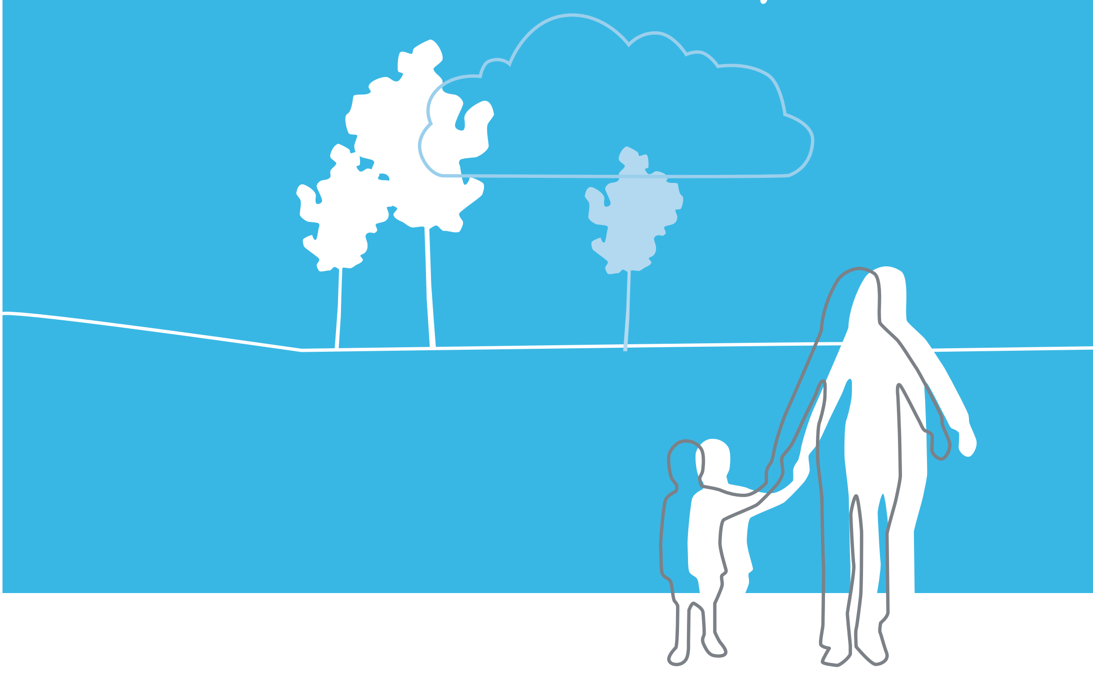
2020 vision

ANNUAL REVIEW 2007

ALUMINA
LIMITED

Looking ahead to the year 2020.



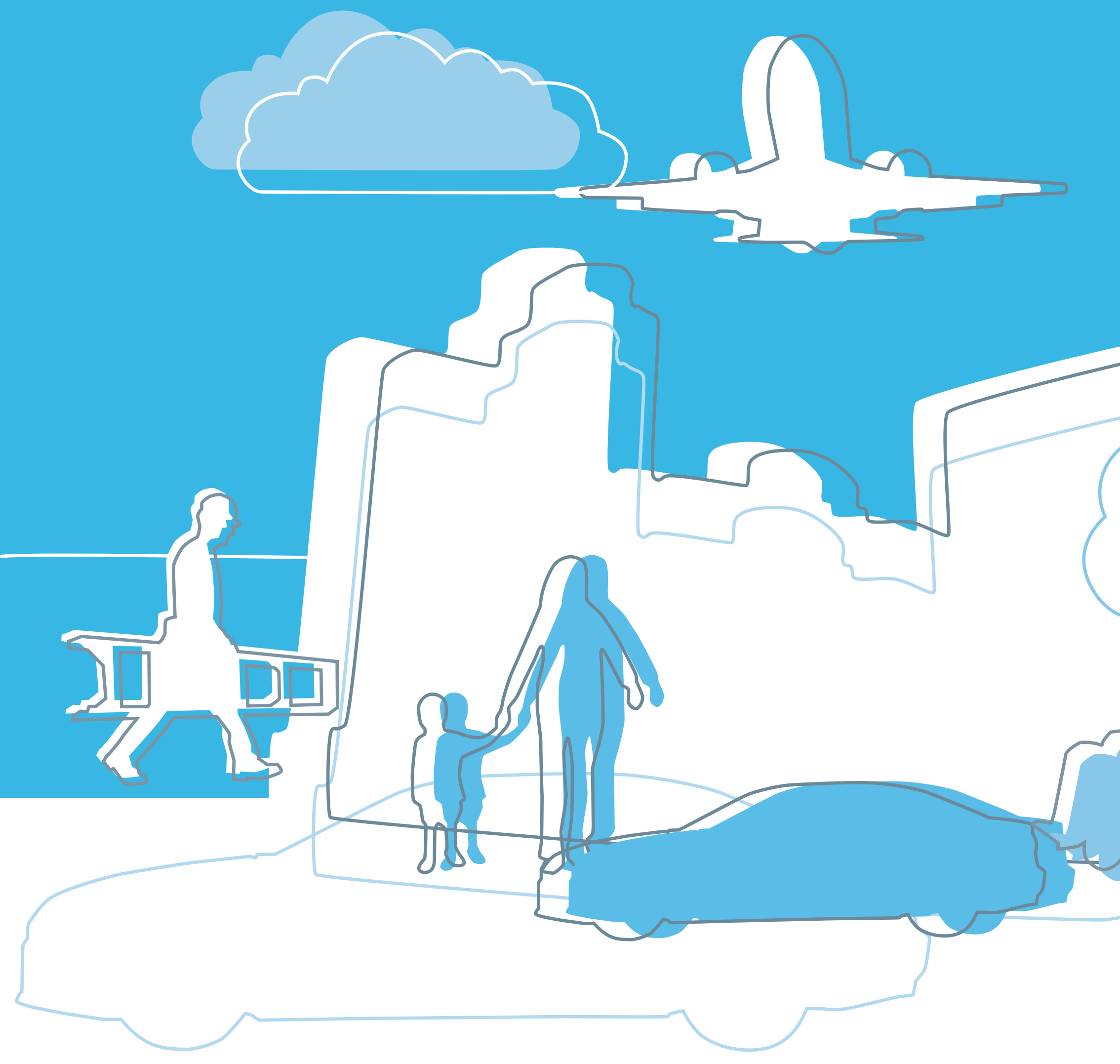
CONTENTS

A vision for reducing greenhouse gas emissions by 2020.

In vehicles alone, the use of weight saving aluminium could reduce 500 million tonnes of greenhouse gases by 2020.

A vision of new aluminium applications.

Aluminium is easy to form, machine, cast and make into high strength alloys. It is impermeable, strong, durable, corrosion resistant and lightweight.



A vision for demand.

Global consumption of aluminium is expected to double between 2005 and 2020 with increasing usage in construction and transport applications in the developing economies of China, Russia and Latin America.

A vision for AWAC growth by 2020.

We are investing to grow AWAC capacity to meet this strong global growth in demand for aluminium.

AT A GLANCE

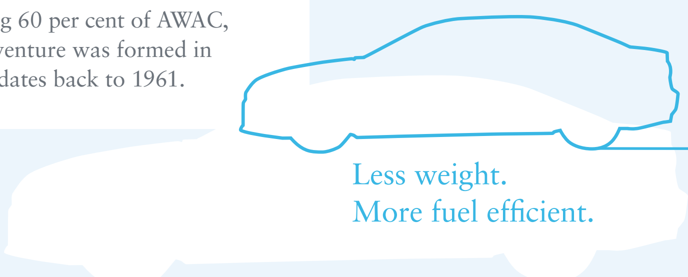
STRATEGY	RESULTS
Continue to ensure long-term capital growth and substantial dividends for shareholders	◦ Net profit $436 million ◦ Underlying earnings of $405 million ◦ Increased dividend to 24 cents per share ◦ A$250m Share buy-back completed ◦ Average 2007 share price $7.04 (2006: $6.77) ◦ Return on equity based on underlying earnings 24%
Generate profitable growth for Alumina shareholders from sustainable expansion of the AWAC enterprise	◦ AWAC Pinjarra alumina refinery 657,000 tonnes efficiency upgrade fully operational ◦ AWAC Jamalco refinery 146,000 tonne capacity increase completed ◦ AWAC progressed the development of the 2.6 million mtpy Juruti bauxite mine in Brazil ◦ Construction of the 2.1 million mtpy expansion of the jointly owned Alumar alumina refinery in Brazil over 60% completed ◦ AWAC dividends of $445m received

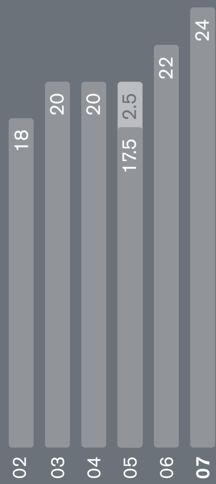
AWAC PARTNERSHIP – A GLOBAL JOINT VENTURE

Alumina Limited is a leading Australian company listed on the Australian Securities Exchange (ASX) and the New York Stock Exchange (NYSE).

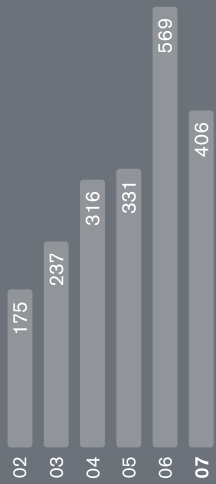
We invest worldwide in bauxite mining, alumina refining and selected aluminium smelting operations through our 40 per cent ownership of Alcoa World Alumina and Chemicals (AWAC), the world's largest alumina business.

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

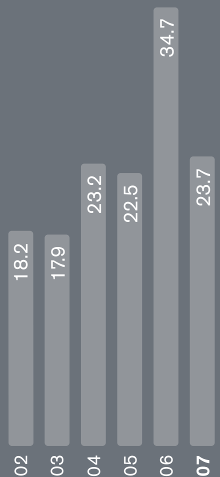




ALUMINA DIVIDENDS DECLARED – cents
fully franked unfranked



ALUMINA UNDERLYING EARNINGS – A$ million
Underlying Earnings



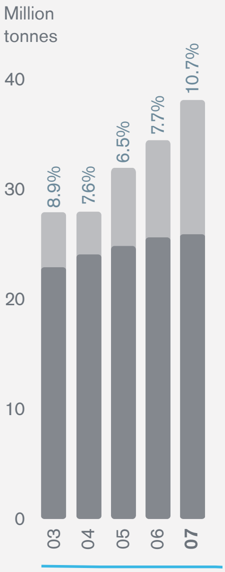
ALUMINA LIMITED RETURN ON EQUITY
per cent underlying earnings

AWAC ALUMINA PRODUCTION
million of tonnes

Alumina (through AWAC) owns key mining, refining and smelting operations. The Company is well placed to deliver long-term, sustainable growth to investors.

Alumina Limited reported a net profit after tax of $436 million and declared fully franked dividends of 24 cents per share for the 2007 year. Trading conditions became more difficult in the second half of 2007 as aluminium prices declined and alumina production input costs increased, due to higher energy prices, bauxite freight costs and a weaker US dollar.

2020 VISION CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT 2007



WORLD PRIMARY ALUMINIUM CONSUMPTION
Mtpa
Western world
China
% Global growth
Source: Brook Hunt

The Company's investment in the AWAC business is sound, with a strategy and focus for the long term. This investment has provided good returns over a long period, and has done so again in 2007, with a return on equity of 26 per cent.

Worldwide demand for alumina and aluminium increased significantly in 2007, growing at the most rapid level for decades. Demand for aluminium has grown much faster than other base metals. Consumption of aluminium is forecast to at least double between 2005 and 2020.

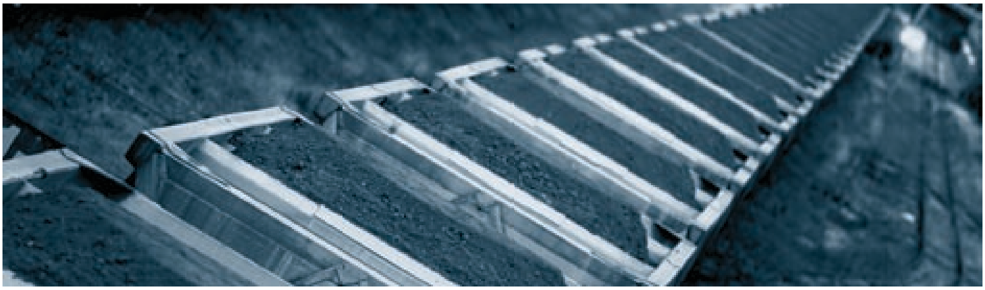
In recent years, additional competitive alumina and aluminium capacity has been built in China which has kept pace with demand growth in China. This has impacted the extent of the increase in alumina and aluminium prices.

We have confidence in the medium and long term outlook for the aluminium market and prices. We will continue to execute our strategy of developing AWAC's quality bauxite and low cost alumina capacity to meet the rapid growth in demand.

2007 RESULT

Net profit after tax declined 15 per cent to $436 million and underlying earnings after tax declined 29 per cent to $405 million. Higher alumina and aluminium prices were more than offset by a weaker US dollar and increased AWAC production costs. AWAC alumina production was in line with 2006 at 14.3 million tonnes.

Return on equity (based on underlying earnings) of 24 per cent was lower than in 2006 (35 per



cent), reflecting the lower underlying earnings and the significant capital investment of over US$375 million by the Company in AWAC's growth projects. Return on equity, excluding investments in current growth projects which are not yet contributing to earnings, was 33 per cent (41 per cent). AWAC's return on equity has been above its cost of capital in every year since its creation in 1994. Earnings per share (based on underlying earnings) for Alumina Limited were 36 cents, down from 49 cents per share in 2006.

Underlying earnings are calculated by deducting from reported net profit for the period an amount of $31 million relating to the net value of non-cash entries which do not reflect the year's operations. These non-cash entries relate to mark-to-market valuations of AWAC embedded derivatives in energy purchase contracts, which reflect higher future aluminium prices based on the forward market at the end of the period, and adjustments resulting from actuarial assessment of the future costs of retirement benefit obligations, net of investment returns, of AWAC employee benefit plans.

The Board declared increased dividends of 24 cents per share in 2007, fully franked (2006: 22 cents fully franked). AWAC funding arrangements were entered into in 2006 to provide the AWAC partners with additional dividends from Alcoa of Australia for funding AWAC's capital projects. The Company's objective of releasing franking credits to shareholders is an important driver to increasing dividends to shareholders. The Board's intention, subject to business conditions, is to maintain annual dividends at least at 24 cents per share, fully franked.

Alumina Limited received cash dividends of $445 million from AWAC in 2007, compared with $521 million in 2006, reflecting the lower AWAC net profit. The AWAC dividend payments represent a profit payout ratio of 96 per cent. In 2007, 95 per cent of the AWAC dividends were fully franked.

The Company's interest costs increased to $46 million in 2007 (2006: $25 million) as borrowings increased to fund investment in AWAC's Brazil growth projects and the off market share buy back. All interest paid on the Company's borrowings, $45.7 million in 2007, directly impact Alumina Limited earnings, even though $15 million in 2007 relates to the funding of assets which are not yet generating income. Alumina Limited's corporate costs were $14 million in 2007 (2006: $11million), increasing principally due to costs of the share buy back, the cost of arranging additional financing facilities and the Company's response to Alcoa's bid for Alcan.

AWAC FINANCIAL PERFORMANCE

AWAC's net profit after tax declined 15 per cent to US$953 million in 2007. AWAC's operating cash flow for the year was US$903 million, compared with US$1,419 million in the previous year. AWAC's net profit declined by 34 per cent from the first half to the second half of 2007 as aluminium prices declined, the US dollar weakened, and alumina production costs increased. These factors combined to reduce AWAC's operating margins in the second half of 2007.

Global demand for aluminium and alumina continued to grow strongly, increasing by approximately 10 per cent year on year in 2007. LME aluminium prices averaged US$1.21 per pound in 2007, a 3.4 per cent increase on the corresponding period. AWAC's sales revenues increased by 2 per cent in 2007 compared with 2006.

AWAC alumina production costs increased during 2007 to a greater extent than aluminium prices. Combined with a weaker US dollar, these factors reduced AWAC's operating margins. The impact of higher costs and a weaker US dollar is affecting producers across the alumina and aluminium industries.

The Australian dollar averaged US$0.84 for the year, substantially higher than the average of US$0.75 for 2006. At year-end, the Australian dollar was US$0.88 (2006 year end: US$0.79).

The movement in the year-end exchange rate affected the Australian dollar carrying value of US dollar assets held by Alcoa of Australia, resulting in balance sheet revaluations. The revaluations reduced Alumina Limited's net profit by $16 million after tax.

AWAC's alumina production was steady at 14.3 million tonnes. Production from the Pinjarra refinery increased following the commissioning of the 657,000 metric tonnes per year (mtpy) capacity upgrade in 2006, reaching a new production level of 4.2 million mtpy in the fourth quarter. Record annual production levels were achieved at the Wagerup, Sao Luis and Suralco refineries. These factors offset production disruptions from the severe impact of Hurricane Dean on the Jamalco refinery, power outages at two Western Australian refineries, and a general strike in Guinea which curtailed bauxite exports.

AUD & BRL Exchange Rate 2006–2007

AUD/USD BRL/USD

Source: Reuters

AWAC's strategy is to grow low cost refinery capacity to meet increasing alumina demand from long term contracted customers. AWAC production growth will underpin the sustainability of long-term returns to shareholders.

Aluminium margins at AWAC's two smelters declined in 2007, despite higher realised prices, as alumina and power prices, and the Australian dollar increased during the year. AWAC's 2007 aluminium production was a record 387,350 tonnes (2006: 377,351 tonnes).

GROWTH PROJECTS

2007 was a year of substantial investment to grow the AWAC joint venture through expansion projects in bauxite mining and alumina refining.

AWAC's capital expenditure was US$1.236 billion in 2007, compared with $855 million in 2006. Capital expenditure of US$939 million in 2007 for growth projects was spent principally on the Alumar refinery expansion and development of the Juruti bauxite mine, in Brazil.

The new Juruti bauxite mine and the expansion of the Alumar refinery in Brazil by 2.1 million mtpy (AWAC 54 per cent share) are expected to reach mechanical completion by the end of 2008 and the first quarter 2009 respectively. The expected cost of the Juruti bauxite mine and AWAC's share of the Alumar refinery expansion has increased from US$1.7 billion to US$2.5 billion. At Juruti, increased construction costs and scope of construction, additional energy supply and community infrastructure costs have added to the cost of this investment. The appreciation of the Brazilian currency has also added to the cost of both projects.

ALUMINA LIMITED'S STRATEGY

Alumina Limited's strategy is to participate in bauxite mining, alumina refining and selected aluminium smelting operations globally, solely through our 40 per cent interest in AWAC.

Generate profitable growth for Alumina shareholders from sustainable expansion of the AWAC enterprise:

- Expand AWAC's existing alumina and bauxite capacity to meet growth in global alumina markets
- Participate in strategic greenfield refinery and bauxite mine investments that meet AWAC's risk and return criteria, to enhance AWAC's long term capacity and cost position
- Undertake smelting investments within AWAC, where investment returns are high.

Continue to ensure long term capital growth and substantial dividends for shareholders:

- Maintain fully franked dividends of at least 24 cents per share annually, subject to business conditions
- Invest cash in high-return opportunities in AWAC, or return cash to shareholders
- Actively manage Alumina Limited's capital structure to improve returns per share.

Less engineering constraint.
More innovative design.

The initial 2.6 million mtpy project at Juruti includes the cost of infrastructure investment to support future capacity expansions, and is an important part of AWAC's strategy to own and operate high quality, low cost bauxite mining operations close to its refineries.

Construction of the 146,000 mtpy expansion project at Jamalco was completed in the first half of 2007. Preliminary engineering for the development of an expansion of the Wagerup refinery in Western Australia by approximately 2 million mtpy, continued in 2007. The pre feasibility phase of the project has been extended into 2008. This project is a highly attractive capacity expansion opportunity for AWAC.

Feasibility studies are underway for the development of a new greenfield project in Guinea and pre feasibility work is being conducted on a potential greenfield project in Vietnam.

CAPITAL MANAGEMENT

Dividends from Alcoa of Australia and additional borrowings will, together with the introduction of an underwritten dividend reinvestment plan, fund the Company's investments in AWAC's growth and sustaining capital projects in 2008. The issue of shares under the dividend reinvestment plan will be underwritten for the 2007 final dividend and it is intended would also be underwritten for the 2008 interim dividend. The introduction of the new DRP, and these underwriting arrangements, recognise the substantial investment the Company is currently making in new AWAC production capacity, and is important in the Company implementing its policy of promptly distributing franking credits. The Company's interest costs are expected to increase by approximately $25 million to $30 million as debt levels rise in 2008 to fund investment in AWAC's growth.

Alumina's net debt was $977 million at 31 December 2007, compared with $419.1 million at the beginning of 2007. The increase in debt reflects our contributions to fund AWAC expansion projects in Brazil and undertaking the off market share buy back in May 2007.

The Company successfully completed a $250 million off-market share buy-back in the first half of 2007, repurchasing 3.3 per cent of issued capital at a 14 per cent discount to the then market price. The buy back improved the Company's debt and equity mix, the Company's earnings per share and return on equity, whilst also efficiently distributing franking credits. Alumina Limited's financial position is sound. In March 2008, Standard & Poor's revised the Company's credit rating to BBB +, with a stable outlook. This remains a strong investment grade credit rating. AWAC is expected to remain essentially debt free.

GOVERNANCE AND SUSTAINABILITY

Alumina Limited's corporate governance practices are designed to protect shareholder interests, to address business risks, and to maximise value for shareholders. Alumina Limited meets the ASX best practice corporate governance principles. A complete outline is provided in the Company's 2007 Full Financial Report.

Alumina Limited's annual results are reported on the basis of Australian equivalents to International Financial Reporting Standards (A-IFRS). The Company also reports its underlying earnings, in addition to net profit, as Directors believe this provides a better understanding of the Company's performance.

ALUMINIUM PRICE – 2007
US cents/LB
Source: Reuters

The calculation of underlying earnings is described on page 5.

In 2007, Alumina Limited provided its first report on internal financial controls under the USA Sarbanes-Oxley Act including an unqualified report by the external auditor. The internal financial control report is a substantial exercise, which has increased corporate costs.

Sustainable development and growth is fundamental to how AWAC operates. Alumina Limited's commitment to sustainable development is formalised in its Sustainability Policy, which is available on our website www.aluminalimited.com.

Alcoa manages the AWAC operations and has the primary responsibility for developing and implementing a sustainable business framework for AWAC's worldwide operations. Alcoa's commitment to sustainability is supported by a range of business systems and operational processes which integrate sustainability into all aspects of AWAC's business. We recognise that the risk of significant climate change is an issue of vital importance requiring action. Climate change is a global issue that is driving business and social decisions and is one of the most important sustainability issues for the global aluminium industry.

The Company's Chief Executive Officer was appointed to the joint government/business Task Group to advise the Australian Government on workable global emissions trading systems in which Australia could participate. Alumina Limited supports the introduction of a properly designed emissions trading scheme covering all major emitters and sectors, which will ensure Australian industry is not disadvantaged relative to international competition. During 2007, Alumina Limited participated in the Carbon Disclosure Project, and also provided our first Sustainability Report.

OUTLOOK

The long term outlook for the aluminium industry continues to be positive. The potential for localized shortages in energy supply to occur and higher energy prices are also supportive for aluminium prices. An increase in global aluminium consumption of 10 per cent in 2007 was the highest for several decades, driven by China, Brazil and other developing countries. Aluminium consumption in China rose by 36 per cent in 2007, and China is now the world's largest consumer of aluminium, accounting for 26 per cent of the world market – which was 38 million tonnes in 2007.

The average LME aluminium price increased 3 per cent during 2007, reflecting strong demand and stock levels at 25 days of consumption. LME aluminium prices increased by 8 per cent during the first half of 2007 to average $1.26 per pound, but fell during the second half to average US$1.16 per pound.

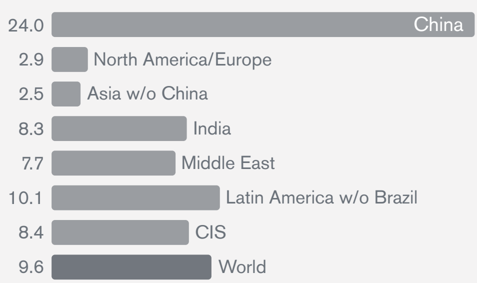
The world equity and credit markets are experiencing substantial volatility and the outlook for the US economy is also uncertain. This may have wider impacts on global economic activity in 2008.

Against this background, global demand for aluminium and alumina is currently forecast to grow at approximately 10 per cent through 2008. China is the world's largest aluminium market, and domestic demand for aluminium is projected to grow by approximately 24 per cent. Other 'emerging economies' are projected to grow at rates of 4 to 9 per cent, and western world growth at approximately 2 per cent. The demand/supply outlook for aluminium has remained robust despite volatility in financial markets.

In 2008, aluminium markets are projected to be in a small surplus of less than 1 per cent of global consumption. Alumina markets are forecast to be in modest oversupply of up to 1 million tonnes, dependent on the pace of construction and ongoing operation of new alumina refining capacity, particularly in China. However, developments in early 2008 of power shortages in South Africa and China have increased prices and tightened the aluminium supply/demand balance.

Pinjarra Alumina Refinery - Western Australia

ALUMINA LIMITED SHARE PRICE – 2007
$A
Source: Reuters



2008 PROJECTED ALUMINIUM
CONSUMPTION GROWTH RATE
per cent
Source: Alcoa January 2008

To date China has been able to expand alumina and aluminium production capacity to meet the very strong growth in demand, limiting aluminium price increases.

Construction costs for the resources industry have increased substantially in recent years, with costs of recent refinery expansions outside of China increasing by approximately 50 per cent. This is a global phenomenon resulting from tight labour and engineering availability, increased prices for construction materials and stretched availability of suppliers and major contractors. Cost escalation for new capacity is expected to continue and this will be a significant factor influencing long term aluminium prices.

Higher material costs, increasing energy prices, currency appreciation, construction cost escalation and supply chain constraints are expected to work to support higher long term aluminium prices. Energy prices have increased substantially in recent years and are resulting in higher production costs for refineries and smelters. Global alumina refining cash costs have also been impacted by the price of caustic soda doubling since 2004 and freight rates increasing by over 60 per cent since 2003.

These structural factors have significantly increased operating costs. However we expect those factors, together with the strong demand outlook, will have a positive impact on the medium and long term outlook for the alumina and aluminium price.

The resources boom, fuelled by China, has also supported increased consolidation within the alumina and aluminium industry. The drive to consolidation in the alumina and aluminium industry is expected to continue as existing producers seek access to long life high quality bauxite resources, long term energy supply and a sustainable low cost production position. AWAC has a 19 per cent share of global alumina refining capacity, attractive cash operating costs, long life quality bauxite resources and long term supply contracts with blue chip customers.

AWAC is investing in growth projects to meet strong global growth in demand for aluminium and alumina and reduce overall refining costs per tonne. Ownership of quality, long life bauxite resources, such as that being developed at Juruti, is increasingly important to ensure a competitive cost position in alumina refining. New AWAC capacity is underpinned by long-term customer supply contracts.

AWAC alumina sales are forecast to grow in 2008 by approximately 500,000 tonnes per annum with higher production from the Pinjarra and Jamalco refineries. AWAC alumina operating costs are expected to rise by approximately $24 per tonne, due to a weaker US dollar, higher energy and caustic prices, and increased bauxite and shipping costs. AWAC continues to seek to mitigate cost impacts by improving its efficiency in usage of production inputs and expanding its low cost refineries.

The sensitivity for Alumina Limited's 2008 underlying earnings to a US 1 cent movement in the aluminium metal price is expected to be approximately A$11 million, based on 2007 underlying earnings and 2007 average LME and A$/US$ exchange rates. The sensitivity to the A$/US$ exchange rate is A$12 million for each 1 cent movement. These sensitivities exclude any impact of accounting for embedded derivatives and year-end balance sheet revaluations of foreign currency, assets and liabilities.

We thank the Company's employees for their valued contribution and results they have achieved.

Directors and management will continue to work to ensure sustainable long term value is achieved for shareholders.

DONALD M MORLEY
CHAIRMAN

JOHN MARLAY
CHIEF EXECUTIVE OFFICER

MR DONALD M MORLEY

Age 68 – BSc MBA FAusIMM
Chair
Independent Non-Executive Director

Mr Morley was elected a Director and appointed Chairman of Alumina Limited on 11 December 2002. He is a director of Iluka Resources Ltd, a role he has held since December 2002, and has also been a director of SPARK Infrastructure Ltd since November 2005. He was previously a director of WMC Limited, in the role of Director of Finance until April 2001, and he retired from his executive duties with WMC in October 2002. Mr Morley is a member of the Audit Committee, Compensation Committee and the Nomination Committee. He has wide-ranging financial skills and considerable resource industry experience.

MR PETER A F HAY

Age 57 – LLB
Independent Non-Executive Director

Mr Hay has been a Director of Alumina Limited since 11 December 2002. He is Co-Chairman of Investment Banking at Lazard Carnegie Wylie Pty Ltd and a director of Pacifica Group Limited and Landcare Australia Limited, and from July 2000 to July 2005 he was the Chief Executive Officer of the law firm Freehills. He is a member of the Audit Committee, and Compensation Committee and Chair of the Nomination Committee. Mr Hay brings to the Board considerable legal experience and advisory skills particularly in relation to public company takeovers, corporate governance matters and risk management.

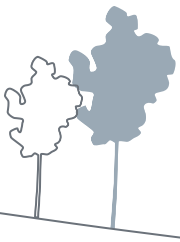
MR RONALD J MCNEILLY

Age 64 – BCom, MBA, FCPA, FAICD
Independent Non-Executive Director

Mr McNeilly was elected a Director of Alumina Limited on 11 December 2002. He is the Deputy Chairman of BlueScope Steel Limited; Chairman of Worley Parsons Limited; Chairman of Melbourne Business School Limited; past director of BHP Billiton Limited, QCT Resources Limited and Tubemakers of Australia Limited; past executive director Global Markets BHP Billiton Limited from 2001 to 2002; past executive director and President of BHP Minerals from 1999 to 2001. He is a member of the Audit and Nomination Committee and Chair of the Compensation Committee. Mr McNeilly brings substantial practical experience and skills gained from over 30 years working in the resource sector.

SECTION 3
THE BOARD OF DIRECTORS

Alumina Limited Directors in office as at 31 December 2007.



MR MARK R RAYNER

Age 70 – BSc (Hons) ChemEng FTSE FAusIMM FIEA FAICD

Independent Non-Executive Director

Mr Rayner was elected to take office as Director of Alumina Limited on 11 December 2002. He was Chief Executive of Comalco Limited 1978 to 1989, Deputy Chairman 1989 to 1997; executive director CRA Ltd 1989 to 1995, director of National Australia Bank Limited from 1985 to 2001 and Chairman from 1997 to 2001, a director of Pasminco Limited from 1989 to 2003 and Chairman from 1992 to 2003; director of Mayne Nickless Limited from 1995 to 2002; Chairman Mayne Nickless from 1997 to 2002 and most recently, a director of Boral Ltd from 1996 to 2007. Mr Rayner is a member of the Nomination Committee and Compensation Committee, and Chair of the Audit Committee. He brings extensive industry specific experience in the bauxite, alumina and aluminium industry of over 35 years.

MR G JOHN PIZZEY

Age 62 – BEng (Chem), Dip. Mgt FTSE FAICD

Independent Non-Executive Director

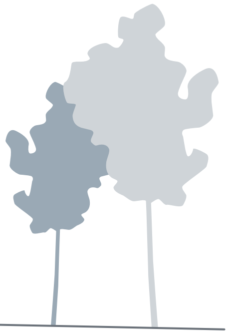
Mr Pizzey was elected a director of Alumina Limited on 8 June 2007. He is a Director of Iluka Resources Ltd, Amcor Limited, St Vincent's Institute of Medical Research and Ivanhoe Grammar School. Mr Pizzey was previously a director of WMC Resources Ltd (November 2003 to June 2005), Alcoa of Australia Limited (April 1999 to December 2003), ION Limited (in administration) (October 1999 to August 2005), and Chairman 2004-2005. Mr Pizzey is also formerly a director and chairman of the London Metal Exchange. He is a member of the Audit, Nomination and Compensation Committees. Mr Pizzey brings extensive knowledge gained in over 33 years in the alumina and aluminium industry.

MR JOHN MARLAY

Age 59 – BSc FAICD

Chief Executive Officer

Mr Marlay was elected as Executive Director and Chief Executive Officer on 11 December 2002. He joined WMC in August 2002, following his role as Head of Strategy for RMC Group Plc in London. Mr Marlay was previously Executive General Manager Business Integration, Hanson Plc from 2000 to 2001. He has held senior management roles with Pioneer International Ltd, James Hardie Industries Limited and Esso Australia Ltd. In December 2006 Mr Marlay was appointed as a non-executive director of Incitec Pivot Limited. Mr Marlay has extensive resource sector experience operating in international management roles, including capital-intensive joint ventures.



SECTION 4

CORPORATE GOVERNANCE

Alumina Limited's key objective is to provide shareholders with substantial returns through the creation of long-term sustainable value. To enable us to achieve that goal, we have implemented a corporate governance framework founded on a core set of values that reflect best practice standards. All directors, management and staff have adopted these values.

CORE VALUES & CODE OF CONDUCT

Alumina Limited's core values – respect, integrity, honesty, personal commitment and high performance – underpin the way we conduct our business and all of Alumina Limited's activities. Alumina Limited has adopted a Code of Conduct that is applicable to all Directors, officers and employees. The Code of Conduct was developed by aligning the Company's agreed core values with best practice corporate governance models.

CORPORATE GOVERNANCE GUIDELINES

Alumina Limited's corporate governance practices are reviewed regularly by local and international corporate governance rating agencies. In 2007 GovernanceMetrics International, a leading global corporate governance rating agency, assessed Alumina Limited as 9.5 out of 10, compared to an overall average of 7.5 for companies in Australia.

Less corrosive.
More weather resistant.

Alumina Limited meets each of the requirements of the Australian Securities Exchange Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (First Edition), and has early adopted the Corporate Governance Principles and Recommendations (Second Edition).

BOARD OF DIRECTORS

Alumina Limited's Board of Directors represents the shareholders' interests. The Board is ultimately responsible for the success of the Company by setting its strategic goals, establishing resources and ensuring management processes are effective. A complete description of the role and responsibility of the Board and its Committees is found in the Corporate Governance Statement in the 2007 Annual Report or Alumina Limited's website.

BOARD MEMBERSHIP AND SUCCESSION PLANNING

The Board consists of five non-executive Directors including the Chairman, and an executive Director – the Chief Executive Officer, Mr John Marlay. The Nomination Committee regularly reviews the size and composition of the Board and the balance of skills and expertise of its members. Mr Rayner is retiring as a director of the Company at the 2008 Annual General Meeting and Mr Pizzey was appointed in mid 2007 to ensure an effective succession. The Directors consider that the appropriate size for the Company's Board is five Directors. The Company's Board was temporarily increased to six directors for part of 2007 as part of succession planning for Mr Rayner's anticipated retirement. Director biographies are set out on page 12 and 13.

BOARD, SENIOR EXECUTIVE & BOARD COMMITTEE PERFORMANCE EVALUATION

Performance evaluations of the Board, its committees, the individual Directors and key executives, were undertaken in accordance with the processes described above in 2007.

The Board undertakes annual evaluations of both the collective performance of the Board and performance of individual members and also each Board committee.

SHARE TRADING POLICY

Alumina Limited's Share Trading Policy sets down prudent controls and guidelines on share trading by its Directors and employees including share trading limitations. The Share Trading Policy is located on the Company website.

MANAGING RISK

Alumina Limited's Risk Management Policy sets out its policies and procedures for covering risks such as those relating to markets, credit, price, operating, safety, health, environment, financial reporting and internal control. Further information on risk management can be found in the Corporate Governance Statement of the 2007 Annual Report or the Company website.

WHISTLEBLOWING

Alumina's Whistleblowing Policy encourages, and offers protection for staff to report, in good faith, any behaviour, practice or activity that they have reasonable grounds to believe is unethical or improper, involves impropriety or contravenes the law or manipulates the audit process.

DISCLOSURE POLICY

Alumina Limited is committed to providing best practice continuous disclosure and has comprehensive policies and procedures designed to ensure compliance with the continuous and periodic disclosure obligations under the Corporations Act and the ASX Listing Rules and to ensure accountability at a senior executive level for that compliance.

All of Alumina's corporate governance policies including those summarised above, are available for review or downloading on the Company website www.aluminalimited.com

SECTION 5

SENIOR MANAGEMENT

JOHN MARLAY
BSc FAICD
Chief Executive Officer

John Marlay has responsibility for the overall management of Alumina Limited in accordance with the strategy, policies and business processes adopted by the Board. Mr Marlay was appointed as a non-executive director of Incitec Pivot Limited in December 2006.

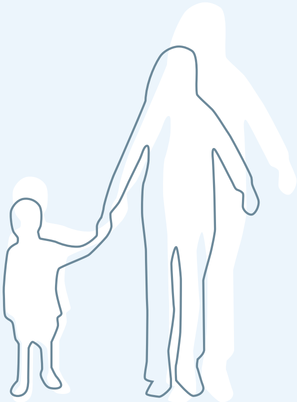
KEN DEAN
BCom (Hons) FCPA MAICD
Chief Financial Officer

Ken Dean is responsible for finance, accounting, treasury, investor relations and tax. He has extensive financial and resource sector experience gained from a 30-year career with Shell, both in Australia and overseas. Mr Dean is also a non-executive director of Santos Ltd.

Mr Dean is an alternate director for Mr Rayner.

STEPHEN FOSTER
BCom LLB(Hons) GDipAppFin (Sec Inst) GradDip CSP ACIS
General Counsel & Company Secretary

Stephen Foster is responsible for legal, company secretarial, shareholder services, insurance and human resources. Mr Foster has a wide range of legal and commercial experience gained over 25 years, at Village Roadshow, WMC Limited, and the legal firm of Arthur Robinson & Hedderwicks (now Allens Arthur Robinson).



Less energy usage from increased recycling

SECTION 6

REMUNERATION SUMMARY

REMUNERATION POLICY AND PRACTICES 2008

Alumina Limited has a number of specific differences in its structure and operations that differentiate it from other ASX companies. The Company has adopted widely accepted conventional performance measures for executive remuneration, such as earnings per share, return on capital, and relative total shareholder return. However, these performance measures can be impacted by external factors, such as aluminium price, exchange rate and the performance of operating facilities which are managed by Alcoa, rather than the management of Alumina Limited. These measures are used in our remuneration structure, as they do align management remuneration with shareholders' interests. In 2008, as part of a comprehensive review of our remuneration philosophy, we have made changes to our remuneration practices to better link remuneration to specific Alumina Limited management performance while ensuring alignment to shareholder interests.

Short Term Incentive

The Company reviewed its remuneration policy during 2007 and sought to increase the weighting of remuneration to those areas the executive can directly influence. In 2008, the Short Term Incentive ("STI") will be up to a maximum of 100 per cent of Fixed Annual Reward ("FAR") for the Chief Executive Officer (50 per cent in 2007) and 70 per cent for Senior Executives (40 per cent in 2007).

Fifty per cent of the STI for the Chief Executive Officer and Senior Executives will relate to their performance against individual objectives and 50 per cent of the STI for the Chief Executive Officer and Senior Executives relates to return on capital and earnings per share hurdles. The individual objectives relate to promoting and protecting shareholder interests in the AWAC joint venture, Alumina Limited capital management and funding, influence on AWAC strategy and operational performance, corporate governance and fiscal compliance. These are matters which executives can most directly and immediately influence and have their performance measured against.

To ensure alignment of executive remuneration with shareholder returns, executives will also be required to apply 50 per cent of any STI payment for the 2008 year to the purchase of Company shares. Those shares must be held by the executive for a period of at least three years, or until the executive ceases employment.

At the same time, the potential Long Term Incentive ("LTI") component of remuneration will be reduced in 2008 to a maximum of 50 per cent for the Chief Executive Officer (75 per cent in 2007) and a maximum of 40 per cent of FAR for Senior Executives (60 per cent in 2007).

Long Term Incentives

The Company reviewed the hurdles that should apply to Performance Rights under the LTI Plan. For the 2008 grant, 100 per cent of the Performance Rights will be tested against the Total Shareholder Return ("TSR") hurdle. An Earnings Per Share hurdle will not be used for the 2008 LTI grant in order to meet the desire for a clear, comparative measure that most directly aligns with returns to shareholders.

For future grants of Performance Rights, the Company has decided to discontinue the 2007 Performance Rights vesting tests, whereby TSR Hurdle was tested on the highest 20 day average TSR performance over the 12 month period.

For Performance Rights granted from 2008 onwards, if less than 100 per cent vest when tested initially at the end of a three year period, two further tests apply (over a four week period), 6 months and 12 months after the initial test. Any Performance Rights which do not vest after the second retest will lapse.

The volatility of global commodity prices and exchange rates, and the resulting volatility in the Company's share price, can mean a four week measure at the end of three years does not give a good or fair measure of improved long term performance. The testing outcome can be potentially unrepresentative, depending on numerous market factors that may be present in a single four week period at the end of three years. Therefore, it is considered that the 6 months and 12 months retesting approach provides a more representative outcome.

The Company believes these changes improve the executive remuneration structure from 2008. We will continue to review our remuneration practices to ensure they continue to align with shareholder expectations while providing incentive and motivation for our employees.

Non-Executive Directors

The Committee reviews non-executive Director remuneration annually, taking into account the advice of remuneration consultants with regard to market practices, and the duties and accountabilities of Directors, and provides a recommendation to the Board on non-executive Director remuneration. The Company seeks to set non-executive Directors' fees in the third quartile. During 2007, a review was undertaken by Egan Associates of non-executive Director fee levels of comparable companies.

Having regard to the review and organisations with comparable market capitalisation, total assets and operating profits, and taking into account duties and responsibilities, non executive directors' fees were increased in 2008 from $121,350 per annum to $140,000 per annum, plus the superannuation guarantee levy.

The Directors agreed to continue the practice of not paying additional fees for committee membership or chairmanship of committees.

Chief Executive Officer

Mr Marlay's FAR was increased from $900,000 to $1,000,000 per annum, effective January 1, 2008. Mr Marlay's employment contract was also amended from January 1, 2008, as outlined above in relation to STI and LTI, reflecting changes in CEO remuneration practices in the market, where there is both a higher proportion of at risk remuneration and increased weighting to short term incentives.

The Company has provided for shareholders to vote at the 2008 Annual General Meeting on whether to approve the issue of Performance Rights to the Chief Executive Officer. The Performance Rights do not involve the issue of new shares.

REMUNERATION OVERVIEW

2007	Short-Term[1] $	Post-Employment $	Share Based $	Total $
NON-EXECUTIVE DIRECTORS				
D M Morley	303,865	12,907	-	316,772
P A F Hay	121,500	10,375	-	131,875
R J McNeilly	121,500	10,375	-	131,875
M R Rayner	121,500	10,375	-	131,875
G J Pizzey	68,227	6,140	-	74,367
Non-executive Total	**736,592**	**50,172**	-	**786,764**

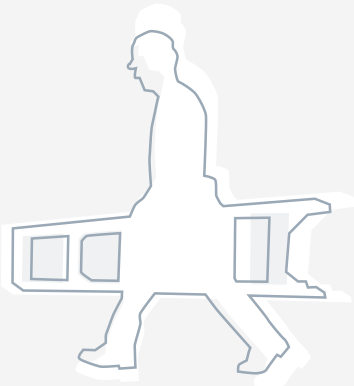
2007	Short-Term[2] $	Post-Employment $	Share Based[3] $	Total $
EXECUTIVE DIRECTOR – CEO				
J Marlay	1,139,092	12,908	413,685	1,565,685
SENIOR EXECUTIVES				
K A Dean	677,092	12,908	164,521	854,521
S C Foster	446,092	12,908	140,005	599,005
Executive Total	**2,262,276**	**38,724**	**718,211**	**3,019,211**

1 Non-executive directors are required to sacrifice a minimum of 10 per cent of their fixed remuneration in Company shares. The directors have discretion to vary the amount of fixed remuneration they apply to acquiring shares. Mr Morley applied $30,550, Mr Hay $12,150, Mr McNeilly $30,375, Mr Rayner $24,300 and Mr Pizzey $13,645 to acquiring shares in the Company.
2 Short-term includes cash bonuses for Mr Marlay ($252,000), Mr Dean ($120,000) and Mr Foster ($89,000)
3 The value of Performance Rights is calculated in accordance with AASB 2

SECTION 7

CONDENSED CONSOLIDATED BALANCE SHEET

as at 31 December	2007 $A million	2006 $A million
CURRENT ASSETS		
Cash and cash equivalents	29.1	169.0
Receivables – other	0.1	0.1
Deferred tax assets	2.1	2.1
Total current assets	**31.3**	**171.2**
NON-CURRENT ASSETS		
Investments accounted for using the equity method	2,657.0	2,186.2
Property, plant and equipment	0.3	0.2
Total non-current assets	**2,657.3**	**2,186.4**
Total assets	**2,688.6**	**2,357.6**
CURRENT LIABILITIES		
Payables	15.8	12.7
Interest bearing liabilities	440.6	380.2
Current tax liabilities	1.0	1.1
Provisions	0.1	0.1
Other	1.1	0.7
Total current liabilities	**458.6**	**394.8**
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	565.8	207.9
Provisions	0.3	0.3
Total non-current liabilities	**566.1**	**208.2**
Total liabilities	**1,024.7**	**603.0**
Net assets	**1,663.9**	**1,754.6**
EQUITY		
Contributed equity	411.9	425.8
Treasury shares	(0.7)	(0.6)
Reserves:		
◦ Group	12.6	30.6
◦ Associates	1.4	(15.3)
Retained profits:		
◦ Group	736.0	861.1
◦ Associates	502.7	453.0
Total equity	**1,663.9**	**1,754.6**



Less energy
used to recycle.
More recycling.

FINANCIAL HISTORY

ALUMINA LIMITED AND CONTROLLED ENTITIES

as at 31 December	2007[1] $ million	2006[1] $ million	2005[1] $ million	2004[1] $ million	2003[2] $ million
Revenue from continuing operations	2.8	1.4	4.0	8.9	4.8
Other income	–	–	–	44.5	–
Share of net profits of associates accounted for using the equity method	494.6	546.6	337.1	283.5	244.1
Finance costs	(45.7)	(25.1)	(15.3)	(8.1)	(8.7)
General and administrative expenses	(13.8)	(10.7)	(10.2)	(8.7)	(12.6)
Income tax (expense)/credit	(1.5)	(1.1)	–	(3.7)	9.3
Net profit attributable to members of Alumina Limited	436.4	511.1	315.6	316.4	236.9
Non-operating non-cash items	(30.8)	58.3	15.7	(0.5)	n/a
Underlying earnings[3]	405.6	569.4	331.3	315.9	n/a
Total assets	2,688.6	2,357.6	2,013.5	1,823.2	1,799.1
Total liabilities	1,024.7	603.0	483.3	411.3	475.3
Net assets	1,663.9	1,754.6	1,530.2	1,411.9	1,323.8
Shareholders' funds	1,663.9	1,754.6	1,530.2	1,411.9	1,323.8
Dividends provided for or paid	275.6	233.2	232.8	232.2	259.6
Cash Dividends received from AWAC	444.9	521.1	95.9	160.4	284.2
STATISTICS					
Dividends declared per ordinary share	24c	22c	20c	20c	20c
Dividend payout ratio	63%	46%	74%	74%	109%
Earnings per ordinary share	38.2c	43.8c	27.1c	27.2c	20.9c
Return on equity[4]	25.5%	31.1%	21.5%	23.3%	19.3%
Gearing (net debt to equity)	36.4%	20.3%	24.0%	17.1%	19.7%
Net tangible assets backing per share	$1.21	$1.25	$1.06	$0.96	$0.99

1 December 2007, 2006, 2005 and 2004 reflect results prepared in conformance with Australian equivalents to International Financial Reporting Standards (A-IFRS).
2 December 2003 represents results under previous Australian Generally Accepted Accounting Principles (AGAAP).
3 Underlying earnings has been calculated by adding back to reported net profit amounts relating to non-cash entries which do not reflect the operations of the Company. These non-cash entries related to mark-to market valuations of AWAC embedded derivatives, and adjustments resulting from actuarial assessment of market value of assets held in AWAC employee benefit plans.
4 Based on net profit attributable to members of Alumina Limited.

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