: • Effective and good working relationship is maintained and enhanced with Alcoa • Undertake successor and contingency planning, including additional resources to meet the future needs of the Company	25%	**At target**

In 2019 the Board has given a greater weighting to the strategic objectives that were designed to focus management efforts on influence over the target AWAC's future development. The Management team, led by the CEO had achieved most of their set objectives at the target level, which resulted in a higher percentage of STI paid compared to 2018. However, the total STI awarded to senior executives was down in 2019, primarily due to re-alignment of the CFOs remuneration package.

The actual remuneration outcomes reflect a balanced approach to objective setting, whereby short-term awards, particularly STI, are not being unduly impacted by current market environment and prices, but rather recognises ongoing effort on strengthening JV operations, thus improving Company performance and matching our shareholder's experience over the long term horizon.

6 Year Dividend Percentage STI Award History



2019 STI Outcomes				
KMP	**Year**	**STI Paid A$**	**Paid as a Percentage of Maximum Award**	**Forfeited as a Percentage of Maximum Award**
Chris Thiris (previous CFO)[1]	2018	335,420	66%	34%
Galina Kraeva (Interim CFO)[2]	**2019**	**70,000**	**78%**	**22%**
	2018	16,000	73%	27%
Stephen Foster (Company Secretary)	**2019**	**302,000**	**78%**	**22%**
	2018	270,000	71%	29%
Andrew Wood (GE Strategy & Development)	**2019**	**141,000**	**68%**	**32%**
	2018	122,000	60%	40%
Total Executive STI	**2019**	**513,000**	**75%**	**25%**
	2018	743,420	68%	32%

1. Mr Thiris retired and ceased employment with Alumina Limited on 31 December 2018.
2. Ms Kraeva appointed Interim CFO effective 19 November 2018. Her STI is pro-rated for her time as KMP from 19 November 2018 to 30 June 2019.

2.5. CEO and Senior Executives Statutory Remuneration

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

KMP	Year	Short-Term Benefits (A$)				
		FAR[1]	STI	Non Monetary[2]	Other[3]	Total
Mike Ferraro	**2019**	**1,318,833**	**–**	**34,689**	**7,702**	**1,361,224**
	2018	1,286,610	–	33,047	13,261	1,332,918
Grant Dempsey[7]	**2019**	**428,249**	**–**	**14,758**	**–**	**443,007**
Chris Thiris	2018	701,400	335,420	27,607	–	1,064,427
Galina Kraeva[8]	**2019**	**289,734**	**70,000**	**9,088**	**–**	**368,822**
	2018	70,239	16,000	1,482	–	87,721
Stephen Foster	**2019**	**531,300**	**302,000**	**477**	**–**	**833,777**
	2018	517,700	270,000	(8,156)	–	779,544
Andrew Wood	**2019**	**394,333**	**141,000**	**12,950**	**–**	**548,283**
	2018	384,710	122,000	17,402	–	524,112
Total Executive Remuneration	**2019**	**2,962,449**	**513,000**	**71,962**	**7,702**	**3,555,113**
	2018	2,960,659	743,420	71,382	13,261	3,788,722

Post Employment Benefits (A$)	Share Based Payments (A$)			Total Remuneration (A$)
Superannuation and termination[4]	Conditional Rights[5]	Performance Rights[6]	Total	
20,767	**420,250**	**276,118**	**696,368**	**2,078,359**
20,290	507,222	181,536	688,758	2,041,966
10,501	**59,063**	**–**	**59,063**	**512,571**
452,402	–	10,256	10,256	1,527,085
10,266	**–**	**19,868**	**19,868**	**398,956**
2,488	–	4,923	4,923	95,132
25,000	**–**	**131,932**	**131,932**	**990,709**
25,000	–	135,253	135,253	939,797
20,767	**–**	**72,583**	**72,583**	**641,633**
20,290	–	72,998	72,998	617,400
87,301	**479,313**	**500,501**	**979,814**	**4,622,228**
520,470	507,222	404,966	912,188	5,221,380

1. FAR is the total cash cost of salary, exclusive of superannuation.
2. Non-monetary benefits represent the movement in accrued long service leave and value of the car park.
3. Other short-term benefits include personal financial advice allowance and travel allowance.
4. Superannuation and termination reflect the SGC contributions for all KMP and termination payment (payment in lieu) for Mr Chris Thiris in 2018.
5. The CEO's and CFO's remuneration packages includes a conditional rights component. In accordance with AASB 2, the value attributed to the conditional rights represents the amortisation for the reporting period of the value at grant date of all previously granted conditional rights that have neither vested nor lapsed.
6. In accordance with AASB 2, the value attributed to Performance Rights represents the amortisation for the reporting period of the value at grant date of all previously granted Performance Rights that have neither vested nor lapsed. The value at grant date is amortised over a three-year period.
7. Mr Dempsey appointed CFO from 1 July 2019.
8. Ms Kraeva appointed Interim CFO from 19 November 2018 to 30 June 2019.

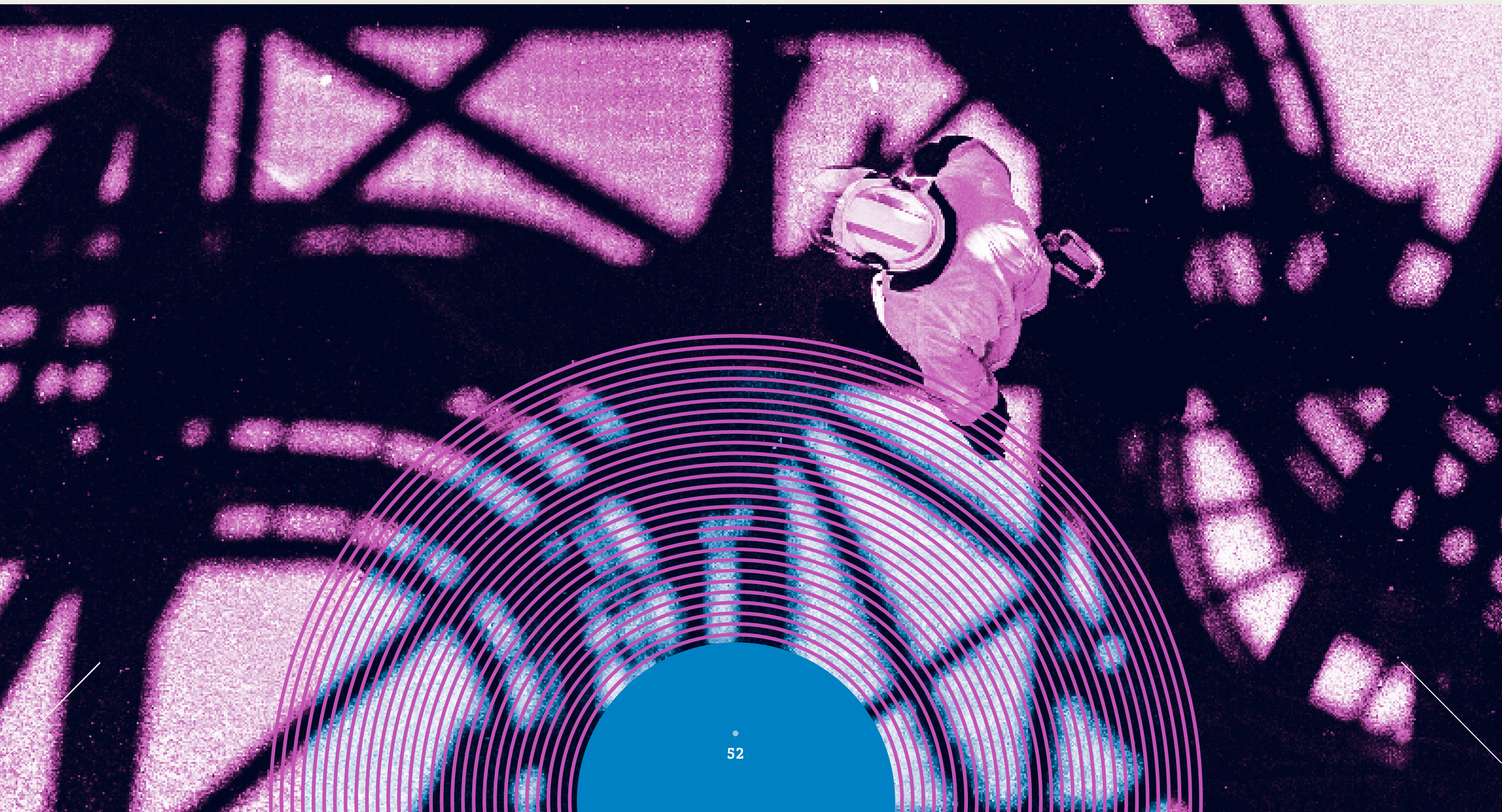
2.6. Actual "Take Home" 2019 Remuneration Awarded to CEO and Senior Executives

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

- Cash salary including superannuation benefits and any salary sacrifice arrangements, but excluding termination payments;
- Other short-term benefits comprised of the personal financial advice allowance and travel allowance;
- STI cash payment;

KMP	Year	Short-Term Benefits (A$)			
		FAR including superannuation	STI	Other	Total
Mike Ferraro	**2019**	**1,339,600**	–	**7,702**	**1,347,302**
	2018	1,306,900	–	13,261	1,320,161
Grant Dempsey[1]	**2019**	**438,750**	–	–	**438,750**
Chris Thiris[2]	2018	726,400	335,420	–	1,061,820
Galina Kraeva[3]	**2019**	**300,000**	**70,000**	–	**370,000**
	2018	72,727	16,000	–	88,727
Stephen Foster	**2019**	**556,300**	**302,000**	–	**858,300**
	2018	542,700	270,000	–	812,700
Andrew Wood	**2019**	**415,100**	**141,000**	–	**556,100**
	2018	405,000	122,000	–	527,000
Total Executive Remuneration	**2019**	**3,049,750**	**513,000**	**7,702**	**3,570,452**
		3,053,727	743,420	13,261	3,810,408

1. Mr Dempsey appointed CFO on 1 July 2019.
2. Termination payment for Mr Thiris is included in the table on page 50.
3. Ms Kraeva appointed Interim CFO from 19 November 2018 to 30 June 2019.



- Conditional Rights vested (being the number of conditional rights that vested multiplied by the market price at the vesting date);
- LTI vested and exercised (being the number of performance rights that vested and were exercised multiplied by the market price at the exercise date).

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

Share Based Payments (A$)			Total "Take Home" Remuneration, Excluding Termination (A$)	Total Remuneration (A$)
Conditional Rights	Performance Rights	Total		
379,160	**–**	**379,160**	**1,726,462**	**2,078,359**
333,508	–	333,508	1,653,669	2,041,966
–	**–**	**–**	**438,750**	**512,571**
–	502,331	502,331	1,564,151	1,099,683
–	**202,578**	**202,578**	**572,578**	**398,956**
–	–	–	88,727	95,132
–	**468,000**	**468,000**	**1,326,300**	**990,709**
–	–	–	812,700	939,797
–	**156,940**	**156,940**	**713,040**	**641,633**
–	198,526	198,526	725,526	617,400
379,160	**827,518**	**1,206,678**	**4,777,130**	**4,622,228**
333,508	700,857	1,034,365	4,844,773	4,793,978

3. Non-Executive Directors Remuneration

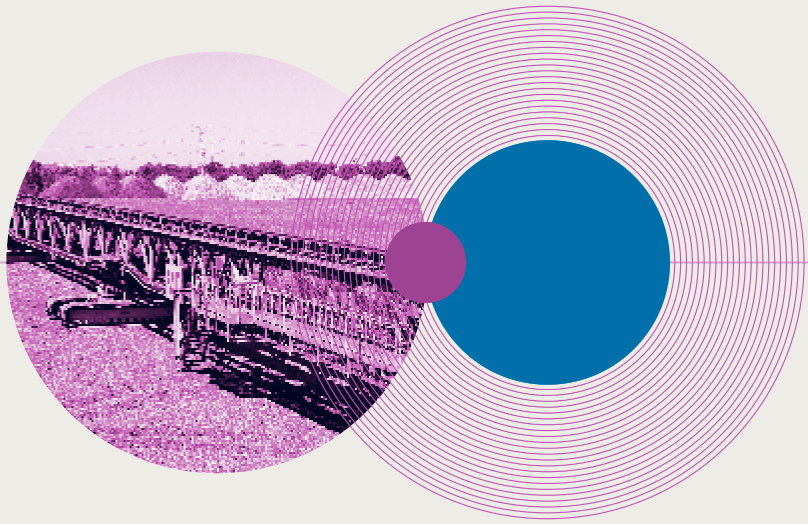
3.1. Remuneration Outcomes in 2019

The maximum remuneration for Non-Executive Directors is determined by resolution of shareholders. At the 2016 AGM, shareholders approved a maximum aggregate remuneration of $1,500,000 per annum for Non-Executive Directors. A total of $1,176,500 was paid in Non-Executive Director fees in 2019. Other than the Chairman, who receives a single base fee of $410,000 (inclusive superannuation), Non-Executive Directors receive a base fee plus additional fees for membership of Board Committees and superannuation contribution. Non-Executive Directors do not participate in incentive plans or receive any retirement benefits other than statutory superannuation contributions.

As a result of a Director fee review, the Board resolved to increase Board Committees membership fees for 2020, whilst keeping the Director base fee and Chairman fee unchanged. These increases were made so that the composition of NED fees at Alumina are appropriate relative to market (whilst still having regard to the non-operating nature of Alumina's business), and so that fees remain competitive to attract and retain high calibre directors. This is the first increase in fees since 2011 and does not require an increase to the Director fee pool.

	2019 A$	2020 A$
Base fee	150,000	150,000
Compensation Committee – Chair	30,000	35,000
Compensation Committee – Member	5,000	10,000
Audit and Risk Management Committee – Chair	30,000	35,000
Audit and Risk Management Committee – Member	5,000	10,000
Sustainability Committee – Chair	–	–
Sustainability Committee – Member	–	10,000
Nomination Committee – Chair	10,000	10,000
Nomination Committee – Member	–	–

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



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

Non-Executive Director	Year	Short-Term Benefits (A$)			Post Employment Benefits (A$)	Total Remuneration (A$)
		Fees	Non-Monetary	Total	Superannuation[1]	
Peter Day[2,3]	**2019**	**389,233**	**–**	**389,233**	**20,767**	**410,000**
	2018	338,472	–	338,472	19,672	358,144
Emma Stein[4]	**2019**	**185,000**	**–**	**185,000**	**17,575**	**202,575**
	2018	187,500	–	187,500	17,813	205,313
Deborah O'Toole[3]	**2019**	**185,000**	**–**	**185,000**	**17,575**	**202,575**
	2018	178,750	–	178,750	16,981	195,731
Chen Zeng	**2019**	**160,000**	**–**	**160,000**	**15,200**	**175,200**
	2018	160,000	–	160,000	15,200	175,200
John Bevan[4]	**2019**	**170,000**	**–**	**170,000**	**16,150**	**186,150**
	2018	167,500	–	167,500	15,912	183,412
John Pizzey[2]	2018	97,488	–	97,488	5,012	102,500
Total Non-Executive Director Remuneration	**2019**	**1,089,233**	**–**	**1,089,233**	**87,267**	**1,176,500**
	2018	1,129,710	–	1,129,710	90,590	1,220,300

1. The applicable superannuation contribution rate for 2019 and 2018 was 9.5 per cent.
2. Mr Pizzey retired as a Non-Executive Director and Chairman on 31 March 2018. Mr Day was appointed as Chairman on 1 April 2018.
3. Mr Day resigned as Chair of the Audit and Risk Management Committee ("ARMC") on 31 March 2018. Ms O'Toole was appointed as Chair of ARMC on 1 April 2018.
4. Ms Stein resigned as Chair of the Nomination Committee on 31 March 2018. Mr Bevan was appointed as Chair of the Nomination Committee on 1 April 2018. Mr Bevan was appointed a Non-Executive Director on 1 January 2018.

3.2. Non-Executive Directors Share Holdings

Each Non-Executive Director is required to hold shares in the Company having a value at least equal to 50 per cent of the Director's base fee within five years from their appointment as a Director.

Non-Executive Director	Year	Number of Shares as at 1 January[1]	Number of Shares Acquired During the Year	Number Of Shares as at 31 December[1]	Policy Compliance Date[2]
Peter Day	**2019**	**75,720**	–	**75,270**	**03/11/2014**
	2018	75,720	–	75,720	
Emma Stein	**2019**	**84,794**	–	**84,794**	**24/02/2014**
	2018	84,794	–	84,794	
Deborah O'Toole	**2019**	**8,000**	–	**8,000**	**01/12/2024**
	2018	–	8,000	8,000	
Chen Zeng[2]	**2019**	**4,804**	–	**4,804**	–[3]
	2018	4,804		4,804	
John Bevan	**2019**	**300,154**	–	**300,154**	**01/01/2018**
	2018	300,154	–	300,154	

1. Number of shares held at 1 January and 31 December of the respective years include directly held shares, nominally held shares, and shares held by personally related entities.
2. Date on which compliance with Director shareholding policy is required or has been satisfied.
3. Mr Zeng is a nominee of CITIC and CITIC holds 548,959,208 ordinary fully paid shares in Alumina Limited.

4. Additional Disclosures

4.1. Reconciliation of Conditional Rights Held by CEO and CFO

KMP	Year[1]	Number Of Rights					Value of Rights (A$)			Maximum Value of Rights Yet to Vest (A$)[7]
		Total as at 1 January	Granted During the Year[1,2]	Vested During the Year[3]	Lapsed During the Year[4]	Total as at 31 Dec[5]	Granted During the Year[1,2]	Vested During the Year[6]	Lapsed During the Year[4]	
Mike Ferraro (CEO)	**2019**	**169,268**	**183,515**	**(169,268)**	–	**183,515**	**420,250**	**(379,160)**	–	–
	2018	122,164	169,268	(122,164)	–	169,268	410,000	(333,508)	–	–
Grant Dempsey (CFO)	**2019**	–	**49,842**	–	–	**49,842**	**118,125**	–	–	–

1. Mr Ferraro receives Conditional Rights replacing an STI component. The number of Conditional Rights is determined by dividing the set value of $420,250 (2018: $410,000) by a Volume Weighted Average Price (VWAP) of $2.29 (2018: $2.42), independently calculated by Mercer. Mr Ferraro's FAR increased by 2.5% in 2019 therefore the total value of the Conditional Rights grant increased.
2. Mr Dempsey receives Conditional rights. The number of Conditional Rights is determined by dividing the set value of $236,250 pro rated for 2019 by a VWAP of $2.37. Mr Dempsey received a pro-rated allocation in 2019 calculated from his commencement date of 1 July 2019 as CFO.
3. The terms of Conditional Rights granted were not altered during 2019. The number of Conditional Rights vested is the number granted in the prior years, following the completion of the required conditions. For both Mr Ferraro and Mr Dempsey there is a three-year trading restriction on the shares from grant date as long as they remain employed by the Company.
4. No Conditional Rights lapsed.
5. Number of Conditional Rights yet to meet the required condition and have not lapsed.
6. Value vested is equal to the number of Conditional Rights that have satisfied the required conditions multiplied by the share price at the time of vesting. In 2019, for Mr Ferraro, it was 169,268 Conditional Rights by the share price of $2.24 on 7 January 2019. In 2018, it was 122,164 Conditional Rights by the share price of $2.73 on 8 June 2018.
7. The maximum value of the Conditional Rights is based on the number of rights that vest and are released at the expiration of the conditional period, multiplied by the share price on the date of release.

4.2. Value Change Over Time of the CEO's and CFO's Conditional Rights

KMP	Year	Number of Rights	Value of Rights (A$)[1]		
			Granted During the Year[1,2]	As at Vesting Date[3]	As at December 2019[4]
Mike Ferraro (CEO)	2019	183,515	420,250	–	422,085
	2018	169,268	410,000	379,160	–
	Total	**352,783**	**830,250**	**379,160**	**422,085**
Grant Dempsey (CFO)	2019	49,842	118,125	–	114,637
	Total	**49,842**	**118,125**	**–**	**114,637**

1. The number of Conditional Rights is determined by dividing the set value of $420,250 (2018: $410,000) by a VWAP of $2.29 (2018: $2.42), independently calculated by Mercer. Mr Ferraro's FAR increased by 2.5% in 2019 therefore the total value of the initial Conditional Rights grant increased.
2. The number of Conditional Rights is determined by dividing the set value of $236,250 by a VWAP of $2.37, independently calculated by Mercer. Mr Dempsey received a pro-rata allocation in 2019 calculated from his commencement date of 1 July 2019 as CFO.
3. The value of Conditional Rights vested is determined by the number of vested Rights multiplied by the market price at the vesting date.
4. The value of Conditional Rights as at 31 December 2019 is determined by the number of vested Rights multiplied by the market price at the date.

4.3. Reconciliation of Performance Rights Held by KMP

KMP	Year[1]	Number of Performance Rights						
		Total as at 1 January[2]	Granted During the Year[3]	Exercised During the Year[4,5]	Lapsed During the Year[6]	Total as at 31 December[7]	Yet to be Exercised as at 31 December	Yet to Vest as at 31 December
Mike Ferraro	**2019**	**339,900**	**213,300**	**–**	**–**	**553,200**	**–**	**553,200**
	2018	141,900	198,000	–	–	339,900	–	339,900
Chris Thiris	2018	405,900	127,900	(230,381)	(141,769)	161,650	–	161,650
Galina Kraeva	**2019**	**114,487**	**31,500**	**(86,687)**	**–**	**59,300**	**–**	**59,300**
	2018	88,300	27,800	–	(1,613)	114,487	50,087	64,400
Stephen Foster	**2019**	**393,159**	**98,000**	**(172,059)**	**–**	**319,100**	**125,600**	**193,500**
	2018	303,200	95,500	–	(5,541)	393,159	172,059	221,100
Andrew Wood	**2019**	**120,000**	**54,900**	**(66,500)**	**–**	**108,400**	**–**	**108,400**
	2018	160,500	53,500	(91,067)	(2,933)	120,000	–	120,000

1. 2019 include Performance Rights granted on 21 January 2019 (2018: 18 January 2018) for the three-year performance test period concluding 12 December 2021. (2018: 4 December 2020).
2. Includes the number of Performance Rights granted that were subject to testing in 2019.
3. The terms of Performance Rights granted were not altered during 2019. Number of Performance Rights granted calculated as the annual dollar value of the LTI grant divided by the average Company share price over the 20 trading days leading up to the time that the Board determined to make offers under the LTI plan for the relevant year.
4. The number of Performance Rights that vested in 2019 due to testing of Tranche 17. For the rights tested against the ASX Comparator Group, 100 per cent vested and 100 per cent vested in relation to the International Comparator Group.
5. Performance Rights vest on satisfaction of the performance criteria. The eligible participant then enters an exercise period that concludes at 5:00pm (Melbourne time) on the date that is seven years after vesting. Vested ESP entitlements that are not exercised by the end of the Exercise Period will lapse (and consequently no Shares will be allocated, and no Cash Settlement Amounts will be paid, in respect of those vested ESP entitlements). However, if any eligible participants vested ESP entitlements would otherwise lapse at the end of the Exercise Period because of this rule, and they have not previously notified Alumina Limited that they do not wish those vested ESP entitlements to exercised, then they will be deemed to be exercised by the eligible participant.
6. The number of the Performance Rights that did not meet the criteria for vesting and therefore lapsed. In 2018, it also includes 134,350 Performance Rights for Mr Thiris that lapsed on a proportional basis from his retirement date to the end of the relevant performance period.
7. Includes number of Performance Rights granted subject to future testing (yet to vest) and number of Performance rights vested but yet to be exercised.

KMP	Year[1]	Value of Performance Rights (A$)				Minimum Value of Grants Yet to Vest[3]	Maximum Value of Grant Yet to Vest or to be Exercised[1]
		Granted During the Year[1]	Exercised During the Year[2]	Lapsed During the Year[2]	Yet to be Exercised[1]		
Mike Ferraro	**2019**	**283,689**	**–**	**–**	**–**	**–**	**828,354**
	2018	282,150	–	–	–	–	544,665
Chris Thiris	2018	182,258	502,331	(176,693)	–	–	184,569
Galina Kraeva	**2019**	**41,895**	**202,578**	**–**	**–**	**–**	**81,510**
	2018	39,615	–	(1,274)	39,569	–	77,313
Stephen Foster	**2019**	**130,340**	**468,000**	**–**	**129,368**	**–**	**266,428**
	2018	136,088	–	(4,377)	135,927	–	265,456
Andrew Wood	**2019**	**73,017**	**156,940**	**–**	**–**	**–**	**149,255**
		76,238	198,526	(2,317)	–	–	144,733

1. Calculated by multiplying the number of rights by the fair value as at the date of the grant, independently calculated by Mercer Consulting (Australia) using the assumptions underlying the Black-Scholes methodology to produce a Monte Carlo simulation model that accommodates features associated with Alumina Limited's ESP such as exercise, lapse and performance hurdles.
2. The value of Performance Rights exercised is determined by the number of Rights multiplied by the market price at the exercise date.
3. The minimum value of the Performance Rights for any given year is zero.

4.4. Reconciliation of Ordinary Shares Held by KMP

KMP	Year[1]	Number of Ordinary Shares					
		Total as at 1 January[2]	Acquired During the Year Under LTI[2]	Acquired During the Year CEO Conditional Rights	Other Shares Acquired During the Year	Sold During the Year	Total as at 31 December
Mike Ferraro	**2019**	**190,164**	**–**	**169,268**	**–**	**–**	**359,432**
	2018	68,000	–	122,164	–	–	190,164
Grant Dempsey	**2019**	**–**	**–**	**–**	**–**	**–**	**–**
Chris Thiris	2018	900,000	230,381	–	–	–	1,130,381
Galina Kraeva	**2019**	**25,770**	**86,687**	**–**	**–**	**–**	**112,457**
	2018	25,770	–	–	–	–	25,770
Stephen Foster	**2019**	**798,234**	**172,059**	**–**	**–**	**–**	**970,293**
	2018	765,748	–	–	32,486	–	798,234
Andrew Wood	**2019**	**289,033**	**66,500**	**–**	**–**	**–**	**355,533**
	2018	197,966	91,067	–	–	–	289,033

1. Number of shares held at 1 January and 31 December of the respective years include directly held, and nominally held shares, and shares held by personally related entities.
2. For 2019, includes 2017 vested Performance Rights that were tested in December 2019 and Rights vested in prior years, which were exercised during 2019. For 2018, includes vested 2016 vested Performance Rights that were tested in December 2018 and exercised in 2018.

4.5. CEO and Senior Executives Service Agreements

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

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

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

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

   The above termination entitlements are subject to any restrictions imposed by the Corporations Act.

4.6. Cessation of Employment

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

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

4.7. Change of Control

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

4.8. Clawback Policy

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

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

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

4.9. Share Trading and Hedge Prohibition

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

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

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

W Peter Day • Chairman
24 March 2020

The Company's strong balance sheet and joint venture distribution arrangements have been crucial in delivering another year of healthy dividends to shareholders.

FINANCIAL REPORT

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

Alumina Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Alumina Limited, Level 12, IBM Centre
60 City Road, Southbank Victoria 3006

A description of the nature of the consolidated entity's operations and its principal activities is included in the operating and financial review on pages 20–35 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 24 March 2020.

All press releases, financial reports and other information are available at our Investor Centre on our website: **www.aluminalimited.com**.

Consolidated Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income	41
Consolidated Balance Sheet	42
Consolidated Statement of Changes in Equity	43
Consolidated Statement of Cash Flows	44

Notes To The Consolidated Financial Statements For The Year Ended 31 December 2019

About This Report 45

Group structure and AWAC performance

1.	Segment Information	46
2.	Investment in Associates	47
3.	Investments in Controlled Entities	50

Financial and Capital Risk

4.	Financial Assets and Liabilities	51
5.	Financial Risk Management	53
6.	Capital Management	57

Key Numbers

7.	Expenses	58
8.	Income Tax Expense	58
9.	Equity	61
10.	Cash Flow Information	62

Additional Disclosures

11.	Related Party Transactions	63
12.	Share-Based Payments	64
13.	Remuneration of Auditors	65
14.	Commitments and Contingencies	65
15.	Events Occurring After the Reporting Period	65
16.	Parent Entity Financial Information	65
17.	Deed of Cross Guarantee	67
18.	New Accounting Standards and Interpretations not yet Adopted	69

Signed Reports

Directors' Declaration	69
Independent Auditor's Report to the Members of Alumina Limited	70

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	US$ Million	
		2019	2018
Revenue from continuing operations		2.5	1.6
Share of net profit of associates accounted for using the equity method	2(c)	232.0	653.5
General and administrative expenses		(12.1)	(11.6)
Change in fair value of derivatives/foreign exchange losses		(1.0)	(1.4)
Finance costs	7(b)	(7.3)	(6.7)
Profit before income tax		**214.1**	**635.4**
Income tax expense	8	(0.1)	–
Profit for the period attributable to the owners of Alumina Limited		**214.0**	**635.4**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Share of reserve movements accounted for using the equity method		1.8	0.4
Foreign exchange translation difference	9(b)	(33.2)	(217.6)
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations accounted for using the equity method		(3.4)	(0.5)
Other comprehensive (loss)/income for the period, net of tax		**(34.8)**	**(217.7)**
Total comprehensive income for the period attributable to the owners of Alumina Limited		**179.2**	**417.7**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9(a)	**7.4¢**	**22.1¢**
Diluted earnings per share	9(a)	**7.4¢**	**22.1¢**

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

Consolidated Balance Sheet

	Notes	US$ Million	
		2019	2018
Current Assets			
Cash and cash equivalents	4(a)	15.2	183.8
Other assets		1.8	1.1
Total current assets		**17.0**	**184.9**
Non-Current Assets			
Investment in associates	2(c)	1,836.8	2,060.2
Total non-current assets		**1,836.8**	**2,060.2**
Total Assets		**1,853.8**	**2,245.1**
Current Liabilities			
Payables		0.9	1.2
Borrowings	4(b)	–	88.0
Derivative financial instruments	4(c)	–	19.0
Provisions		0.3	0.2
Other liabilities		–	0.4
Total current liabilities		**1.2**	**108.8**
Non-Current Liabilities			
Borrowings	4(b)	70.0	–
Provisions		0.5	0.5
Total non-current liabilities		**70.5**	**0.5**
Total Liabilities		**71.7**	**109.3**
Net Assets		**1,782.1**	**2,135.8**
Equity			
Contributed equity	9(a)	2,682.9	2,682.9
Treasury shares	9(a)	(0.8)	(1.2)
Reserves		(1,283.9)	(1,252.0)
Retained earnings		383.9	706.1
Total Equity		**1,782.1**	**2,135.8**

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

Consolidated Statement of Changes in Equity

	Notes	US$ Million			
		Contributed and Other Equity[1]	Reserves	Retained Earnings	Total
Balance as at 1 January 2018		**2,682.0**	**(1,034.7)**	**586.7**	**2,234.0**
Profit for the period		–	–	635.4	635.4
Other comprehensive loss for the period		–	(217.2)	(0.5)	(217.7)
Transactions with owners in their capacity as owners:					
Dividends paid		–	–	(515.5)	(515.5)
Movement in treasury shares	9(a)	(0.3)	–	–	(0.3)
Movement in share based payments reserve		–	(0.1)	–	(0.1)
Balance as at 31 December 2018		**2,681.7**	**(1,252.0)**	**706.1**	**2,135.8**
Balance as at 1 January 2019		**2,681.7**	**(1,252.0)**	**706.1**	**2,135.8**
Profit for the period		–	–	214.0	214.0
Other comprehensive loss for the period		–	(31.4)	(3.4)	(34.8)
Transactions with owners in their capacity as owners:					
Dividends paid		–	–	(532.8)	(532.8)
Movement in treasury shares	9(a)	0.4	–	–	0.4
Movement in share based payments reserve		–	(0.5)	–	(0.5)
Balance as at 31 December 2019		**2,682.1**	**(1,283.9)**	**383.9**	**1,782.1**

[1] Comprises of contributed equity and treasury shares.

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

Consolidated Statement of Cash Flows

	Notes	US$ Million 2019	US$ Million 2018
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(11.9)	(10.7)
GST refund received		0.5	0.4
Dividends received from associates		381.7	657.2
Distributions received from associates		–	0.2
Finance costs paid		(8.3)	(8.1)
Interest paid under cross currency interest rate swap		(3.3)	(5.1)
Interest received under cross currency interest rate swap		3.3	5.7
Other		2.6	1.7
Net cash inflow/(outflow) from operating activities	10(a)	**364.6**	**641.3**
Cash flows from investing activities			
Payments for investments in associates		(51.0)	(108.8)
Proceeds from return of invested capital		90.2	129.6
Net cash inflow/(outflow) from investing activities	2(c)	**39.2**	**20.8**
Cash flows from financing activities			
Proceeds from borrowings		325.0	75.0
Repayment of borrowings		(341.2)	(75.0)
Payments for shares acquired by the Alumina Employee Share Plan		(21.7)	(1.2)
Net payments related to cross currency interest rate swap		(0.9)	–
Dividends paid		(532.8)	(515.5)
Net cash inflow/(outflow) from financing activities		**(571.6)**	**(516.7)**
Net (decrease)/increase in cash and cash equivalents		**(167.8)**	**145.4**
Cash and cash equivalents at the beginning of the financial year		183.8	40.0
Effects of exchange rate changes on cash and cash equivalents		(0.8)	(1.6)
Cash and cash equivalents at the end of the financial year	4(a)	**15.2**	**183.8**

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 2019

About this Report

Alumina Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Group for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 24 March 2020.

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

- incorporates assets, liabilities and results of operations of all Alumina Limited's subsidiaries and equity accounts its associates. For the list of the Company's associates and subsidiaries refer Notes 2(a) and 3 respectively.
- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB). Alumina Limited is a for profit entity for the purpose of preparing the financial statements.
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.
- has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
- the Company is of a kind referred to in the Australian Securities and Investments Commission Corporations Instrument 2016/191, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Legislative Instrument to the nearest hundred thousand dollars, and presented in US dollars, except where otherwise required.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are effective for the annual reporting period beginning 1 January 2019.
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.
- presents reclassified comparative information where required for consistency with the current year's presentation.

The Notes to the Financial Statements

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

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

The notes are organised into the following sections:

- **Group structure and Alcoa World Alumina and Chemicals ("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.
- **Additional Disclosures:** 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, Critical Accounting Estimates and Judgements

Significant and other accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements, as well as critical accounting estimates and judgements are provided throughout the notes to the financial statements.

About This Report (continued)

Foreign Currency Translation

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

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

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

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

Group Structure and AWAC Performance

1. Segment Information

Alumina Limited's sole business undertaking is in the global bauxite, alumina and aluminium industry, which it conducts primarily through bauxite mining and alumina refining. All of those business activities are conducted through its 40% investments in AWAC. Alumina Limited's equity interest in AWAC forms one reportable segment. A full description of Alumina Limited's business model is included in the Operating and Financial Review on pages 20–35 of the annual report.

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

	US$ Million				
2019	**Australia**	**Brazil**	**Spain**	**Other**	**Total**
Investments in associates	1,118.1	570.6	114.0	34.1	1,836.8
Other assets	7.3	9.5	–	0.2	17.0
Liabilities	(71.7)	–	–	–	(71.7)
Consolidated net assets	**1,053.7**	**580.1**	**114.0**	**34.3**	**1,782.1**

	US$ Million				
2018	**Australia**	**Brazil**	**Spain**	**Other**	**Total**
Investments in associates	1,150.0	649.9	127.0	133.3	2,060.2
Other assets	184.3	0.3	–	0.3	184.9
Liabilities	(109.3)	–	–	–	(109.3)
Consolidated net assets	**1,225.0**	**650.2**	**127.0**	**133.6**	**2,135.8**

2. Investment 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 2019	Percentage Ownership 2018
Alcoa of Australia Limited	Bauxite, alumina and aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina trading and production	USA	40	40
Alumina Espanola S.A.	Alumina production	Spain	40	40
Alcoa World Alumina Brasil Ltda.	Bauxite and alumina production	Brazil	40	40
AWA Saudi Ltda.	Bauxite and alumina production	Hong Kong	40	40

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

For the remaining AWAC entities, adjustments are made to convert the accounting policies under US GAAP to Australian Accounting Standards. The principal adjustments are to create an additional asset retirement obligation for dismantling, removal and restoration of certain refineries, differences in the recognition of actuarial gains and losses on certain defined benefit pension plans and the reversal of certain fixed asset uplifts included in Alcoa World Alumina Brasil Ltda.

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

(b) Critical Accounting Estimates and Judgements

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

Retirement benefit obligations

The Group recognises a net liability for retirement benefit obligations under the defined benefit superannuation arrangements through its investment in AWAC. All plans are valued in accordance with AASB 119 Employee Benefits. These valuations require actuarial assumptions to be made. All re-measurements are recognised in other comprehensive income.

Asset retirement obligations

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

Carrying value of investments in associates

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

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

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

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

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

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

2. Investment in Associates (continued)

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

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

No indicators of impairment were identified and no impairment loss was recognised in the years ended 31 December 2019 and 31 December 2018.

(c) Summarised Financial Information for AWAC

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

Summarised Balance Sheet	US$ Million	
	2019	2018
Current assets	1,355.4	1,929.9
Non-current assets	5,191.7	5,336.2
Current liabilities	(1,072.9)	(1,464.7)
Non-current liabilities	(1,490.9)	(1,263.2)
Net assets	**3,983.3**	**4,538.2**
Reconciliation to investment in associates balance:		
Group share as a percentage	40%	40%
Group share in dollars	1,593.4	1,815.3
Goodwill	175.8	175.8
Net value of mineral rights and bauxite assets	100.6	102.8
Deferred tax liability (DTL) on mineral rights and bauxite assets	(33.0)	(33.7)
Carrying value	**1,836.8**	**2,060.2**
Reconciliation of carrying amount:		
Opening carrying value 1 January	2,060.2	2,301.0
Net additional (return)/funding in AWAC entities	(39.3)	(20.8)
Share of net profit of associates accounted for using the equity method	232.0	653.5
Other comprehensive (loss)/income for the year	(34.4)	(216.1)
Dividends and distributions paid	(381.7)	(657.4)
Closing carrying value	**1,836.8**	**2,060.2**

2. Investment in Associates (continued)

Summarised Statement of Profit or Loss and Other Comprehensive Income

	US$ Million	
	2019	2018
Revenues	5,215.8	6,749.4
Profit from continuing operations	583.8	1,637.5
Profit for the year	**583.8**	**1,637.5**
Other comprehensive (loss)/income for the year	(84.2)	(540.2)
Total comprehensive income for the year	**499.6**	**1,097.3**
Reconciliation to share of net profit of associates:		
Group share of profit for the year as a percentage	40%	40%
Group share of profit for the year in dollars	233.5	655.0
Mineral rights and bauxite amortisation	(2.1)	(2.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.6	0.6
Share of net profit of associates accounted for using equity method	**232.0**	**653.5**

(d) Commitments and Contingent Liabilities for AWAC

Contingent liabilities – claims

There are potential obligations 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 the results of operations or liquidity in a particular period could be materially affected by certain contingencies.

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

The Australian Taxation Office (ATO) has undertaken a transfer pricing examination in respect of certain historic third-party alumina sales made by Alcoa of Australia Limited (AoA) over a 20 year period.

As a result of this examination, the ATO has issued a statement of audit position (SOAP) to AoA, in which the ATO proposes a tax payment of approximately A$212 million (excluding interest and penalties).

The SOAP is currently the subject of an independent review process within the ATO. At the completion of this review the ATO may or may not issue a tax assessment in respect of this matter. If a tax assessment is issued, it is expected that AoA would pay 50% of the disputed tax amount to the ATO. AoA could then object to the assessment and pursue all available dispute resolution methods up to and including the filing and conduct of Court proceedings. Should AoA succeed in its defence, it would receive a refund of any payment made to the ATO.

Alumina Limited (as the owner of 40% of the capital of AoA) disagrees with the position taken in the SOAP, and understands that AoA will defend its position. No charge has been recognised by AoA in relation to this matter.

Commitments

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

The total amount committed under these instruments, which automatically renew or expire at various dates, before 2021, was $135.9 million at December 31, 2019.

AWAC has outstanding surety bonds primarily related to customs duties. The total amount committed under these bonds, which automatically renew or expire at various dates, between 2020 and 2024, was $6.7 million at December 31, 2019.

3. Investments in Controlled Entities

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alumina Limited as at 31 December 2019 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 2019 are set out below.

Name	Notes	Place of Incorporation	Percentage Ownership	
			2019	2018
Alumina Employee Share Plan Pty Ltd	A	VIC, Australia	100	100
Alumina Finance Pty Ltd.	A	VIC, Australia	100	100
Alumina Holdings (USA) Inc.	B	Delaware, USA	100	100
Alumina International Holdings Pty. Ltd.	C	VIC, Australia	100	100
Alumina Brazil Holdings Pty Ltd	A	VIC, Australia	100	100
Alumina Limited Do Brasil SA	D	Brazil	100	100
Alumina (U.S.A.) Inc.	B	Delaware, USA	100	100
Butia Participaçoes SA	D	Brazil	100	100
Westminer Acquisition (U.K.) Limited	D	UK	100	100

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

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

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

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

Financial and Capital Risk

4. Financial Assets and Liabilities

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

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

2019	At Fair Value Through Profit or Loss	At Amortised Cost	Total
	US$ Million		
Cash and cash equivalents – *Note 4(a)*	–	15.2	15.2
Receivables	–	–	–
Total financial assets	**–**	**15.2**	**15.2**
Payables	–	(0.9)	(0.9)
Borrowings – *Note 4 (b)*	–	(70.0)	(70.0)
Total financial liabilities	**–**	**(70.9)**	**(70.9)**
Net financial assets/(liabilities)	**–**	**(55.7)**	**(55.7)**

2018	At Fair Value Through Profit or Loss	At Amortised Cost	Total
	US$ Million		
Cash and cash equivalents – *Note 4(a)*	–	183.8	183.8
Total financial assets	**–**	**183.8**	**183.8**
Payables	–	(1.2)	(1.2)
Borrowings – *Note 4 (b)*	–	(88.0)	(88.0)
Derivative financial instruments – *Note 4(c)*	(19.0)	–	(19.0)
Total financial liabilities	**(19.0)**	**(89.2)**	**(108.2)**
Net financial assets/(liabilities)	**(19.0)**	**94.6**	**75.6**

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

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	
	2019	**2018**
Cash on hand and at bank	15.2	2.8
Money market deposits	–	181.0
Total cash and cash equivalents as per the Statement of Cash Flows	**15.2**	**183.8**

(b) Borrowings

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Refer to note 5(b).

	US$ Million	
	2019	**2018**
Bank loans	70.0	–
Fixed rate note	–	88.0
Total borrowings	**70.0**	**88.0**

Bank loans

In June 2019 Alumina Limited rolled over a tranche of the bank facility that was due to mature in July 2020 and established a new tranche under the same facility.

As a result, Alumina Limited has a US$350 million syndicated bank facility with three tranches maturing in October 2022 (US$100 million), July 2023 (US$150 million) and July 2024 (US$100 million). As at 31 December 2019 there was US$70 million drawn against the syndicated facility so the undrawn available facility amount as at 31 December 2019 was $280 million.

Fixed rate note

On 12 November 2014, Alumina Limited issued an A$125 million face value 5.5% fixed rate note at a discount of A$0.7 million. On 30 July 2019, as permitted under the terms and conditions, the Company redeemed the outstanding principal amount plus interest accrued to 30 July 2019. There was no penalty incurred to redeem the Note early. The Company also terminated, by cash settlement, the CCIRS which was used to mitigate the currency and interest rate exposure in relation to the note. The total cash required to repay the Note and the CCIRS was equivalent to US$108.4 million plus accrued interest. The funds used to repay the Note and CCIRS were drawn down from an existing bank facility.

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 at fair value through profit or loss as they are not designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. The Company terminated the Cross-currency interest rate swap which was used to mitigate the currency and interest rate exposure in relation to Fixed rate note which was redeemed on 30 July 2019, refer note 4(b).

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

	Level 1	Level 2	Level 3	Total
2019	US$ Million			
Cross-currency interest rate swap (CCIRS AUD/USD)	–	–	–	–
Total financial liabilities at fair value through profit or loss	**–**	**–**	**–**	**–**
2018				
Cross-currency interest rate swap (CCIRS AUD/USD)	–	19.0	–	19.0
Total financial liabilities at fair value through profit or loss	**–**	**19.0**	**–**	**19.0**

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 are not observable market data, the instrument is included in level 3.

5. Financial Risk Management

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

Risk	Exposure Arising From	Measurement	Management
Market risk: foreign currency	Financial assets and liabilities denominated in a currency other than US$	Cash flow forecasting & sensitivity analysis	Cross-currency interest rate swaps
Market risk: interest rate	Long-term borrowings at fixed rates	Sensitivity analysis	Cross-currency interest rate swaps
Credit risk	Cash and cash equivalents, and derivative financial instruments	Credit ratings	Credit limits, letters of credit, approved 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.

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

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

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

	USD	AUD	Other	Total
2019	US$ Million			
Cash and cash equivalents	5.7	1.1	8.4	15.2
Total non-derivative financial assets	**5.7**	**1.1**	**8.4**	**15.2**
Payables	–	(0.9)	–	(0.9)
Borrowings	–	(70.0)	–	(70.0)
Total non-derivative financial liabilities	**–**	**(70.9)**	**–**	**(70.9)**
Net non-derivative financial assets/(liabilities)	**5.7**	**(69.8)**	**8.4**	**(55.7)**
Derivative financial instruments (notional principal)	–	–	–	–
Net financial assets/(liabilities)	**5.7**	**(69.8)**	**8.4**	**(55.7)**

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

5. Financial Risk Management (continued)

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.

On the 30th July 2019, the Company redeemed the outstanding A$125 million fixed rate note principal amount plus interest accrued. The Company also terminated, by cash settlement, the CCIRS which was used to mitigate the currency and interest rate exposure in relation to the note.

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
2019	US$ Million			
Cash and cash equivalents	15.2	–	–	15.2
Receivables	–	–	–	–
Total non-derivative financial assets	**15.2**	**–**	**–**	**15.2**
Payables	–	–	(0.9)	(0.9)
Borrowings	–	(70.0)	–	(70.0)
Total non-derivative financial liabilities	**–**	**(70.0)**	**(0.9)**	**(70.9)**
Net non-derivative financial assets/(liabilities)	**15.2**	**(70.0)**	**(0.9)**	**(55.7)**
Weighted average interest rate before derivatives	3.7%	5.5%		
Weighted average interest rate after derivatives	3.7%	4.4%		

	Floating Interest	Fixed Interest	Non-Interest Bearing	Total
2018	US$ Million			
Cash and cash equivalents	183.8	–	–	183.8
Total non-derivative financial assets	**183.8**	**–**	**–**	**183.8**
Payables	–	–	(1.2)	(1.2)
Borrowings	–	(88.0)	–	(88.0)
Total non-derivative financial liabilities	**–**	**(88.0)**	**(1.2)**	**(89.2)**
Net non-derivative financial assets/(liabilities)	**183.8**	**(88.0)**	**(1.2)**	**94.6**
Weighted average interest rate before derivatives	3.8%	5.9%		
Weighted average interest rate after derivatives	3.8%	4.5%		

Had interest rates on floating rate debt during 2019 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$0.8 million lower/higher (2018: US$0.6 million lower/higher).

5. Financial Risk Management (continued)

(b) Credit Risk

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

Credit risk further arises in relation to cross guarantees given to wholly owned subsidiaries (see Note 17 for details). Such guarantees are only provided in exceptional circumstances and are subject to Board approval. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the Group's maximum exposure to credit risk.

(c) Liquidity Risk

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

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

	US$ Million	
	2019	2018
Expiring within one year	–	–
Expiring beyond one year	280.0	250.0
Total undrawn borrowing facilities	**280.0**	**250.0**

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

	Less Than 6 Months	6–12 Months	1–2 Years	2–5 Years	Total
2019	US$ Million				
Trade payables	0.9	–	–	–	0.9
Borrowings	–	–	–	70.0	70.0
Total non-derivative financial liabilities	**0.9**	**–**	**–**	**70.0**	**70.9**
Derivative financial liabilities	**–**	**–**	**–**	**–**	**–**
2018					
Trade payables	1.2	–	–	–	1.2
Borrowings	–	88.0	–	–	88.0
Total non-derivative financial liabilities	**1.2**	**88.0**	**–**	**–**	**89.2**
Derivative financial liabilities	**–**	**19.0**	**–**	**–**	**19.0**

6. Capital Management

(a) Risk Management

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

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

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

The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	US$ Million	
	2019	2018
Total borrowings	70.0	88.0
Less: cash and cash equivalents	(15.2)	(183.8)
Net debt/(cash)	**54.8**	**(95.8)**
Total borrowings	70.0	88.0
Total equity	1,782.1	2,135.8
Total capital	**1,852.1**	**2,223.8**
Gearing ratio	**3.0%**	**(4.3%)**

(b) Dividends

	US$ Million	
	2019	2018
Interim dividend of US4.4 cents fully franked at 30% per fully paid share declared 23 August 2019 and paid on 12 September 2019 (2018: US8.6 cents fully franked at 30% per fully paid share declared 23 August 2018 and paid on 20 September 2018)	126.7	247.7
Final dividend of US14.1 cents fully franked at 30% per fully paid share declared 21 February 2019 and paid on 14 March 2019 (2018: US9.3 cents fully franked at 30% per fully paid share declared 22 February 2018 and paid on 15 March 2018)	406.1	267.8
Total dividends	**532.8**	**515.5**

Since the year-end the Directors have recommended the payment of a final dividend of US3.6 cents per share (2018: US14.1 cents per share), fully franked based on the tax paid at 30%. The record date to determine entitlements to the dividend is 2 March 2020. The aggregate amount of the dividend paid on 17 March 2020 from retained earnings at 31 December 2019, which has not been recognised as a liability at the year-end, is $103.7 million.

(c) Franked Dividends

	US$ Million	
	2019	2018
Franking credits available for subsequent financial years, based on a tax rate of 30% (2018: 30%)	383.5	473.2

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.

Fully franked dividends received from AWAC in the financial year	381.7	657.2

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 the reporting date at expected pay rates in respect of employees' services up to that date, including related on-costs.

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

All employees of Alumina Limited are entitled to benefits upon retirement, disability or death from the Group's superannuation plan. Alumina Limited's employees are members of the Alumina Limited Super Plan managed by MLC MasterKey Super, except for employees who elected to contribute to an alternate fund. The plan is an accumulation category plan which offers a minimum Company contribution of 9.5 percent 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	
	2019	2018
Profit/(loss) before income tax included the following specific expenses:		
Defined contribution superannuation expense	0.2	0.2
Other employee benefits expense	5.0	5.5
Total employee benefits expense	**5.2**	**5.7**

(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	
	2019	2018
Finance costs:		
Interest expense	4.6	4.3
Commitment and upfront fees	2.3	2.1
Amortisation of capitalised upfront fees	0.4	0.3
Total finance costs	**7.3**	**6.7**

8. Income Tax Expense

(a) Income Tax Expense and Deferred Taxes

The income tax expense/benefit for the period is the tax payable/receivable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by charges in deferred tax assets and liabilities attributable to temporary differences and 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	
	2019	2018
Current tax	(0.1)	–
Deferred tax	–	–
Aggregate income tax expense	**(0.1)**	**–**

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	
	2019	2018
Deferred tax liabilities		
Unrealised foreign exchange gains	–	(5.6)
Total deferred tax liabilities	**–**	**(5.6)**
Deferred tax assets		
Employee benefits	0.5	0.2
Derivative financial instruments	–	5.7
Other	0.4	0.1
Total deferred tax assets other than tax losses	**0.9**	**6.0**
Net deferred tax assets/(liabilities) before tax losses	**0.9**	**0.4**
Deductible temporary differences and tax losses not recognised	**(0.9)**	**(0.4)**
Net deferred tax assets/(liabilities)	**–**	**–**

Deferred tax assets are recognised only to the extent of deferred tax liabilities existing at the 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	
	2019	2018
Profit before income tax	**214.1**	**635.4**
Prima facie tax expense for the period at the rate of 30%	**(64.2)**	**(190.6)**
The following items caused the total charge for income tax to vary from the above:		
Share of equity accounted profit not assessable for tax	(232.0)	(653.5)
Foreign income subject to accruals tax	4.9	2.2
Share of Partnership income assessable for tax	–	0.2
Amounts non-assessable for tax	–	(0.1)
Timing differences not recognised	5.8	–
Tax losses not recognised	9.4	13.9
Non-deductible expenses	1.0	1.9
Previously unrecognised tax losses now recouped to reduce current tax expense	(3.2)	–
Net movement	**(214.1)**	**(635.4)**
Consequent decrease in charge for income tax at the rate of 30%	**64.2**	**190.6**
Under provision of tax in prior years	**(0.1)**	**–**
Aggregate income tax expense	**(0.1)**	**–**

(c) Tax Expense Relating to Items of Comprehensive Income

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

	US$ Million	
	2019	2018
Cash flow hedges	0.8	0.2
Actuarial gains on retirement benefit obligations	(2.1)	(0.5)
Total tax (credit)/expense relating to items of other comprehensive income	**(1.3)**	**(0.3)**

(d) Tax Losses Not Recognised

	US$ Million	
	2019	2018
Tax losses – revenue	1,204.0	1,155.7
Tax losses – capital	944.7	951.5
Total unused tax losses	**2,148.7**	**2,107.2**
Potential tax benefit – revenue	290.9	280.7
Potential tax benefit – capital	283.4	285.4
Total potential tax benefit	**574.3**	**566.1**

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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Movement in Share Capital	Number of Shares		US$ Million	
	2019	2018	2019	2018
Balance brought forward	2,879,843,498	2,879,843,498	2,682.9	2,682.9
Movement for the period	–	–	–	–
Total issued capital	**2,879,843,498**	**2,879,843,498**	**2,682.9**	**2,682.9**

Treasury shares

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

Movement In Treasury Shares	Number of Shares		US$ Million	
	2019	2018	2019	2018
Balance brought forward	689,267	700,445	1,247,997	906,873
Shares acquired by Alumina Employee Share Plan Pty Ltd (average price: A$2.55 per share (2018: A$2.32 per share))	484,500	684,500	874,248	1,241,548
Employee performance rights vested	(738,399)	(695,678)	1,335,992	(900,424)
Total treasury shares	**435,368**	**689,267**	**786,253**	**1,247,997**

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

	Number of Shares	
	2019	2018
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted earnings per share	2,879,143,308	2,878,674,535

(b) Other Reserves

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

Foreign currency translation reserve

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

	US$ Million	
	2019	2018
Balance at the beginning of the financial year	(1,321.8)	(1,104.2)
Currency translation differences arising during the year	(33.2)	(217.6)
Balance at the end of the financial year	**(1,355.0)**	**(1,321.8)**

10. Cash Flow Information

(a) Reconciliation of Profit After Income Tax to Net Cash Inflow from Operating Activities

	US$ Million	
	2019	2018
Profit from continuing operations after income tax	214.0	635.4
Share of net profit of associates accounted for using the equity method	(232.0)	(653.5)
Dividends and distributions received from associates	381.7	657.4
Share based payments	0.8	0.8
Other non-cash items (depreciation, net exchange differences, other)	1.4	0.5
Sub-total	**365.9**	**640.6**
Change in assets and liabilities		
Decrease/(increase) in other assets	(0.7)	0.7
(Decrease)/increase in payables	(0.3)	–
(Decrease)/increase in other liabilities	(0.4)	–
(Decrease)/increase in provisions	0.1	–
Net cash inflow from operating activities	**364.6**	**641.3**

(b) Non-Cash Financing and Investing Activities

There were no non-cash financing and investing activities during the year.

In 2018 there was a $100 million loan between two AWAC entities (100% AWAC level), which the borrower repaid using partners' equity contributions ($40 million Alumina Limited's share). Proceeds from the loan repayment were distributed back to the partners by the lender.

(c) Net Debt Reconciliation

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

	US$ Million	
	2019	2018
Cash and cash equivalents	15.2	183.8
Borrowing – repayable within one year	–	(88.0)
Borrowings – repayable after one year	(70.0)	–
Net (debt)/cash	**(54.8)**	**95.8**
Cash and liquid investments	15.2	183.8
Gross debt – fixed interest rates	(70.0)	(88.0)
Net (debt)/cash	**(54.8)**	**95.8**

	US$ Million			
	Cash/Bank Overdraft	Borrowings Due Within 1 Year	Borrowings Due After 1 Year	Total
Net debt as at 1 January 2018	**40.0**	**–**	**(98.4)**	**(58.4)**
Cash flows	145.4	–	–	145.4
Borrowings reclassification	–	(98.4)	98.4	–
Foreign exchange adjustments	(1.6)	9.4	–	7.8
Other non-cash movements	–	1.0	–	1.0
Net debt as at 31 December 2018	**183.8**	**(88.0)**	**–**	**95.8**
Cash flows	(167.8)	86.3	(70.0)	(151.5)
Foreign exchange adjustments	(0.8)	–	–	(0.8)
Other non-cash movement	–	1.7	–	1.7
Net cash as at 31 December 2019	**15.2**	**–**	**(70.0)**	**(54.8)**

ADDITIONAL DISCLOSURE

11. Related Party Transactions

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

(a) Ownership Interests in Related Parties

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

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

(b) Compensation of Key Management Personnel

Detailed remuneration disclosures for the key management personnel, defined as Group Directors, CEO and Senior Executives, are provided in the remuneration report on pages 38-60 of this annual report.

The remuneration report has been presented in Australian dollars, whilst the financial report has been presented in US dollars. The average exchange rate for 2019 of 0.6952 (2018: 0.7475) has been used for conversion.

Directors and Senior Executives	US$ 000'S	
	2019	2018
Short-term employee benefits	3,229	3,676
Post-employment and termination benefits	121	457
Share based payments	681	682
Total	**4,031**	**4,815**

(c) Other Transactions and Balances With Related Parties

There have been no other related party transactions made during the year or balances outstanding as at 31 December 2019, between the Group, its related parties, the Directors or key management personnel (2018: Nil).

12. Share-Based Payments

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

For further details on key features of the ESP refer to the remuneration report on pages 38 to 60 of this annual report.

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

2019								
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	Yet to Be Exercised at the End of the Year	Yet To Vest at The End of the Year Number
20/1/2017	6/12/2019	454,480	–	(454,480)	–	–	125,600	–
1/6/2017	31/5/2020	141,900	–	–	–	141,900	–	141,900
18/1/2018	4/12/2020	467,408	–	–	–	467,408	–	467,408
21/1/2019	12/12/2021	–	454,300	–	–	454,300	–	454,300
Total		**1,063,788**	**454,300**	**(454,480)**	**–**	**1,063,608**	**125,600**	**1,063,608**

2018								
Grant Date	Expiry Date	Balance at Start of the Year Number	Granted During the Year Number	Vested During the Year Number	Lapsed During the Year Number	Balance at End of the Year Number	Yet to Be Exercised at the End of the Year	Yet To Vest at The End of the Year Number
19/12/2016	7/12/2018	839,664	–	(813,765)	(25,899)	–	240,251	–
20/1/2017	6/12/2019	506,674	–	–	(52,194)	454,480	–	454,480
1/6/2017	31/5/2020	141,900	–	–	–	141,900	–	141,900
18/1/2018	4/12/2020	–	551,500	–	(84,092)	467,408	–	467,408
Total		**1,488,238**	**551,500**	**(813,765)**	**(162,185)**	**1,063,788**	**240,251**	**1,063,788**

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 1.3 years (2018: 1.4 years).

In addition to the ESP, the CEO's and CFO's remuneration includes an annual conditional share right component. This component is conditional on a minimum of 12 months service and subject to three years trading restriction from the date of the grant.

For further details refer to the remuneration report on page 41 of this annual report.

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

	US$ 000'S	
	2019	2018
Performance rights granted under the Alumina Employee Share Plan	500	417
CEO annual conditional share rights grant	292	379
CFO annual conditional share rights grant	41	–
Total	**833**	**796**

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	
	2019	2018
PricewaterhouseCoopers Australia:		
Audit and review of the financial reports	380	397
Other assurance services	3	3
Related practices of PricewaterhouseCoopers Australia:		
Audit and review of financial reports	29	29
Overseas taxation services	13	7
Total	**425**	**436**

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

14. Commitments and Contingencies

Capital commitments

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

Contingent liabilities

There are no contingent liabilities of the Group as at 31 December 2019 and 31 December 2018, other than as disclosed in Note 2(e) and Note 16(b).

15. Events Occurring after the Reporting Period

The COVID-19 pandemic announced by the World Health Organisation subsequent to 31 December 2019 is having a negative impact on global stock markets and business activity, which may have a flow-on effect to the operations of AWAC, its financial performance and its cash flows. In the current market environment, there is a continuing risk of fluctuations in exchange rates, disruption to the customer base and trade flows, a decline in the market prices of bauxite, alumina and aluminum and additional political and regulatory requirements. The timing and extent of the impact of the pandemic and the associated recovery process is unknown. Alumina continues to monitor the situation and no estimate of its financial effect can be made at this stage.

Except as above or disclosed in the Directors' report or elsewhere in the Financial Statements, there have been no significant events occurring since 31 December 2019.

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

16. Parent Entity Financial Information

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

Investments in subsidiaries, associates and joint venture entities

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

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

Intercompany loans

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

Tax consolidation legislation

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

(a) Summarised Financial Information

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

	US$ Million	
	2019	2018
Balance Sheet		
Current assets	7.3	184.2
Total assets	3,779.0	3,985.8
Current liabilities	1.2	108.8
Total liabilities	77.5	114.9
Shareholders' Equity		
Issued capital	2,682.9	2,682.9
Reserves	236.3	236.8
Retained earnings	782.3	951.2
Total Shareholders' Equity	**3,701.5**	**3,870.9**
Profit for the year	**363.9**	**639.5**
Total comprehensive income for the year	**363.9**	**639.5**

(b) Guarantees Entered into by the Parent Entity

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

In order to facilitate the full conversion of the San Ciprian alumina refinery from fuel oil to natural gas, in October 2013, Alumina Espanola SA (Espanola) signed a take or pay gas pipeline utilisation agreement. In November 2013, Alumina Limited agreed to proportionally (40%) guarantee the payment of Espanola's contracted gas pipeline utilisation over the four years of the commitment period. This guarantee expired on 15 July 2019.

In late 2011, Alcoa, on behalf of AWAC, issued guarantees to the lenders of the Ma'aden bauxite mining/refining joint venture in Saudi Arabia. Alcoa Corporation guarantees for the Ma'aden Bauxite and Alumina Company cover total debt service requirements through 2019 and 2024. The Guarantee expires upon economic completion date, which has now occurred. There were no existing/ongoing obligations.

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.

Alumina Limited, at the request of Alcoa of Australia has also entered into a guarantee for the performance of Espanola through an inter-company short-term loan agreement if required. This will expire on the 27 September 2022.

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

(c) Contingent Liabilities of the Parent Entity

The parent entity did not have any contingent liabilities as at 31 December 2019 or 31 December 2018. For information about guarantees given by the parent entity refer above.

(d) Contractual Commitments for the Acquisition of Property, Plant and Equipment

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at 31 December 2019.

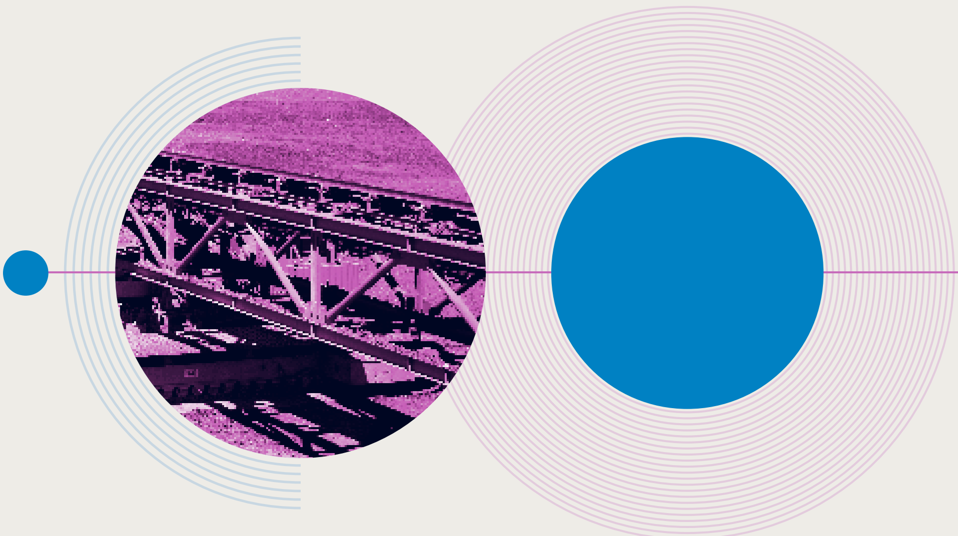
17. Deed of Cross Guarantee

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

The above companies represent a "closed group" as defined in the Class Order, and 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	**2019**	**2018**
Dividends and distributions	381.7	657.4
Other income	2.4	1.4
General and administrative expenses	(11.7)	(11.0)
Change in fair value of derivatives/foreign exchange losses	(1.0)	(1.4)
Finance costs	(7.5)	(6.9)
Profit from ordinary activities before income tax	**363.9**	**639.5**
Income tax expense	–	–
Net profit for the year	**363.9**	**639.5**
Other comprehensive income net of tax	–	–
Total comprehensive income for the year	**363.9**	**639.5**
Movement in Consolidated Retained Earnings	**2019**	**2018**
Retained profits at the beginning of the financial year	**818.5**	**694.5**
Net profit for the year	363.9	639.5
Dividend provided for or paid	(532.8)	(515.5)
Retained profits at the end of the financial year	**649.6**	**818.5**



17. Deed of Cross Guarantee (continued)

(b) Consolidated Balance Sheet

	US$ Million	
	2019	2018
Current assets		
Cash and cash equivalents	5.8	183.5
Receivables	234.6	215.5
Other assets	1.5	0.7
Total current assets	**241.9**	**399.7**
Non-current assets		
Investment in associates	1,631.3	1,630.3
Other financial assets	1,773.1	1,823.1
Total non-current assets	**3,404.4**	**3,453.4**
Total assets	**3,646.3**	**3,853.1**
Current liabilities		
Payables	0.9	1.5
Borrowings	–	88.0
Derivative financial instruments	–	19.0
Provisions	0.3	0.3
Total current liabilities	**1.2**	**108.8**
Non-current liabilities		
Borrowings	75.8	5.7
Provisions	0.6	0.5
Total non-current liabilities	**76.4**	**6.2**
Total liabilities	**77.6**	**115.0**
Net assets	**3,568.7**	**3,738.1**
Equity		
Contributed equity	2,682.9	2,682.9
Reserves	236.2	236.7
Retained profits	649.6	818.5
Total equity	**3,568.7**	**3,738.1**

18. New Accounting Standards and Interpretations

i) Adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- AASB 16 Leases
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement
- Interpretation 23 Uncertainty over Income Tax Treatments.

The group also elected to adopt the following amendments early:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material.

The change in accounting policies and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

ii) Not Yet Adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2019 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity 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 62 to 91 are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 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.

W Peter Day • Chairman
24 March 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Alumina Limited

Report on the Audit of the Financial Report

Our Opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended

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

What we have Audited

The Group financial report comprises:

- the consolidated balance sheet at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the Directors' declaration.

Basis for Opinion

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Our audit approach

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

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

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

MATERIALITY

For the purpose of our audit we used overall Group materiality of $17.2 million, which represents approximately 5% of the Group's profit before tax.

We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.

We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

AUDIT SCOPE

The Group engagement team directed the involvement of the component audit teams, which performed an audit of the financial information of Alcoa of Australia and AWAC.

We, the Group engagement team, determined and undertook an appropriate level of involvement in the work performed by the component audit teams, in order for us to be satisfied that sufficient audit evidence had been obtained to support our opinion on the Group financial report as a whole. We had regular communication with the component audit teams throughout the year and performed a review of their audit working papers.

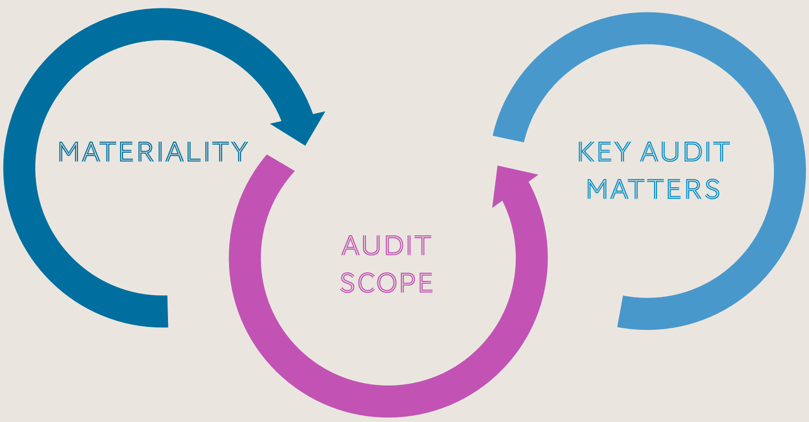
We audited the equity accounting for Alumina's 40% investment in AWAC. This process included auditing certain adjustments made by Alumina to convert the AWAC results (which are prepared under US GAAP), to comply with Australian Accounting Standards (AAS).

We audited the remainder of Alumina's financial report.

Our audit also focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

KEY AUDIT MATTERS

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



Key Audit Matter	How our Audit Addressed the Key Audit Matter

Equity accounting for Alumina Limited's investment in AWAC (Refer to note 2)

Alumina Limited's equity accounted investment in AWAC is carried at $1.8 billion and its current year share of the net profit of AWAC accounted for using the equity accounting method is $232 million.

The equity accounting method requires consistent accounting standards to be applied by the investing company and its associates. Alcoa of Australia Limited (AWAC entity) already prepares financial information under Australian Accounting Standards (AAS), therefore no conversion is required. The financial information of AWAC entities other than Alcoa of Australia Limited is prepared under US Generally Accepted Accounting Principles (US GAAP), therefore adjustments are required to convert certain amounts to comply with AAS.

We determined equity accounting for Alumina Limited's investment in AWAC to be a key audit matter because of the magnitude of the Investment in associates balance and the complexity and significance of, and judgment involved, in preparing the adjustments required by the Group to convert amounts accounted for under US GAAP to AAS.

Judgement is involved in determining the differences in the accounting for areas such as the asset retirement obligation provisions, reversal of Brazil asset uplift and defined benefit superannuation plans.

To assess the equity accounting for the Group's 40% investment in AWAC, we performed the following procedures amongst others:

- Considered the appropriateness of the equity accounting method.
- Agreed the financial information of Alcoa of Australia Limited accounted for under AAS to the equity accounting schedule prepared by the Group.
- Agreed the financial information of AWAC accounted for under US GAAP to the equity accounting schedule prepared by the Group.
- Considered adjustments required to convert amounts accounted for under US GAAP to comply with AAS.
  To do this we:
  - Assessed the appropriateness of material US GAAP to AAS adjustments.
  - Tested material US GAAP to AAS adjustments by agreeing the adjustments to supporting schedules and documentation.
  - Considered whether other transactions that had occurred during the year required a different treatment under AAS compared with US GAAP.
- Reconciled the opening equity accounted investment balance to the final position reflected in the financial report.
  To do this we:
  - Recalculated the share of net profit and changes in reserves of AWAC by examining the schedule prepared by management and recalculating Alumina's 40% share.
  - Compared dividends, distributions and capital returns received from AWAC and additional investments made through cash calls to the relevant declaration documents and bank statements.

Impairment Indicator Assessment for Alumina Limited's Equity Accounted Investment in AWAC (Refer to Note 2c)

Alumina's equity accounted investment in AWAC ($1.8 billion) is the most material balance sheet item in the consolidated financial report.

Under Australian Accounting Standards, Alumina Limited is required to perform an impairment assessment to determine whether there are indicators that the equity accounted investment in AWAC could be impaired.

The Group's impairment indicator assessment considers movements in the key assumptions which drive the valuation of the investment in AWAC, the Company's market capitalisation compared to its net assets and analysts' valuations. The key assumption which the valuation of AWAC is most sensitive to is the long term alumina price, other key inputs include energy prices and exchange rates.

Alumina's conclusion was that there was no indicator for impairment for the year ended 31 December 2019.

We considered the impairment assessment a key audit matter because Alumina's equity accounted investment in AWAC ($1.8 billion) is the most material balance sheet item in the consolidated financial report and significant judgement is required to estimate future alumina and aluminium prices, energy prices and exchange rates.

To evaluate the Group's impairment indicator assessment of the AWAC investment we performed the following procedures amongst others:

- Developed an understanding of the process by which the Group conducted the impairment indicator assessment.
- Considered key assumptions including the Group's long term alumina price assumption by comparing it to economic analyst and industry forecasts. We found that the long term alumina price assumption used by the Group was consistent with market data and industry research.
- Compared the Group's market capitalisation to its net assets at 31 December 2019, noting that market capitalisation exceeded net assets by approximately $2.9 billion.

Evaluated the completeness of the Group's assessment of whether there were any other external or internal sources of information that could indicate that the investment may be impaired.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Remuneration Report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 38 to 60 of the Directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of Alumina Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue • Partner

Melbourne 24 March 2020

Details of Shareholdings and Shareholders Listed Securities – 28 February 2020

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

Range of Units as of 28/02/2020

Range	Total Holders	Units	% of Issued Capital
1–1,000	19,850	9,247,606	0.32
1,001–5,000	21,495	55,466,345	1.93
5,001–10,000	7,132	54,440,655	1.89
10,001–100,000	7,566	189,681,805	6.59
100,001 Over	378	2,571,007,087	89.28
Rounding			**0.01**
Total	**56,421**	**2,879,843,498**	**100.00**

Of these, 6,291 shareholders held less than a marketable parcel of $500 worth of shares (258) a total of 931,588 shares. In accordance with ASX Business Rules, the last sale price on the Company's shares on the ASX on 28 February 2020 was used to determine the number of shares in a marketable parcel.

Rank	Name	Units	% Units
1	HSBC CUSTODY NOMINEES (AUST)	841,475,730	29.22
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	504,753,111	17.53
3	CITICORP NOMINEES PTY LTD	257,380,038	8.94
4	CITIC RESOURCES AUSTRALIA PTY LTD	219,617,657	7.63
5	BESTBUY OVERSEAS CO LTD	154,114,590	5.35
6	NATIONAL NOMINEES	139,600,461	4.85
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	81,009,703	2.81
8	BESTBUY OVERSEAS CO LTD	76,145,410	2.64
9	CITIC RESOURCES AUSTRALIA PTY LTD	59,282,343	2.06
10	BNP PARIBAS NOMS PTY LTD <DRP>	44,251,844	1.54
11	CITIC AUSTRALIA PTY LTD	39,799,208	1.38
12	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	12,745,000	0.44
13	ARGO INVESTMENTS LIMITED	12,429,285	0.43
14	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	8,635,155	0.30
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	7,996,870	0.28
16	AUSTRALIAN FOUNDATION	6,413,142	0.22
17	BNP PARIBAS NOMS (NZ) LTD <DRP>	5,824,145	0.20
18	AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	5,500,000	0.19
19	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,804,087	0.13
20	DJERRIWARRH INVESTMENTS LIMITED	3,060,000	0.11
Totals: Top 20 Holders of Ordinary Fully Paid Shares (Total)		2,483,837,779	86.25

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

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

During the reporting period, 484,500 Alumina Limited fully paid ordinary shares were purchased on market by the Alumina Employee Share Plan at an average price of $2.5446.

Substantial Shareholding as at 28 February 2020	Shareholding	%
CITIC Resources Australia Pty. Ltd.	547,459,208	19.01
Lazard Asset Management Pacific Limited	203,273,367	7.06
Allan Gray Australia Pty. Ltd.	200,149,083	6.95
Schroder Investment Management Australia Limited	145,695,608	5.06
Vanguard Group	144,023,118	5.00

FINANCIAL HISTORY

Alumina Limited and Controlled Entities as at 31 December

	US$ millions				
	2019	2018	2017	2016	2015
Revenue from continuing operations	2.5	1.6	0.6	0.6	0.1
Share of net profit/(loss) of associates accounted for using the equity method	232.0	653.5	360.4	18.1	109.9
Other income	–	–	–	–	–
General and administrative expenses	(12.1)	(11.6)	(13.6)	(25.7)	(11.9)
Change in fair value of derivatives/ foreign exchange losses	(1.0)	(1.4)	0.7	(14.1)	(3.2)
Finance costs	(7.3)	(6.7)	(8.3)	(9.1)	(6.6)
Income tax (expense)/benefit from continuing operations	(0.1)	–	–	–	–
Net profit/(loss) attributable to owners of Alumina Limited	214.0	635.4	339.8	(30.2)	88.3
Total assets	1,853.8	2,245.1	2,342.9	2,117.8	2,110.7
Total liabilities	71.7	109.3	109.9	110.9	127.8
Net assets	1,782.1	2,135.8	2,234.0	2,006.9	1,982.9
Shareholders' funds	1,782.1	2,135.8	2,234.0	2,006.9	1,982.9
Dividends paid	532.8[2]	515.5	210.2	135.3	171.2
Dividends received from AWAC	381.7	657.2	278.1	150.2	61.4

Statistics

	2019	2018	2017	2016	2015
Dividends declared per ordinary share	US8.0c	US22.7c	US13.5c	US6.0c	US6.3c
Dividend payout ratio	249%	81%	62%	–	202%
Return on equity[1]	11.0%	30.3%	15.8%	(1.5)%	3.9%
Gearing (net debt to equity)	3.0%	(4.3)%	2.5%	4.0%	4.8%
Net tangible assets backing per share	$0.53	$0.66	$0.69	$0.61	$0.60
Basic EPS (US cents)	7.4	22.1	11.8	(1.0)	3.1
End of year share price (AUD)	2.30	2.30	2.43	1.83	1.16
Franking of dividends	100%	100%	100%	100%	100%
Total shareholder return	15.5%	7.7%	41.8%	69.2%	(30.2)%

1. Based on net profit/(loss) attributable to owners of Alumina Limited.
2. Final dividend for the financial year ended 31 December 2018, declared and paid in 2019 and interim dividend for the year ended 31 December 2019, declared and paid in 2019.

The Company's strong balance sheet and joint venture distribution arrangements have been crucial in delivering another year of healthy dividends to shareholders.

Alumina Limited

ABN 85 004 820 419
Registered Corporate Head Office
Level 12, IBM Centre 60 City Road
Southbank Victoria 3006 Australia

GPO Box 5411
Melbourne Victoria 3001 Australia
Telephone +61 (0)3 8699 2600
Facsimile +61 (0)3 8699 2699
Website www.aluminalimited.com
Email info@aluminalimited.com

American Depositary Receipts

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-us.computershare.com/investor
Email shrrelations@cpushareownerservices.com

Shareowner correspondence should be mailed to:
BNY Mellon Shareowner Services
P.O. Box 505000
Louisville, KY 40233-5000

Overnight Shareowner correspondence should be mailed to:
462 South 4th Street Suite 1600
Louisville, KY 40202
UNITED STATES

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls 452 Johnston Street
Abbotsford Victoria 3067 Australia

GPO Box 2975
Melbourne Victoria 3001 Australia
Telephone +61(0)3 9415 4027
Or 1300 556 050 (for callers within Australia)
Facsimile +61(0)3 9473 2500
Email web.queries@computershare.com.au

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

Any forward-looking statements contained in this document are not guarantees of future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Alumina Limited and its directors, officers, employees and agents that may cause actual results to differ materially from those expressed or implied in such statements. Those risks, uncertainties and other factors include (without limitation): (a) material adverse changes in global economic conditions, alumina or aluminium industry conditions or the markets served by AWAC; (b) changes in production or development costs, production levels or sales agreements; (c) changes in laws, regulations or policies; (d) changes in alumina or aluminium prices or currency exchange rates; (e) Alumina Limited does not hold a majority interest in AWAC and decisions made by majority vote may not be in the best interests of Alumina Limited; and (f) the other risk factors summarised in Alumina Limited's Annual Report 2019. Readers should not place undue reliance on forward-looking statements. Except as required by law, Alumina Limited disclaims any responsibility to update or revise any forward-looking statements to reflect any new information or any change in the events, conditions or circumstances on which a statement is based or to which it relates.

Alumina Limited's shares trade on the Australian Securities Exchange and also trades as American Depositary Receipts in the US on the OTCQX market.

Design **ERD.COM.AU** Print **BAMBRA PRESS**


ALUMINA LIMITED ANNUAL REPORT 2019

ALUMINA
LIMITED