KAISER ALUMINUM CORP

FORM 10-K
(Annual Report)

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Industry	Metal Mining
Sector	Basic Materials
Fiscal Year	12/31

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2002 Commission file number 1-9447

KAISER ALUMINUM CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	94-3030279
(State of Incorporation)	(I.R.S. Employer Identification No.)

5847 SAN FELIPE, SUITE 2500, HOUSTON, TEXAS 77057-3268
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (713) 267-3777

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes / / No /X/

As of February 28, 2003, there were 80,271,570 shares of the Common Stock of the registrant outstanding. As of February 28, 2003, the aggregate market value of the registrant's Common Stock held by non-affiliates, based upon the average bid and asked price of the Common Stock as reported by the OTC Bulletin Board maintained by the National Association of Securities Dealers, Inc., for June 30, 2002 (which was the last day of the registrant's most recently completed second fiscal quarter) was $2.5 million. However, the market value of the registrant's Common Stock may not be meaningful, because as part of a plan of reorganization, it is possible that the interests of the Company's existing stockholders could be diluted or cancelled.

Documents Incorporated By Reference
None

NOTE

Kaiser Aluminum Corporation's Report on Form 10-K filed with the Securities and Exchange Commission includes all exhibits required to be filed with the Report. Copies of this Report on Form 10-K, including only Exhibit 21 of the exhibits listed on pages 97 - 102 of this Report, are available without charge upon written request. The registrant will furnish copies of the other exhibits to this Report on Form 10-K upon payment of a fee of 25 cents per page. Please contact the office set forth below to request copies of this Report on Form 10-K and for information as to the number of pages contained in each of the exhibits and to request copies of such exhibits:

Corporate Secretary
Kaiser Aluminum Corporation
5847 San Felipe, Suite 2500
Houston, Texas 77057-3268
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PART I

ITEM 1. BUSINESS

This Annual Report on Form 10-K (the "Report") contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this Report (including, but not limited to, Item 1. "Business - Business Operations," " - Competition," " - Environmental Matters," and " - Factors Affecting Future Performance," Item 3. "Legal Proceedings," and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations"). Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, developments in technology, new or modified statutory or regulatory requirements, and changing prices and market conditions. Certain sections of this Report identify other factors that could cause differences between such forward-looking statements and actual results (for example, see Item 1. "Business - Factors Affecting Future Performance"). No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

GENERAL

Kaiser Aluminum Corporation (the "Company" or "Kaiser"), a Delaware corporation organized in 1987, is a subsidiary of MAXXAM Inc. ("MAXXAM"). MAXXAM and one of its wholly owned subsidiaries together own approximately 62% of the Company's Common Stock, with the remaining approximately 38% publicly held. The Company, through its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC") and its subsidiaries, operates in all principal aspects of the aluminum industry - the mining of bauxite, the refining of bauxite into alumina, the production of primary aluminum from alumina, and the manufacture of fabricated (including semi-fabricated) aluminum products.

REORGANIZATION PROCEEDINGS

The Company and 25 of its subsidiaries have filed separate voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the "Court") for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Code"); the Company, KACC and 15 of KACC's subsidiaries (the "Original Debtors") filed in the first quarter of 2002 and nine additional KACC subsidiaries (the "Additional Debtors") filed in the first quarter of 2003. The Original Debtors and Additional Debtors are collectively referred to herein as the "Debtors" and the Chapter 11 proceedings of these entities are collectively referred to herein as the "Cases." For purposes of this Report, the term "Filing Date" shall mean, with respect to any particular Debtor, the date on which such Debtor filed its Case. None of KACC's non-U.S. joint ventures are included in the Cases. The Cases are being jointly administered. The Debtors are managing their businesses in the ordinary course as debtors-in-possession subject to the control and administration of the Court.

Original Debtors. During the first quarter of 2002, the Original Debtors filed separate voluntary petitions for reorganization. The wholly owned subsidiaries of KACC included in such filings were: Kaiser Bellwood Corporation, Kaiser Aluminium International, Inc., Kaiser Aluminum Technical Services, Inc., Kaiser Alumina Australia Corporation (and its wholly owned subsidiary, Kaiser Finance Corporation) and ten other entities with limited balances or activities.

The necessity for filing the Cases by the Original Debtors was attributable to the liquidity and cash flow problems of the Company and its subsidiaries arising in late 2001 and early 2002. The Company was facing significant near-term debt maturities at a time of unusually weak aluminum industry business conditions, depressed aluminum prices and a broad economic slowdown that was further exacerbated by the events of September 11, 2001. In addition, the Company had become increasingly burdened by asbestos litigation and growing legacy obligations for retiree medical and pension costs. The confluence of these factors created the prospect of continuing operating losses and negative cash flow, resulting in lower credit ratings and an inability to access the capital markets.

The outstanding principal of, and accrued interest on, all debt of the Original Debtors became immediately due and payable upon commencement of the Cases. However, the vast majority of the claims in existence at the Filing Date (including claims for principal and accrued interest and substantially all legal proceedings) are stayed (deferred) during the pendency of the Cases. In connection with the filing of the Original Debtors' Cases, the Court, upon motion by the Original Debtors, authorized the Original Debtors to pay or otherwise honor certain unsecured pre-Filing Date claims, including employee wages and benefits and customer claims in the ordinary course of business, subject to certain limitations. In July 2002, the Court also issued a final order authorizing the Company to fund the cash requirements of its foreign joint ventures in the ordinary course of business and to continue using the Company's existing cash management systems. The Original Debtors also have the right to assume or reject executory contracts existing prior to the Filing Date, subject to Court approval and certain other limitations. In this context, "assumption" means that the Original Debtors agree to perform their obligations and cure certain existing defaults under an executory contract and "rejection" means that the Original Debtors are relieved from their obligations to perform further under an executory contract and are subject only to a claim for damages for the breach thereof. Any claim for damages resulting from the rejection of an executory contract is treated as a general unsecured claim in the Cases.

Generally, pre-Filing Date claims, including certain contingent or unliquidated claims, against the Original Debtors will fall into two categories: secured and unsecured. Under the Code, a creditor's claim is treated as secured only to the extent of the value of the collateral securing such claim, with the balance of such claim being treated as unsecured. Unsecured and partially secured claims do not accrue interest after the Filing Date. A fully secured claim, however, does accrue interest after the Filing Date until the amount due and owing to the secured creditor, including interest accrued after the Filing Date, is equal to the value of the collateral securing such claim. The amount and validity of pre-Filing Date contingent or unliquidated claims, although presently unknown, ultimately may be established by the Court or by agreement of the parties. As a result of the Cases, additional pre-Filing Date claims and liabilities may be asserted, some of which may be significant.

On February 12, 2002, the Company and KACC entered into a post-petition credit agreement with a group of lenders for debtor-in-possession financing (the "DIP Facility"). The Court signed a final order approving the DIP Facility in March 2002. The DIP Facility provides for a secured, revolving line of credit through the earlier of February 12, 2004, the effective date of a plan of reorganization or voluntary termination by the Company. Under the DIP Facility, KACC is able to borrow by means of revolving credit advances and to issue letters of credit (up to $125.0 million) in an aggregate amount equal to the lesser of $300.0 million or a borrowing base relating to eligible accounts receivable, eligible inventory and eligible fixed assets, reduced by certain reserves, as defined in the DIP Facility agreement. The DIP Facility is guaranteed by the Company and certain significant subsidiaries of KACC. Interest on any outstanding borrowings will bear a spread over either a base rate or LIBOR, at KACC's option.

In October 2002, the Court set January 31, 2003 as the last date by which holders of pre-Filing Date claims against the Original Debtors (other than asbestos-related personal injury claims and certain hearing loss claims) could file their claims. Any holder of a claim that was required to file a claim by such date and did not do so may be barred from asserting such claim against any of the Original Debtors and, accordingly, may not be able to participate in any distribution in any of the Cases on account of such claim. Because the Company has not had sufficient time to analyze the proofs of claim to determine their validity, no provision has been included in the accompanying financial statements for claims that have been filed. The January 31, 2003 bar date does not apply to asbestos-related personal injury claims, for which the Original Debtors reserve the right to establish a separate bar date at a later time. A separate bar date of June 30, 2003 has been set for certain hearing loss claims.

Additional Debtors. On January 14, 2003, the Additional Debtors filed separate voluntary petitions for reorganization. The wholly owned subsidiaries included in such filings were: Kaiser Bauxite Company, Kaiser Jamaica Corporation, Alpart Jamaica Inc., Kaiser Aluminum & Chemical of Canada Limited and five other entities with limited balances or activities.

The Cases filed by the Additional Debtors were commenced, among other reasons, to protect the assets held by these Debtors against possible statutory liens that might arise and be enforced by the Pension Benefit Guaranty Corporation ("PBGC") primarily as a result of the Company's failure to meet a $17.0 million accelerated funding requirement to its salaried employee retirement plan in January 2003. From an operating perspective, the filing of the Cases by the Additional Debtors had no impact on the Company's day-to-day operations.

In connection with the Additional Debtors' filings, the Court authorized the Additional Debtors to continue to make payments in the normal course of business (including payments of pre-Filing Date amounts), including payments of wages and benefits, payments for items such as materials, supplies and freight and payments of taxes. The Court also approved the continuation of the Company's existing cash management systems and routine intercompany transactions involving, among other transactions, the transfer of materials and supplies among affiliates.

In March 2003, the Additional Debtors were added as co-guarantors and the DIP Facility lenders received super priority status with respect to certain of the Additional Debtors' assets.

In March 2003, the Court set May 15, 2003 as the last date by which holders of pre-Filing Date claims against the Additional Debtors (other than asbestos-related personal injury claims and certain hearing loss claims) must file their claims.

All Debtors. The following table sets forth certain financial information for the Debtors and non-Debtors as of and for the year ended December 31, 2002.

	Original Debtors	Additional Debtors	Non-Debtors	Con E
Net sales	$ 1,323.6	$ 47.6	$ 209.7	$
Operating income	(420.8)	33.1	(18.3)	
Net income (loss)	(468.7)	22.6	(12.8)	
Total assets	$ 1,947.3	$ 1,219.4	$ 608.6	$
Liabilities not subject to compromise	306.2	28.6	130.4	

Liabilities subject to compromise	2,726.0	-	-
Minority interests	.7	-	102.3
Total stockholders' equity (deficit)	(1,085.6)	1,190.8	375.9

The Debtors' objective is to achieve the highest possible recoveries for all creditors and stockholders, consistent with the Debtors' abilities to pay, and the continuation of their businesses. However, there can be no assurance that the Debtors will be able to attain these objectives or achieve a successful reorganization. While valuation of the Debtors' assets and pre-Filing Date claims at this stage of the Cases is subject to inherent uncertainties, the Debtors currently believe that it is likely that their liabilities will be found in the Cases to exceed the fair value of their assets. Therefore, the Debtors currently believe that it is likely that pre-Filing Date claims will be paid at less than 100% of their face value and the equity of the Company's stockholders will be diluted or cancelled.

Under the Code, the rights and ultimate payments to pre-Filing Date creditors and stockholders may be substantially altered. At this time, it is not possible to predict the outcome of the Cases, in general, or the effect of the Cases on the businesses of the Debtors.

Two creditors' committees, one representing the unsecured creditors and the other representing the asbestos claimants, have been appointed as official committees in the Cases and, in accordance with the provisions of the Code, will have the right to be heard on all matters that come before the Court. The Debtors expect that the appointed committees, together with the legal representative for potential future asbestos claimants that has been appointed in the Cases, will play important roles in the Cases and the negotiation of the terms of any plan or plans of reorganization. The Debtors are required to bear certain costs and expenses for the committees and the legal representative for potential future asbestos claimants, including those of their counsel and other advisors.

The Debtors anticipate that substantially all liabilities of the Debtors as of the Filing Date will be resolved under one or more plans of reorganization to be proposed and voted on in the Cases in accordance with the provisions of the Code. Although the Debtors intend to file and seek confirmation of such a plan or plans, there can be no assurance as to when the Debtors will file such a plan or plans, or that such plan or plans will be confirmed by the Court and consummated.

As provided by the Code, the Original Debtors had the exclusive right to propose a plan of reorganization for 120 days following the initial Filing Date. The Court has subsequently approved extensions of the exclusivity period for all Debtors through April 30, 2003. Additional extensions are likely to be sought. However, no assurance can be given that such future extension requests will be granted by the Court. If the Debtors fail to file a plan of reorganization during the exclusivity period, or if such plan is not accepted by the requisite number of creditors and equity holders entitled to vote on the plan, other parties in interest in the Cases may be permitted to propose their own plan(s) of reorganization for the Debtors.

The Company expects that, when the Debtors ultimately file a plan of reorganization, it will reflect the Company's strategic vision for emergence from Chapter 11: (a) a standalone going concern with manageable leverage, improved cost structure and competitive strength; (b) a company positioned to execute its long-standing vision of market leadership and growth in fabricated products specifically with a financial structure that provides financial flexibility, including access to capital markets, for accretive acquisitions; (c) a company that delivers a broad product offering and leadership in service and quality for its customers and distributors; and (d) a company with continued presence in those commodities markets that have the potential to generate significant cash at steady-state metal prices. The Company's advisors have developed a preliminary timeline that, assuming the current pace of the Cases continues, could allow the Company to emerge from Chapter 11 in 2004. While no assurances can be given in this regard, the Company's management continues to push for an aggressive pace in advancing the Cases. Continued sales of non-core assets and facilities that are ultimately determined not to be an important part of the reorganized entity are likely. The Company's strategic vision, which is subject to continuing review in consultation with the Company's stakeholders, may also be modified from time to time as the Cases proceed due to changes in such items as changes in the global markets, changes in the economics of the Company's facilities or changing financial circumstances.

SUMMARY OF OPERATIONS

KACC sells significant amounts of alumina and primary aluminum in domestic and international markets. The following table sets forth production and third party purchases of bauxite, alumina and primary aluminum and third party shipments and intersegment transfers of bauxite, alumina, primary aluminum and fabricated products for the years ended December 31, 2002, 2001 and 2000:

	Sources(1)		
	Production(2)	Third Party Purchases	Third Party Shipments(2)
		(in thousands of tons*)	
Bauxite -			
2002	6,289.7	1,582.5	1,56
2001	5,628.3	1,916.3	1,51
2000	4,305.0	2,290.0	2,00
Alumina -			
2002	2,848.5	258.9	2,62
2001	2,813.9(3)	115.0	2,58
2000	2,042.9	322.0	1,92
Primary Aluminum -			
2002	187.4	6.1	19
2001	214.3	27.3	24
2000	411.4	56.1	34
Fabricated Aluminum Products(4) -			
2002	-	164.7	17
2001	-	187.1	19
2000	-	155.4	32

(1) Sources and uses will not equal due to the impact of intrasegment consumption, inventory changes and alumina and primary aluminum swaps.
(2) Production and third party shipments include Kaiser's share of consolidated joint venture activities.
(3) During September 2001, KACC sold an 8.3% interest in Queensland Alumina Limited ("QAL"). See "Business Operations--Bauxite and Alumina Business Unit--QAL" below for a discussion of effects of the sale on alumina production.
(4) Fabricated aluminum products activity is reported in equivalent tons of primary aluminum. Third party purchases represent purchases of primary aluminum, including scrap.

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* All references to tons in this Report refer to metric tons of 2,204.6 pounds.

BUSINESS OPERATIONS

KACC conducts its business through its five main business units (Bauxite and alumina, Primary aluminum, Commodities marketing, Flat-rolled products and

Engineered products), each of which is discussed below.

- Bauxite and Alumina Business Unit

The following table lists KACC's bauxite mining and alumina refining facilities as of December 31, 2002:

Activity	Facility	Location	Company Ownership	Pro C Avail the
Bauxite Mining	KJBC	Jamaica	49.0%	4,
	Alpart(1)	Jamaica	65.0%	2,
				6,
Alumina Refining	Gramercy	Louisiana	100.0%	1,
	Alpart	Jamaica	65.0%	
	QAL	Australia	20.0%	
				2,

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(1) Alumina Partners of Jamaica ("Alpart") bauxite is refined into alumina at the Alpart refinery.

KACC is a major producer of alumina and sells significant amounts of its alumina production in domestic and international markets. KACC's strategy is to sell a substantial portion of the alumina available to it in excess of its internal smelting requirements under multi-year sales contracts with prices linked to the price of primary aluminum. See "- Competition" and "- Commodity Marketing" in this Report. During 2002, KACC sold alumina to approximately 14 customers, the largest and top five of which accounted for approximately 20% and 73%, respectively, of the business unit's third-party net sales. All of KACC's third-party sales of bauxite in 2002 were made to one customer, which sales represent approximately 6% of the business unit's third-party net sales. KACC's principal customers for bauxite and alumina consist of other aluminum producers, trading intermediaries, and users of chemical grade alumina. Marketing and sales efforts are conducted by personnel located in Baton Rouge, Louisiana.

KJBC. The Government of Jamaica has granted KACC a mining lease for the mining of bauxite which will, at a minimum, satisfy the bauxite requirements of KACC's Gramercy, Louisiana, alumina refinery so that it will be able to produce at its current rated capacity until 2020. Kaiser Jamaica Bauxite Company ("KJBC") mines bauxite from land which is subject to the mining lease as an agent for KACC. KACC holds its interest in KJBC through a wholly owned subsidiary (Kaiser Bauxite Company) which was one of KACC's subsidiaries that filed a petition for reorganization under the Code in January 2003. KJBC did not file a petition for reorganization. KACC and Kaiser Bauxite Company have the authority from the Court to fund KJBC's cash requirements in the ordinary course of business. Although KACC (through Kaiser Bauxite Company) owns 49% of KJBC, it is entitled to, and generally takes, all of its bauxite output. A substantial majority of the bauxite mined by KJBC is refined into alumina at the Gramercy facility and the remainder is sold. KJBC's operations were impacted by the Gramercy incident (see Gramercy below). The Government of Jamaica, which owns 51% of KJBC, has agreed to grant KACC an additional bauxite mining lease. The new mining lease will be effective upon the expiration of the current lease in 2020 and will enable the Gramercy facility to produce at its rated capacity for an additional ten year period.

Gramercy. Alumina produced by the Gramercy refinery is primarily sold to third parties. The Gramercy refinery produces two products: smelter grade alumina and chemical grade alumina (e.g. hydrate). Smelter grade alumina is sold under long-term contracts typically linked to London Metal Exchange prices ("LME prices") for primary aluminum. Chemical grade alumina is sold at a premium price over smelter grade alumina. Production at the plant was curtailed from July 1999 until December 2000 (at which time partial production commenced) as a result of an explosion in the digestion area of the plant. Construction at the facility was substantially completed in the third quarter of 2001. During the first nine months of 2001, the plant operated at approximately 68% of its newly-rated estimated annual capacity of 1,250,000 tons. During the fourth quarter of 2001, the plant operated at approximately 90% of its newly-rated capacity. Since the end of February 2002, the plant has, except for normal operating variations, generally operated at approximately 100% of its newly-rated capacity. During 2001, abnormal Gramercy-related start-up costs and litigation costs totaled approximately $64.9 million and $6.5 million, respectively. These incremental costs for 2001 were offset by approximately $36.6 million of additional insurance benefit (recorded as a reduction of Bauxite and alumina business unit's cost of products sold). The abnormal start-up costs in 2001 resulted from operating the plant in an interim mode pending completion of construction at well less than the expected production rate or full efficiency. During 2002, because the plant was operating at near full capacity, the amount of start-up costs was substantially reduced as compared to prior periods. Such costs were approximately $3.0 million during the first quarter of 2002 and were substantially eliminated during the balance of 2002. The facility is now focusing its efforts on achieving its full operating efficiency. While production was curtailed, KACC purchased alumina from third parties, in excess of the amounts of alumina available from other KACC-owned facilities, to supply major customers' needs as well as to meet intersegment requirements.

Alpart. KACC owns a 65% interest in Alpart, and Hydro Aluminium a.s ("Hydro") owns the remaining 35% interest. KACC holds its interests in Alpart through two wholly owned subsidiaries (Kaiser Jamaica Corporation and Alpart Jamaica Inc.), which were two of KACC's subsidiaries that filed petitions for reorganization under the Code in January 2003. Alpart did not file a petition for reorganization. The Debtors have the authority from the Court to fund Alpart's cash requirements in the ordinary course of business. Alpart holds bauxite reserves and owns a 1,450,000 ton per year alumina plant located in Jamaica. KACC has management responsibility for the facility on a fee basis. KACC and Hydro are responsible for their proportionate shares of Alpart's costs and expenses. The Government of Jamaica has granted Alpart a mining lease and has entered into other agreements with Alpart designed to assure that sufficient reserves of bauxite will be available to Alpart to operate its refinery, as it may be expanded up to a capacity of 2,000,000 tons per year, through the year 2024. Alpart and JAMALCO, a joint venture between affiliates of Alcoa Inc. and the Government of Jamaica, have been operating a bauxite mining operation joint venture that consolidated their bauxite mining operations in Jamaica since the first half of 2000. The joint venture agreement also grants Alpart certain rights to acquire bauxite mined from JAMALCO's reserves with the objective to optimize mining operations and capital costs. As part of the Company's initiatives launched in 2001, Alpart's annual production capacity is expected to increase to 1,650,000 tons per year during 2003, which would equate to an increase in KACC's share of annual production by over 100,000 tons per year.

QAL. KACC owns a 20% interest in QAL, after selling an approximate 8.3% interest in September 2001. KACC holds its interest in QAL through a wholly owned subsidiary (Kaiser Alumina Australia Corporation ("KAAC")) which is one of KACC's subsidiaries that filed a petition for reorganization under the Code in 2002. The Debtors have the authority from the Court to fund QAL's cash requirements in the ordinary course of business. QAL, which is located in Queensland, Australia, owns one of the largest and most competitive alumina refineries in the world. QAL refines bauxite into alumina, essentially on a cost basis, for the account of its shareholders under long-term tolling contracts. The shareholders, including KAAC, purchase bauxite from another QAL shareholder under long-term supply contracts. KAAC has contracted with QAL to take approximately 600,000 tons per year of alumina or pay standby charges. KAAC is unconditionally obligated to pay amounts calculated to service its share ($49.0

million at December 31, 2002) of certain debt of QAL, as well as other QAL costs and expenses, including bauxite shipping costs. Historically, KACC has sold about half of its share of QAL's production to third parties and has used the remainder to supply its Mead and Tacoma smelters, which have been curtailed since the last half of 2000. The reduction in KACC's alumina supply associated with its sale of a portion of its QAL interest has been substantially offset by the return of its Gramercy alumina refinery to full operations during the first quarter of 2002 at a higher capacity, by reduced internal requirements due to production curtailments of primary aluminum facilities and by the previously noted planned increase in capacity in 2003 at its Alpart alumina refinery in Jamaica. Accordingly, the sale of a portion of the Company's QAL interest did not have an adverse impact on KACC's ability to satisfy existing third-party customer contracts.

- Primary Aluminum Business Unit

The following table lists KACC's primary aluminum smelting facilities as of December 31, 2002:

Location	Facility	Company Ownership	Annual Rated Capacity Available to the Company
			(tons)
Ghana	Valco	90%	180,000
Wales, United Kingdom	Anglesey	49%	66,150
Washington, United States	Mead	100%	200,000
Total			446,150

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(1) Production was completely curtailed during 2002. In January 2003, the Company announced the indefinite curtailment of the Mead facility - see below.

KACC uses proprietary retrofit and control technology in all of its smelters. This technology - which includes the redesign of the cathodes, anodes and bus that conduct electricity through reduction cells, improved feed systems that add alumina to the cells, computerized process control and energy management systems, and furnace technology for baking of anode carbon - has significantly contributed to increased and more efficient production of primary aluminum and enhanced KACC's ability to compete more effectively with the industry's newer smelters.

KACC's principal primary aluminum customers consist of large trading intermediaries and metal brokers. In 2002, KACC sold its primary aluminum production to approximately 37 customers, the largest and top five of which accounted for approximately 52% and 99%, respectively, of the business unit's third-party net sales. See "-Competition" in this Report. Marketing and sales efforts are conducted by personnel located in Baton Rouge, Louisiana.

Electric power represents an important production input for KACC at its aluminum smelters and its cost can significantly affect the Business Unit's profitability.

Valco. KACC manages, and directly owns a 90% interest in, the Volta Aluminium Company Limited ("Valco") aluminum smelter in Ghana. The Valco smelter uses pre-bake technology and processes alumina supplied by KACC and the other participant into primary aluminum under tolling contracts which provide for proportionate payments by the participants. KACC's share of the primary aluminum is sold to third parties.

Valco's operating level has been subject to fluctuations resulting from the amount of power it is allocated by the Volta River Authority ("VRA"). The operating level over the last five years has ranged from one to four out of a total of five potlines. During 2002 and 2001, Valco operated an average of three and four potlines, respectively. The amount of power made available to Valco by the VRA depends in large part on the level of the lake that is the primary source for generating the hydroelectric power used to supply the smelter. The level of the lake is primarily a function of the level of annual rainfall and the alternative (non-Valco) uses of the power generated, as directed by the VRA. As of February 28, 2003, the lake level was at a ten-year low. During late 2000, Valco, the Government of Ghana ("GoG") and the VRA reached an agreement, subject to Parliamentary approval, that would provide sufficient power for Valco to operate at least three and one-half of its five potlines through 2017. However, Parliamentary approval was not received and, in March 2002, the GoG reduced Valco's power allocation forcing Valco to curtail one of its four operating potlines. Valco's power allocation was further reduced in January 2003 resulting in the curtailment of two additional operating potlines. As of February 28, 2003, Valco was operating one of its five potlines. However, no assurances can be given that Valco will continue to receive sufficient power to operate the one remaining operating potline. Valco has met with the GoG and the VRA and anticipates such discussions will continue in respect of the current and future power situations. Valco has objected to the power curtailments and expects to seek appropriate compensation from the GoG. In addition, Valco and the Company have filed for arbitration with the International Chamber of Commerce in Paris against both the GoG and the VRA. However, no assurances can be given as to the ultimate success of any such actions or to the likelihood of Valco receiving any compensation from the VRA or GoG.

Valco did not file a petition for reorganization. KACC does not expect Valco's operations to be adversely affected as a result of the Cases as the Debtors have received the authority from the Court to fund Valco's cash requirements in the ordinary course of business. The Company and the PBGC have entered into a stipulation, which was approved by the Court, that extends the automatic stay in bankruptcy to Valco to prevent statutory liens from arising against Valco in respect of certain pension obligations related to KACC's U.S. pension plans (see Note 10 of Notes to Consolidated Financial Statements). The stipulation currently expires on December 31, 2003. It can be extended beyond that date either through agreement of the parties or involuntarily by order of the Court. The Company is unable to assess at this time whether an extension of the stipulation might be necessary or whether, if sought, an extension might be obtained. If the stipulation were not extended, a PBGC lien could arise against Valco that could have material consequences. The Company is unable to state at this time whether a lien, if one arose, would be enforceable in Ghana against Valco.

Anglesey. KACC also owns a 49% interest in the Anglesey Aluminium Limited ("Anglesey") aluminum smelter at Holyhead, Wales. The Anglesey smelter uses pre-bake technology. KACC supplies 49% of Anglesey's alumina requirements and purchases 49% of Anglesey's aluminum output. KACC sells its share of Anglesey's output to third parties. Anglesey operates under a power agreement that provides sufficient power to sustain its operations at full capacity through September 2009.

Anglesey did not file a petition for reorganization. KACC does not expect Anglesey's operations to be adversely affected as a result of the Cases as the Debtors have received the authority from the Court to fund Anglesey's cash requirements in the ordinary course of business.

Mead and Tacoma. The Mead facility uses pre-bake technology. Through 2000, the Bonneville Power Administration ("BPA") was supplying approximately half of the electric power for the Mead and Tacoma smelters, with the balance coming from other suppliers. In response to the unprecedented high market prices for power in the Pacific Northwest, KACC curtailed primary aluminum production at the Mead and Tacoma, Washington, smelters during the last half of 2000 and all of 2001 and 2002. During this same period, as permitted under the BPA contract, KACC remarketed to the BPA the available power that it had under contract through September 30, 2001. As a result of the curtailments, KACC avoided the need to purchase power on a variable market price basis and received cash proceeds sufficient to more than offset the cash impact of the potline curtailments over the period for which the power was sold. Both smelters remained completely curtailed during 2001 and 2002.

During October 2000, KACC signed a new power contract with the BPA under which the BPA, starting October 1, 2001, was to provide KACC's operations in the State of Washington with approximately 290 megawatts of power through September 2006. The contract provided KACC with sufficient power to fully operate KACC's Trentwood facility (which requires up to approximately 40 megawatts), as well as approximately 40% of the combined capacity of KACC's Mead and Tacoma aluminum smelting operations. However, the October 2000 contract was less favorable than the prior contract and contained several clauses that had adverse consequences for KACC. As a part of the reorganization process, the Company concluded that it was in its best interest to reject the BPA contract as permitted by the Code. See Note 3 of Notes to Consolidated Financial Statements for a discussion of the Company's rejection of the BPA contract.

In January 2003, the Company announced the indefinite curtailment of the Mead facility. The curtailment of the Mead facility was due to the continuing unfavorable market dynamics, specifically unattractive long-term power prices and weak primary aluminum prices - both of which are significant impediments for an older smelter with higher-than-average operating costs. The Mead facility is expected to remain completely curtailed unless and until an appropriate combination of reduced power prices, higher primary aluminum prices and other factors occurs. If KACC were to restart all or a portion of its Mead facility, it would take between three to six months to reach the full operating rate for such operations, depending upon the number of lines restarted. Even after achieving the full operating rate, operating only a portion of the Mead facility would result in production and cost inefficiencies such that operating results would, at best, be breakeven to modestly negative at long-term primary aluminum prices.

In January 2003, the Court approved the sale of the Tacoma smelter to the Port of Tacoma. The sale closed in February 2003. See Note 15 of Notes to Consolidated Financial Statements for additional discussion on the sale of the Tacoma smelter.

- Commodities Marketing Business Unit

The Company's operating results are sensitive to changes in the prices of alumina, primary aluminum, and fabricated aluminum products, and also depend to a significant degree upon the volume and mix of all products sold. Primary aluminum prices have historically been subject to significant cyclical fluctuations. Alumina prices, as well as fabricated aluminum product prices (which vary considerably among products), are significantly influenced by changes in the price of primary aluminum and generally lag behind primary aluminum prices by up to three months. From time to time in the ordinary course of business, KACC enters into hedging transactions to provide risk management in respect of its net exposure of earnings and cash flow related to primary aluminum price changes. Given the significance of primary aluminum hedging activities to the Company and KACC, the Company reports its primary aluminum-related hedging activities as a separate segment. Primary aluminum-related hedging activities are managed centrally on behalf of all of KACC's business segments to minimize transaction costs, to monitor consolidated net exposures and to allow for increased responsiveness to changes in market factors.

Because the agreements underlying KACC's hedging positions provided that the counterparties to the hedging contracts could liquidate KACC's hedging positions if KACC filed for reorganization, KACC chose to liquidate those positions in advance of the initial Filing Date. The net gain associated with those liquidated positions was deferred and is being recognized as income through December 31, 2003 (the period during which the underlying transactions are expected to occur). During December 2002 and the first quarter of 2003, the

Company, with Court approval, reinstituted its hedging program when it entered into hedging transactions with respect to a portion of its 2003 fuel oil requirements consumed in its production process. The Company anticipates that, subject to the prevailing economic conditions, it may enter into additional hedging transactions with respect to primary aluminum prices, natural gas and fuel oil prices and foreign currency values to protect the interests of its constituents. However, no assurance can be given as to when or if the Company will enter into such additional hedging activities.

Hedging activities conducted in respect of the Company's cost exposure to energy prices and foreign exchange rates are not considered a part of the Commodity marketing segment. Rather, such activities are included in the results of the business unit to which they relate.

- Flat-Rolled Products Business Unit

The Flat-rolled products business unit operates the Trentwood, Washington, rolling mill. During recent years, the business unit has sold to the aerospace, transportation and industrial ("ATI") markets (producing heat-treat sheet and plate products), both directly and through distributors.

During 2000, KACC shifted the product mix of its Trentwood rolling mill toward higher value-added product lines, exited beverage can body stock, wheel and common alloy products in 2001 and exited the can lid and tab stock and brazing sheet products in 2002 in an effort to enhance its profitability.

In 2002, the business unit sold to approximately 82 customers in the ATI markets, most of which represented heat-treat product shipments to distributors who sell to a variety of industrial end-users. The largest and top five customers in the ATI markets for flat-rolled products accounted for approximately 16% and 41%, respectively, of the business unit's third-party net sales. See "- Competition" in this Report. Sales are made directly to end-use customers and distributors by KACC sales representatives located in the United States and Europe, and by independent sales agents in Asia.

- Engineered Products Business Unit

The Engineered products business unit operates soft-alloy and hard-alloy extrusion facilities and engineered component (forgings) facilities in the United States and Canada. Major markets for extruded products are in the ground transportation industry, to which the business unit sells extrusions for automobiles, light-duty vehicles, heavy duty trucks and trailers, and shipping containers, and in the distribution, durable goods, defense, ordnance and electrical markets.

Soft-alloy extrusion facilities are located in Los Angeles, California; Sherman, Texas; Tulsa, Oklahoma; Richmond, Virginia; and London, Ontario, Canada. Products manufactured at these facilities include rod, bar, tube, shapes and billet. Hard-alloy extrusion facilities are located in Newark, Ohio, and Jackson, Tennessee, and produce rod, bar, screw machine stock, redraw rod, forging stock and billet. The business unit also extrudes seamless tubing in both hard- and soft-alloys at a facility in Richland, Washington and produces drawn tube in both hard- and soft-alloys at its operations in Chandler, Arizona, that it purchased in May 2000. Soft-alloy extruded seamless and drawn tubing is also produced at the Richmond, Virginia facility.

The business unit sells forged parts to customers in the automotive, heavy-duty truck, general aviation, rail, machinery and equipment, and ordnance markets. The high strength-to-weight properties of forged aluminum make it particularly well-suited for automotive applications. KACC's remaining forging facility is located in Greenwood, South Carolina. Another forging facility located in Oxnard, California was sold in December 2002. Through its sales and engineering office in Southfield, Michigan, the business unit staff works with automobile makers and other customers and plant personnel to create new automotive component designs and to improve existing products.

KACC's London, Ontario facility is owned by a wholly owned subsidiary (Kaiser Aluminum & Chemical of Canada Limited ("KACCL")) which was one of KACC's subsidiaries that filed a petition for reorganization under the Code in January 2003. The Company does not believe KACCL's operations will be adversely affected by the Cases.

In 2002, the Engineered products business unit had approximately 600 customers, the largest and top five of which accounted for approximately 10% and 25%, respectively, of the business unit's third-party net sales. See "- Competition" below. Sales are made directly to end-use customers and distributors by KACC sales representatives located across the United States.

COMPETITION

KACC competes globally with producers of bauxite, alumina, primary aluminum, and fabricated aluminum products. Many of KACC's competitors have greater financial resources than KACC. Primary aluminum and, to some degree, alumina are commodities with generally standard qualities, and competition in the sale of these commodities is based primarily upon price, quality and availability. Aluminum competes in many markets with steel, copper, glass, plastic, and other materials. KACC competes with numerous domestic and international fabricators in the sale of fabricated aluminum products. KACC markets fabricated aluminum products it manufactures in the United States and abroad. Sales are made directly and through distributors to a large number of customers. Competition in the sale of fabricated products is based upon quality, availability, price and service, including delivery performance. KACC concentrates its fabricating operations on selected products in which it believes it has production expertise, high-quality capability, and geographic and other competitive advantages. The Company believes that, assuming the current relationship between worldwide supply and demand for alumina and primary aluminum does not change materially, the loss of any one of KACC's customers, including intermediaries, would not have a material adverse effect on the Company's financial condition or results of operations.

RESEARCH AND DEVELOPMENT

Net expenditures for research and development activities were $1.8 million in 2002, $4.0 million in 2001, and $5.6 million in 2000. KACC estimates that research and development net expenditures will be in the range of $2.0 million to $3.0 million in 2003.

EMPLOYEES

At December 31, 2002, KACC employed approximately 5,200 persons, of which approximately 3,400 were employed by the Debtors and 1,800 were employed by non-Debtors. At December 31, 2001, KACC employed approximately 5,800 persons.

The labor agreements with the employees at the Valco smelter in Ghana and the employees at the Alpart refinery in Jamaica were renewed in 2002 and with the employees at the London, Ontario facility in February 2003.

ENVIRONMENTAL MATTERS

The Company and KACC are subject to a wide variety of international, federal, state and local environmental laws and regulations. For a discussion of this subject, see "Factors Affecting Future Performance - KACC's current or past operations subject it to environmental compliance, clean-up and damage claims that may be costly" below. During the pendency of the Cases, substantially all pending litigation, except certain environmental claims and litigation, against the Debtors is stayed.

FACTORS AFFECTING FUTURE PERFORMANCE

This section discusses certain factors that could cause actual results to vary, perhaps materially, from the results described in forward-looking statements made in this Report. Forward-looking statements in this Report are not guarantees of future performance and involve significant risks and uncertainties. In addition to the factors identified below, actual results may vary materially from those in such forward-looking statements as a result of a variety of other factors including the effectiveness of management's strategies and decisions, general economic and business conditions, developments in technology, new or modified statutory or regulatory requirements, and changing prices and market conditions. This Report also identifies other factors that could cause such differences. No assurance can be given that these factors are all of the factors that could cause actual results to vary materially from the forward-looking statements.

- The Cases and any plan of reorganization may have adverse consequences on the Company and its stakeholders and/or our reorganization from the Cases may not be successful

Our objective is to achieve the highest possible recoveries for all creditors and stockholders, consistent with our ability to pay and the continuation of our businesses. However, there can be no assurance that we will be able to attain these objectives or achieve a successful reorganization and remain a going concern. The consolidated financial statements included elsewhere in this Report do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or the effect on existing stockholders' equity that may result from any plans, arrangements or other actions arising from the Cases, or the possible inability of the Debtors to continue in existence. Adjustments necessitated by such plans, arrangements or other actions could materially change the consolidated financial statements included elsewhere in this Report. For example,

1. If the Debtors were to decide to sell certain assets not deemed a critical part of a reorganized Kaiser, such asset sales could result in gains or losses (depending on the asset sold) and such gains or losses could be significant.

2. Additional pre-Filing Date claims may be identified through the proof of claim reconciliation process and may arise in connection with actions taken by the Debtors in the Cases. For example, while the Debtors consider rejection of the BPA contract to be in the Company's best long-term interests, such rejection may increase the amount of pre-Filing Date claims by approximately $75.0 million based on the BPA's proof of claim filed in connection with the Cases in respect of the contract rejection.

3. As more fully discussed below, the amount of pre-Filing Date claims ultimately allowed by the Court in respect of contingent claims and benefit obligations may be materially different from the amounts reflected in the consolidated financial statements.

While valuation of the Debtors' assets and pre-Filing Date claims at this stage of the Cases is subject to inherent uncertainties, the Debtors currently believe that it is likely that their liabilities will be found in the Cases to exceed the fair value of their assets. Therefore, the Debtors currently believe that it is likely that pre-Filing Date claims will be paid at less than 100% of their face value and the equity of the Company's stockholders will be diluted or cancelled. Because of such possibility, the value of the Common Stock is speculative and any investment in the Common Stock would pose a high degree of risk.

Additionally, while the Debtors operate their businesses as debtors-in-possession pursuant to the Code during the pendency of the Cases, the Debtors will be required to obtain the approval of the Court prior to engaging in any transaction outside the ordinary course of business. In connection with any such approval, creditors and other parties in interest may raise objections to such approval and may appear and be heard at any hearing with respect to any such approval. Accordingly, the Debtors may be prevented from engaging in transactions that might otherwise be considered beneficial to the Company. The Court also has the authority to oversee and exert control over the Debtors' ordinary course operations.

- We may not operate profitably in the future

We reported a net loss of $468.7 million for the year ended December 31, 2002, which included a number of significant special items and non-cash charges. Even if such items were excluded from the results for 2002, results for the year ended December 31, 2002 would have been a net loss. There can be no assurance that we will generate a profit from recurring operations or that we will operate profitably in future periods. During 2002, the Company experienced a net decrease in cash and cash equivalents of $74.6 million; $49.6 million of which was used in operating activities and $25.0 million of which was used in investing and financing activities. The $49.6 million of cash and cash equivalents used in operations included several items not typically considered part of our normal recurring operations including: (a) asbestos-related insurance recoveries of $23.3 million; (b) approximately $30.0 million of funding to QAL in respect of QAL's scheduled debt maturities; and (c) foreign income tax payments related to prior year activities of $8.0 million. The balance of the cash and cash equivalents used in operations ($34.9 million) resulted from a combination of adverse market factors in the business segments in which the Company operates including (a) primary aluminum prices below long-term averages, (b) a weak demand for fabricated metal products, particularly aerospace products, and (c) higher than average power, fuel oil and natural gas prices.

To date, despite the foregoing adverse consequences, the Company's liquidity (cash and cash equivalents plus unused availability under the DIP Facility) has remained strong, averaging between $200.0 million and $250.0 million during the fourth quarter of 2002. The completed sales of the Tacoma facility and the Company's interests in an office building during the first quarter of 2003 are expected to further bolster the Company's liquidity. However, no assurances can be given that the Company's liquidity will not erode if the adverse market factors continue for an extended period or for other reasons.

- Our earnings are sensitive to a number of variables

Our operating earnings are sensitive to a number of variables over which we have no direct control. Key variables in this regard include prices for primary aluminum and energy and general economic conditions.

The price of primary aluminum significantly affects our financial results. Primary aluminum prices historically have been subject to significant cyclical price fluctuations. The Company believes the timing of changes in the market price of aluminum are largely unpredictable. Since 1993, the average LME transaction price has ranged from approximately $.50 to $1.00 per pound.

Electric power represents an important production input for us at our aluminum smelters and its cost can significantly affect our profitability. Power contracts for our smelters have varying contractual terms. See "Business--Primary Aluminum Business Unit." Our earnings, particularly in our Bauxite and Alumina business unit, are also sensitive to changes in the prices for natural gas, fuel oil and diesel oil which are used in our production processes, and to foreign exchange rates in respect of our cash commitments to our foreign subsidiaries and affiliates.

Changes in global, regional, or country-specific economic conditions can have a significant impact on overall demand for aluminum-intensive fabricated products in the transportation, distribution, and aerospace markets. Such changes in demand can directly affect our earnings by impacting the overall volume and mix of such products sold. To the extent that these end-use markets weaken, demand can also diminish for alumina and primary aluminum.

- The indefinite curtailment of the Mead facility may have adverse impacts on the Company

The Mead facility is expected to remain curtailed indefinitely unless/until an appropriate combination of reduced power prices, higher primary aluminum prices and other factors occurs. Until then, the Company will incur certain costs to safely maintain the property. While other costs are being reduced to a minimum, these costs may range from $3.0 million to $5.0 million per year and will reduce KACC's otherwise available liquidity. However, at some point in the future, the Company may decide, due to economic conditions and foreign competition and other factors, to sell the facility. If, in connection with such a hypothetical disposition, the Company were required to dismantle, demolish or otherwise permanently close the Mead facility, the demolition and environmental remediation costs could be significant. While the proceeds of such a disposition might offset such costs, no assurances can be provided that such amounts would fully or substantially offset the environmental remediation costs.

- We may not have electric power in sufficient amounts and/or at affordable costs available for our smelting operations

Electric power represents an important production input at our aluminum smelters and its cost can significantly affect our profitability. Power contracts for our smelters have varying contractual terms. In March 2002, the GoG reduced the power allocation for our 90% owned Valco smelter forcing Valco to curtail one of its four operating potlines. In January 2003, Valco's power allocation was further reduced forcing the curtailment of two additional operating potlines. As of February 28, 2003, Valco was operating only one of its five potlines. See "Business--Primary Aluminum Business Unit--Valco." We cannot provide assurance that electric power will be available in the future, at affordable prices, for our smelters.

- KACC's current or past operations subject it to environmental compliance, clean-up and damage claims that have been and continue to be costly

The operations of KACC's facilities are regulated by a wide variety of international, federal, state and local environmental laws. These environmental laws regulate, among other things, air and water emissions and discharges; the generation, storage, treatment, transportation and disposal of solid and hazardous waste; and the release of hazardous or toxic substances, pollutants and contaminants into the environment. Compliance with these environmental laws is costly. While legislative, regulatory and economic uncertainties make it difficult for us to project future spending for these purposes, we currently anticipate that in the 2003 - 2004 period, KACC's environmental capital spending will be approximately $1.3 million per year and that KACC's operating costs will include pollution control costs totaling approximately $14.8 million per year. However, subsequent changes in environmental laws may change the way KACC must operate and may force KACC to spend more than we currently project.

Additionally, KACC's current and former operations can subject it to fines or penalties for alleged breaches of environmental laws and to other actions seeking clean-up or other remedies under these environmental laws. KACC also may be subject to damages related to alleged injuries to health or to the environment, including claims with respect to certain waste disposal sites and the clean-up of sites currently or formerly used by KACC.

Currently, KACC is subject to certain lawsuits under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 ("CERCLA"). KACC, along with certain other companies, has been named as a Potentially Responsible Party for clean-up costs at certain third-party sites listed on the National Priorities List under CERCLA. As a result, KACC may be exposed not only to its assessed share of clean-up but also to the costs of others if they are unable to pay. Additionally, KACC's Mead, Washington, facility has been listed on the National Priorities List under CERCLA. KACC and the regulatory authorities agreed to a plan of remediation in respect of the Mead facility in January 2000.

In response to environmental concerns, we have established environmental accruals representing our estimate of the costs we reasonably expect KACC to incur in connection with these matters. At December 31, 2002, the balance of our accruals, which are primarily included in our long-term liabilities, was $59.1 million. We estimate that the annual costs charged to these environmental accruals will be approximately $.6 million to $12.3 million per year for the years 2003 through 2007 and an aggregate of approximately $33.3 million thereafter. However, we cannot assure you that KACC's actual costs will not exceed our current estimates. We believe that it is reasonably possible that costs associated with these environmental matters may exceed current accruals by amounts that could range, in the aggregate, up to an estimated $30.0 million. See Note 12 of Notes to Consolidated Financial Statements for additional information.

- The settlement of the asbestos-related matters may have a major impact on our plan of reorganization

KACC has been one of many defendants in numerous lawsuits in which the plaintiffs allege that they have injuries caused by exposure to asbestos during, and as a result of, their employment or association with KACC, or exposure to products containing asbestos produced or sold by KACC. The lawsuits generally relate to products KACC sold more than 20 years ago. Due to the Cases, existing lawsuits are stayed and new lawsuits cannot be commenced against us or KACC.

Our December 31, 2002, balance sheet includes a liability for estimated asbestos-related costs of $610.1 million. In determining the amount of the liability, we have included estimates only for the costs of claims through 2011 because we do not have a reasonable basis for estimating costs beyond that period. However, the plan of reorganization process will require an estimation of KACC's entire asbestos-related liability, which may go beyond 2011. Additional asbestos-related claims are likely to be filed against KACC as a part of the Chapter 11 process. Management cannot reasonably predict the ultimate number of such claims or the amount of the associated liability. However, it is likely that such amounts could exceed, perhaps significantly, the liability amounts reflected in the Company's consolidated financial statements, which (as previously stated) is only reflective of an estimate of claims through 2011. KACC's obligations in respect of the currently pending and future asbestos-related claims will ultimately be determined (and resolved) as a part of the overall Chapter 11 proceedings. It is anticipated that resolution of these matters will be a lengthy process. Management will periodically continue to reassess its asbestos-related liabilities and estimated insurance recoveries as the Cases proceed. However, absent unanticipated developments such as asbestos-related legislation, material developments in other asbestos-related proceedings or in the Company's or KACC's Chapter 11 proceedings, it is not anticipated that the Company will have sufficient information to reevaluate its asbestos-related obligations and estimated insurance recoveries until much later in the Cases. Any adjustments ultimately deemed to be required as a result of the reevaluation of KACC's asbestos-related liabilities or estimated insurance recoveries could have a material impact on the Company's future financial statements.

We believe KACC has insurance coverage for a substantial portion of such asbestos-related costs. Accordingly, our December 31, 2002 balance sheet includes a long-term receivable for estimated insurance recoveries of $484.0 million. We believe that recovery of this amount is probable and additional amounts may be recoverable in the future if additional claims are received. However, we cannot assure you that all such amounts will be collected. The timing and amount of future recoveries from KACC's insurance carriers will depend on the pendency of the Cases and on the resolution of disputes regarding coverage under the applicable insurance policies. During October 2001, the court ruled favorably on a number of policy interpretation issues, one of which was affirmed in February 2002 by an intermediate appellate court in response to a petition from the insurers. The rulings did not result in any changes to our estimates of current and future asbestos-related insurance recoveries. The trial court is scheduled to decide certain policy interpretation issues in Spring 2003 and may hear additional issues from time to time. Given the expected significance of probable future asbestos-related payments, the receipt of timely and appropriate payments from KACC's insurers is critical to a successful plan of reorganization and our long-term liquidity.

- The outcome of the unfair labor practices ("ULPs") action filed by the United Steelworkers of America ("USWA") could adversely affect us

In connection with the strike by the USWA and the subsequent lock-out by KACC, the USWA filed twenty-four allegations of ULPs. Twenty-two of the allegations were dismissed. A trial before an administrative law judge on the two remaining allegations concluded in September 2001. In May 2002, the administrative law judge ruled against KACC in respect of the two remaining ULP allegations and recommended that the National Labor Relations Board ("NLRB") award back wages, plus interest, less any earnings of the workers during the period of the lockout. The administrative law judge's ruling did not contain any specific amount of the proposed award and is not self-executing. The USWA has filed a proof of claim of approximately $240.0 million in the Cases in respect of this matter. The NLRB also filed a proof of claim in respect of this matter. The NLRB claim was for $117.0 million, including interest of $18.0 million. The Company continues to believe that the allegations are without merit and will vigorously defend its position. KACC has appealed the ruling of the administrative law judge to the full NLRB. The NLRB general counsel and USWA have cross-appealed. Any outcome from the NLRB appeal would be subject to additional appeals in a United States Circuit Court of Appeals by the general counsel of the NLRB, the USWA or KACC. This process could take several years. Because the Company believes that it may prevail in the appeals process, the Company has not recognized a charge in response to the adverse ruling. However, it is possible that, if the Company's appeal(s) are not ultimately successful, a charge in respect of this matter may be required in one or more future periods and the amount of such charge(s) could be significant. Any amounts ultimately determined by a court to be payable in this matter will be dealt with in the overall context of the Debtors' plan of reorganization and will be subject to compromise. Accordingly, any payments that may ultimately be required in respect of this matter would likely only be paid upon or after the Company's emergence from the Cases.

- Our profits and cash flows may be adversely impacted by the results of KACC's hedging programs

From time to time in the ordinary course of business, KACC enters into hedging transactions to limit its exposure resulting from (1) its anticipated sales of alumina, primary aluminum, and fabricated aluminum products, net of expected purchase costs for items that fluctuate with primary aluminum prices, (2) energy price risk from fluctuating prices for natural gas, fuel oil and diesel oil used in its production process, and (3) foreign currency requirements with respect to its cash commitments with foreign subsidiaries and affiliates. To the extent that the prices for primary aluminum exceed the fixed or ceiling prices established by KACC's hedging transactions or that energy costs or foreign exchange rates are below the fixed prices, our profits and cash flow would be lower than they otherwise would have been.

Because the agreements underlying KACC's hedging positions provided that the counterparties to the hedging contracts could liquidate KACC's hedging positions if KACC filed for reorganization, KACC chose to liquidate those positions in advance of the Filing Date. During December 2002 and the first quarter of 2003, the Company, with Court approval, reinstituted its hedging program when it entered into hedging transactions with respect to a portion of its 2003 fuel oil requirements. The Company anticipates that, subject to prevailing economic conditions, it may enter into additional hedging transactions with respect to primary aluminum prices, natural gas and fuel oil prices and foreign currency values to protect the interests of its constituents. However, no assurance can be given as to when or if the Company will enter into such additional hedging activities.

- We operate in a highly competitive industry

The production of alumina, primary aluminum and fabricated aluminum products is highly competitive. There are numerous companies who operate in the aluminum industry. Certain of our competitors are substantially larger, have greater financial resources than we do and may have other strategic advantages.

- KACC is subject to political and regulatory risks in a number of countries

KACC operates facilities in the United States and in a number of other countries, including Australia, Canada, Ghana, Jamaica, and the United Kingdom. While we believe KACC's relationships in the countries in which it operates are generally satisfactory, we cannot assure you that future developments or governmental actions in these countries will not adversely affect KACC's operations particularly or the aluminum industry generally. Among the risks inherent in KACC's operations are unexpected changes in regulatory requirements, unfavorable legal rulings, new or increased taxes and levies, and new or increased import or export restrictions. KACC's operations outside of the United States are subject to a number of additional risks, including but not limited to currency exchange rate fluctuations, currency restrictions, and nationalization of assets.

ITEM 2. PROPERTIES

The locations and general character of the principal plants, mines, and other materially important physical properties relating to KACC's operations are described in Item 1 "- Business Operations" and those descriptions are incorporated herein by reference. KACC owns in fee or leases all the real estate and facilities used in connection with its business. Plants and equipment and other facilities are generally in good condition and suitable for their intended uses. However, the Mead facility is expected to remain completely curtailed unless and until an appropriate combination of reduced power prices, higher primary aluminum prices and other factors occurs.

KACC's obligations under the DIP Facility are secured by, among other things, mortgages on KACC's major domestic plants. See Note 7 of Notes to Consolidated Financial Statements for further discussion.

ITEM 3. LEGAL PROCEEDINGS

This section contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See Item 1 of this Report for cautionary information with respect to such forward-looking statements.

REORGANIZATION PROCEEDINGS

During the pendency of the Cases, substantially all pending litigation, except certain environmental claims and litigation, against the Debtors is stayed. Generally, claims against a Debtor arising from actions or omissions prior to its Filing Date will be settled in connection with the plan of reorganization. See Item 1. "Business - Reorganization Proceedings" for a discussion of the reorganization proceedings. Such discussion is incorporated herein by reference.

ASBESTOS-RELATED LITIGATION

KACC is a defendant in a number of lawsuits, some of which involve claims of multiple persons, in which the plaintiffs allege that certain of their injuries were caused by, among other things, exposure to asbestos during, and as a result of, their employment or association with KACC or exposure to products containing asbestos produced or sold by KACC. The lawsuits generally relate to products KACC has not manufactured for more than 20 years. The lawsuits are currently stayed by the Cases. The portion of Note 12 of Notes to Consolidated Financial Statements under the heading "Asbestos Contingencies" is incorporated herein by reference.

LABOR MATTERS

In connection with the USWA strike and subsequent lock-out by KACC, certain allegations of ULPs were filed by the USWA with the NLRB. Twenty-two of the twenty-four allegations of ULPs brought against KACC by the USWA were dismissed. A trial on the remaining two allegations before an administrative law judge concluded in September 2001. In May 2002, the administrative law judge ruled against KACC in respect of the two remaining ULP allegations and recommended that the NLRB award back wages, plus interest, less any earnings of the workers during the period of the lockout. The Company continues to believe that the allegations are without merit and will vigorously defend its position. KACC has appealed the ruling of the administrative law judge to the full NLRB. The NLRB general counsel and the USWA have cross-appealed. Any outcome from the NLRB appeal would be subject to additional appeals in a United States Circuit Court of Appeals by the general counsel of the NLRB, the USWA or KACC. This process could take several years. This matter is not currently stayed by the Cases. Any amounts ultimately determined by a court to be payable in this matter will be dealt with in the overall context of the Debtors' plan of reorganization and will be subject to compromise. The portion of Note 12 of Notes to Consolidated Financial Statements under the heading "Labor Matters" is incorporated herein by reference.

GRAMERCY LITIGATION

On July 5, 1999, KACC's Gramercy, Louisiana, alumina refinery was extensively damaged by an explosion in the digestion area of the plant. A number of employees were injured in the incident, several of them severely. The incident resulted in a significant number of individual and class action lawsuits being filed against KACC and others alleging, among other things, property damage, business interruption losses by other businesses and personal injury. During 2002, all of these matters were settled for amounts which, after the application of insurance, were not material to KACC.

OTHER MATTERS

Various other lawsuits and claims are pending against KACC. While uncertainties are inherent in the final outcome of such matters and it is presently impossible to determine the actual costs that ultimately may be incurred, management believes that the resolution of such uncertainties and the incurrence of such costs should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

See Note 12 of Notes to Consolidated Financial Statements for discussion of additional litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders of the Company during the fourth quarter of 2002.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Through April 2, 2002, the Company's Common Stock was traded on the New York Stock Exchange under the symbol "KLU." However, on April 2, 2002, the New York Stock Exchange announced that it was suspending trading of the Company's Common Stock because the price of the Common Stock had fallen below the New York Stock Exchange's continued listing standard regarding the average closing price of a security for a consecutive 30 trading day period. As of April 3, 2002, the Company's Common Stock began trading on the OTC Bulletin Board under the symbol "KLUCQ." The number of record holders of the Company's Common Stock at February 28, 2003, was 467. The high and low sales prices for the Company's Common Stock for each quarterly period of 2002, 2001 and 2000, as reported on the OTC Bulletin Board and the New York Stock Exchange is set forth in the Quarterly Financial Data on page 68 in this Report and is incorporated herein by reference. It is possible that, as a part of a plan of reorganization, the interests of the Company's existing stockholders could be diluted or cancelled.

The Company has not paid any dividends on its Common Stock during the two most recent fiscal years. In accordance with the Code and the DIP Facility, the Company is not permitted to pay any dividends or purchase any of its stock.

The Company's non-qualified stock option plans, which are the Company's only stock option plans, have been approved by the Company's stockholders. The number of shares of Common Stock to be issued upon exercise of outstanding options, the weighted average price per share of the outstanding options and the number of shares of Common Stock available for future issuance under the Company's non-qualified stock option plans at December 31, 2002, included under the heading "Incentive Plans" in Note 10 of Notes to Consolidated Financial Statements is incorporated herein by reference.

See Note 7 of Notes to Consolidated Financial Statements under the heading "Debt Covenants and Restrictions" and the " Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Capital Structure" for additional information, which information is incorporated herein.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the Company is incorporated herein by reference to the table at page 4 of this Report, to the table at page 17 of Management's Discussion and Analysis of Financial Condition and Results of Operations, to Note 2 of Notes to Consolidated Financial Statements, and to the Five-Year Financial Data on pages 69 - 70 in this Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REORGANIZATION PROCEEDINGS

The Company and 25 of its subsidiaries have filed separate voluntary petitions with the Court for reorganization under Chapter 11 of the Code; the Company, KACC and 15 of KACC's subsidiaries (the "Original Debtors") filed in the first quarter of 2002 and nine additional KACC subsidiaries (the "Additional Debtors") filed in the first quarter of 2003. The Original Debtors and Additional Debtors are collectively referred to herein as the "Debtors" and the Chapter 11 proceedings of these entitles are collectively referred to herein as the "Cases." For purposes of this Report, the term "Filing Date" shall mean, with respect to any particular Debtor, the date on which such Debtor filed its Case. None of KACC's non-U.S. joint ventures are included in the Cases. The Cases are being jointly administered. The Debtors are managing their businesses in the ordinary course as debtors-in-possession subject to the control and administration of the Court.

Original Debtors. The necessity for filing the Cases by the Original Debtors was attributable to the liquidity and cash flow problems of the Company and its subsidiaries arising in late 2001 and early 2002. The Company was facing significant near-term debt maturities at a time of unusually weak aluminum industry business conditions, depressed aluminum prices and a broad economic slowdown that was further exacerbated by the events of September 11, 2001. In addition, the Company had become increasingly burdened by asbestos litigation and growing legacy obligations for retiree medical and pension costs. The confluence of these factors created the prospect of continuing operating losses and negative cash flow, resulting in lower credit ratings and an inability to access the capital markets. In connection with the filing of the Original Debtors' Cases, the Original Debtors are prohibited from paying pre-Filing Date obligations other than those related to certain joint ventures and in certain other limited circumstances approved by the Court.

In October 2002, the Court set January 31, 2003 as the last date by which holders of pre-Filing Date claims against the Original Debtors (other than asbestos-related personal injury claims and certain hearing loss claims) could file their claims. Any holder of a claim that was required to file a claim by such date and did not do so may be barred from asserting such claim against any of the Original Debtors and, accordingly, may not be able to participate in any distribution in any of the Cases on account of such claim. Because the Company has not had sufficient time to analyze the proofs of claim to determine their validity, no provision has been included in the accompanying financial statements for claims that have been filed. The bar date does not apply to asbestos-related claims, for which the Original Debtors reserve the right to establish a separate bar date at a later date. A separate bar date of June 30, 2003 has been set for certain hearing loss claims.

Additional Debtors. The Cases filed by the Additional Debtors were commenced, among other reasons, to protect the assets held by these Debtors against possible statutory liens that might arise and be enforced by the PBGC primarily as a result of the Company's failure to meet a $17.0 million accelerated funding requirement to its salaried employee retirement plan in January 2003. From an operating perspective, the filing of the Cases by the Additional Debtors had no impact on the Company's day-to-day operations. In contrast to the circumstances of the Original Debtors, the Court authorized the Additional Debtors to continue to make all payments in the normal course of business (including payments of pre-Filing Date amounts) to creditors.

In March 2003, the Court set May 15, 2003 as the last date by which holders of pre-Filing Date claims against the Additional Debtors (other than asbestos-related personal injury claims and certain hearing loss claims) must file their claims.

All Debtors. The Debtors' objective in the Cases is to achieve the highest possible recoveries for all creditors and stockholders and to continue the operation of their businesses. However, there can be no assurance that the Debtors will be able to attain these objectives or to achieve a successful reorganization. While valuation of the Debtors' assets and pre-Filing Date claims at this stage of the Cases is subject to inherent uncertainties, the Debtors currently believe that it is likely that their liabilities will be found in the Cases to exceed the fair value of their assets. Therefore, the Debtors currently believe that it is likely that pre-Filing Date claims will be paid at less than 100% of their face value and the equity of the Company's stockholders will be diluted or cancelled. Because of such possibility, the value of the Common Stock is speculative and any investment in the Common Stock would pose a high degree of risk.

As provided by the Code, the Original Debtors had the exclusive right to propose a plan of reorganization for 120 days following the initial Filing Date. The Court has subsequently approved extensions of the exclusivity period for all Debtors through April 30, 2003. Additional extensions are likely to be sought. Extensions of this nature are believed to be routine in complex cases such as the Debtors' Cases. However, no assurance can be given that such future requests will be granted by the Court. If the Debtors fail to file a plan of reorganization during the exclusivity period, or if such plan is not accepted by the requisite numbers of creditors and equity holders entitled to vote on the plan, other parties in interest in the Cases may be permitted to propose their own plan(s) of reorganization for the Debtors.

The Company expects that, when the Debtors ultimately file a plan of reorganization, it will reflect the Company's strategic vision for emergence from Chapter 11: (a) a standalone going concern with manageable leverage, improved cost structure and competitive strength; (b) a company positioned to execute its long-standing vision of market leadership and growth in fabricated products specifically with a financial structure that provides financial flexibility, including access to capital markets, for accretive acquisitions; (c) a company that delivers a broad product offering and leadership in service and quality for its customers and distributors; and (d) a company with continued presence in those commodities markets that have the potential to generate significant cash at steady-state metal prices. The Company's advisors have developed a preliminary timeline that, assuming the current pace of the Cases continues, could allow the Company to emerge from Chapter 11 in 2004. While no assurances can be given in this regard, the Company's management continues to push for an aggressive pace in advancing the Cases. Continued sales of non-core assets and facilities that are ultimately determined not to be an important part of the reorganized entity are likely. The Company's strategic vision, which is subject to continuing review in consultation with the Company's stakeholders, may also be modified from time to time as the Cases proceed due to changes in such items as changes in the global markets, changes in the economics of the Company's facilities or changing financial circumstances.

Impact of the Cases on Financial Information. In light of the Cases, the accompanying financial information of the Company and related discussions of financial condition and results of operations are based on the assumption that the Company will continue as a "going concern," which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business; however, as a result of the commencement of the Cases, such realization of assets and liquidation of liabilities are subject to a significant number of uncertainties. Specifically, the financial information for the year ended December 31, 2002, contained herein does not present: (a) the realizable value of assets on a liquidation basis or the availability of such assets to satisfy liabilities, (b) the amount which will ultimately be paid to settle liabilities and contingencies that may be allowed in the Cases, or (c) the effect of any changes that may occur in connection with the Debtors' capitalizations or operations resulting from a plan of reorganization. Because of the ongoing nature of the Cases, the discussions and consolidated financial statements contained herein are subject to material uncertainties.

OVERVIEW

The Company, through its wholly owned subsidiary, KACC, operates in the following business segments: Bauxite and alumina, Primary aluminum, Flat-rolled products, Engineered products and Commodities marketing. The Company uses a portion of its bauxite, alumina, and primary aluminum production for additional processing at certain of its downstream facilities. The table below provides selected operational and financial information on a consolidated basis with respect to the Company for the years ended December 31, 2002, 2001 and 2000. The following data should be read in conjunction with the Company's consolidated financial statements and the notes thereto contained elsewhere herein. See Note 16 of Notes to Consolidated Financial Statements for further information regarding segments. (All references to tons refer to metric tons of 2,204.6 pounds.) Intersegment transfers are valued at estimated market prices.

	Year Ended December 3	
(In millions of dollars, except shipments and prices)	2002	2001
Shipments: (000 tons)		
Alumina		
Third Party	2,626.6	2,582.7
Intersegment	343.9	422.8
Total Alumina	2,970.5	3,005.5
Primary Aluminum(1)		
Third Party	194.8	244.7
Intersegment	1.7	2.3
Total Primary Aluminum	196.5	247.0
Flat-Rolled Products	46.3	74.4

Engineered Products	124.4	118.1
Average Realized Third Party Sales Price:(2)		
Alumina (per ton)	$ 165	$ 186
Primary Aluminum (per pound)	$ .62	$ .67
Net Sales:		
Bauxite and Alumina		
Third Party (includes net sales of bauxite)	$ 458.1	$ 508.3
Intersegment	58.6	77.9
Total Bauxite & Alumina	516.7	586.2
Primary Aluminum(1)		
Third Party	265.3	358.9
Intersegment	2.5	3.8
Total Primary Aluminum	267.8	362.7
Flat-Rolled Products	183.6	308.0
Engineered Products	425.0	429.5
Commodities Marketing(3)	39.1	22.9
Minority Interests	98.5	105.1
Eliminations	(61.1)	(81.7)
Total Net Sales	$ 1,469.6	$ 1,732.7
Operating Income (Loss):		
Bauxite & Alumina (4)	$ (48.5)	$ (46.9)
Primary Aluminum(5)	(23.1)	5.1
Flat-Rolled Products(5)(6)	(30.7)	.4
Engineered Products(5)(6)	8.5	4.6
Commodities Marketing	36.2	5.6
Eliminations	1.7	1.0
Corporate and Other(7)	(98.9)	(68.5)
Non-Recurring Operating (Charges) Benefits, Net(8)	(251.2)	163.6
Total Operating Income (Loss)	$ (406.0)	$ 64.9
Net Income (Loss)	$ (468.7)	$ (459.4)
Capital Expenditures	$ 47.6	$ 148.7

(1) Beginning in the first quarter of 2001, as a result of the continuing curtailment of KACC's Northwest smelters, the Flat-rolled products business unit began purchasing its own primary aluminum rather than relying on the Primary aluminum business unit to supply its aluminum requirements through production or third party purchases. The Engineered products business unit was already responsible for purchasing the majority of its primary aluminum requirements.

(2) Average realized prices for the Company's Flat-rolled products and Engineered products segments are not presented as such prices are subject to fluctuations due to changes in product mix.

(3) Net sales in 2002 primarily represent partial recognition of deferred gains from hedges closed prior to the commencement of the Cases. Net sales in 2001 and 2000 represent net settlements with counterparties for maturing derivative positions.

(4) Operating results for 2002 include $4.4 of charges resulting from an increase in the allowance for doubtful receivables and a LIFO inventory charge of $.5. Operating results for 2001 include abnormal Gramercy-related start-up costs and litigation costs, net of business interruption-related insurance accruals, of $34.8 and a LIFO inventory charge of $3.7.

(5) Operating results for 2002 include LIFO inventory charges of: Primary

aluminum - $2.1, Flat-Rolled Products - $2.0 and Engineered Products - $1.5.

(6) Operating results for 2001 include LIFO inventory charges of: Flat-Rolled Products - $3.0 and Engineered Products - $1.5.

(7) Operating results for 2002 include special pension charges of $24.1 and key employee retention program charges of $5.1.

(8) See Note 6 of Notes to Consolidated Financial Statements for a detailed summary of the components of non-recurring operating (charges) benefits, net and the business segment to which the items relate.

This Report contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this section (see "Overview," "Results of Operations," "Liquidity and Capital Resources" and "Other Matters"). Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, developments in technology, new or modified statutory or regulatory requirements and changing prices and market conditions. See Item 1. "Business - Factors Affecting Future Performance." No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

SIGNIFICANT ITEMS

Market-related Factors. The Company's operating results are sensitive to changes in the prices of alumina, primary aluminum, and fabricated aluminum products, and also depend to a significant degree on the volume and mix of all products sold and on KACC's hedging strategies. Primary aluminum prices have historically been subject to significant cyclical price fluctuations. See Notes 2 and 13 of Notes to Consolidated Financial Statements for a discussion of KACC's hedging activities.

Changes in global, regional, or country-specific economic conditions can have a significant impact on overall demand for aluminum-intensive fabricated products in the transportation, distribution, and packaging markets. Such changes in demand can directly affect the Company's earnings by impacting the overall volume and mix of such products sold. To the extent that these end-use markets weaken, demand can also diminish for what the Company sometimes refers to as the "upstream" products: alumina and primary aluminum.

During 2002, the average LME price per pound for primary aluminum was $.61. During 2001, the LME price began the year at $.71 per pound and then began a steady decrease ending 2001 at $.61 per pound. During 2000, the average LME price was $.70 per pound. At February 28, 2003, the LME price was approximately $.66 per pound.

Indefinite Curtailment of Mead Facility. In January 2003, the Company announced the indefinite curtailment of the Mead facility. The curtailment of the facility was due to the continuing unfavorable market dynamics, specifically unattractive long-term power prices and weak primary aluminum prices, both of which are significant impediments for an older smelter with higher-than-average operating costs. The Mead facility is expected to remain completely curtailed unless and until an appropriate combination of reduced power prices, higher primary aluminum prices and other factors occurs. As a result of the indefinite curtailment, in December 2002, the Company recorded non-cash non-recurring charges of: (a) $138.5 million to write-down the Washington smelter assets to their estimated fair value; (b) a net charge of $18.6 million to write-down certain aluminum and alumina inventories at the Northwest smelters to their net realizable values based on the Company's intent to sell (rather than use) such inventories; and (c) a LIFO inventory charge of $.9 million which resulted from the write-down of the aluminum and alumina inventories. Additionally, during December 2002, the Company accrued approximately $58.8 million of pension, postretirement benefit and related obligations for the hourly employees who had been on a laid-off status and under the terms of their labor contract became eligible to elect early retirement because of the indefinite curtailment. See Note 5 of Notes to Consolidated Financial Statements for additional discussion of the Mead curtailment.

Approximately $1.5 million of charges associated with salaried workforce reductions at the Mead facility will be recorded in the first quarter of 2003 because the recognition requirements under generally accepted accounting principles for such charges were not met at December 31, 2002.

Liquidity/Negative Cash Flow. During 2002, the Company experienced a net decrease in cash and cash equivalents of $74.6 million; $49.6 million of which was used in operating activities and $25.0 million of which was used in investing and financing activities. The $49.6 million of cash and cash equivalents used in operations included several items not typically considered part of our normal recurring operations including: (a) asbestos-related insurance recoveries of $23.3 million; (b) approximately $30.0 million of funding to QAL in respect of QAL's scheduled debt maturities; and (c) foreign income tax payments related to prior year activities of $8.0 million. The balance of the cash and cash equivalent used in operations ($34.9 million) resulted from a combination of adverse market factors in the business segments in which the Company operates including (a) primary aluminum prices that were below long-term averages, (b) a weak demand for fabricated metal products, particularly aerospace products, and (c) higher than average power, fuel oil and natural gas prices.

Despite the foregoing, the Company's liquidity (cash and cash equivalents plus unused availability under the DIP Facility) has remained strong, averaging between $200.0 million and $250.0 million during the fourth quarter of 2002. Recent improvements in primary aluminum prices, fabricated product demand, particularly aerospace products, and the sale of the Tacoma facility and the Company's interests in an office building in the first quarter of 2003 are expected to further bolster the Company's liquidity. However, no assurances can be given that the recent primary aluminum price increase and fabricated product market demand improvement will be sustained or that the Company's liquidity will not erode for other reasons.

Pension Plan Matters. The assets of the Company-sponsored pension plans, like numerous other companies' plans, are, to a substantial degree, invested in the capital markets and managed by a third party. Given the performance of the stock market during 2002, and the resulting decline in the value of the assets held by the Company pension plans, the Company was required to reflect additional minimum pension liabilities of $133.1 million in its 2002 financial statements. Additionally, 2003 operating results are expected to be adversely impacted by higher pension costs resulting from the decline in the value of the pension plans' assets and increased liabilities due to lower interest rates, restructuring activities and the incurrence of additional full early retirement obligations in respect of KACC's Washington smelters. However, the Company does not currently intend to fund the remaining required pension contributions due in 2003 as it believes that virtually all of such amounts are pre-Filing Date obligations. As previously announced, the Company has met on several occasions with the PBGC to discuss alternative solutions to the pension funding issue that would assist the Company in assessing its alternatives for a plan of reorganization. These options include extended amortization periods for payments of unfunded liabilities or the potential termination of the plans.

Also, during 2002, the Company recorded charges of $24.1 million for additional pension expense. See Note 10 of Notes to Consolidated Financial Statements for additional discussion of the additional pension expense.

Valco Operating Level. The amount of power made available to Valco by the VRA depends in large part on the level of the lake that is the primary source for generating the hydroelectric power used to supply the smelter. The level of the lake is primarily a function of the level of annual rainfall and the alternative (non-Valco) uses of the power generated, as directed by the VRA. As of February 28, 2003, the lake level was at a ten-year low.

During late 2000, Valco, the GoG and the VRA reached an agreement, subject to Parliamentary approval, that would provide sufficient power for Valco to operate at least three and one-half of its five potlines through 2017. However, Parliamentary approval was not received and, in March 2002, the GoG reduced Valco's power allocation forcing Valco to curtail one of its four operating potlines. Valco's power allocation was further reduced resulting in the curtailment of two additional operating potlines in January 2003. In connection with such curtailments, $5.5 million of end-of-service benefits were paid resulting in a $3.2 million charge to earnings in January 2003. Additional curtailments and end-of-service payments/charges are possible. As of February 28, 2003, Valco was operating only one of its five potlines.

No assurance can be given that Valco will continue to receive sufficient power to operate the one remaining operating potline. Valco has met with the GoG and the VRA and anticipates such discussions will continue in respect of the current and future power situations. Valco has objected to the power curtailments and expects to seek appropriate compensation from the GoG. In addition, Valco and the Company have filed for arbitration with the International Chamber of Commerce in Paris against both the GoG and the VRA. However, no assurances can be given as to the ultimate success of any such actions.

RESULTS OF OPERATIONS

Summary. The Company reported a net loss of $468.7 million, $5.82 of basic loss per common share for 2002, compared to a net loss of $459.4 million, $5.73 of basic loss per common share for 2001 and net income of $16.8 million, or $.21 of basic income per common share, for 2000.

Net sales in 2002 totaled $1,469.6 million compared to $1,732.7 million in 2001 and $2,169.8 million in 2000.

2002 AS COMPARED TO 2001

Bauxite and Alumina. Third party net sales of alumina for 2002 decreased 10% as compared to 2001, primarily due to an 11% decrease in third party average realized prices. The decrease in average realized prices was due to a decrease in primary aluminum market prices to which the Company's third party alumina sales contracts are linked. Third party shipments were up modestly primarily due to the curtailment of one of Valco's operating potlines in March 2002 discussed below.

Intersegment net sales for 2002 decreased 25% as compared to 2001 as the result of a 19% decrease in the intersegment shipments and a 7% decrease in intersegment average realized prices. The decrease in shipments was due to reduced shipments to the Primary alumina business unit primarily due to the curtailment of one of Valco's operating potlines in March 2002. The decrease in intersegment average realized prices is the result of a decrease in primary aluminum prices from period to period as intersegment transfers are made on the basis of primary aluminum market prices on a lagged basis of one month.

Segment operating results (excluding non-recurring items) for 2002 were modestly worse than 2001. The decrease was primarily due to the decrease in the average realized price discussed above and the reduction in alumina shipments associated with the sale of a portion of our interest in QAL offset by the decrease in abnormal Gramercy related net start-up costs, favorable caustic prices at QAL and the return to a more normal cost performance at KJBC resulting in part from increased production volume (due to the Gramercy restart). Results for 2002 also included an increase of $4.4 million in the allowance for doubtful accounts and a LIFO charge of $.5 million. Operating results for 2001 included: (1) abnormal

Gramercy-related start-up costs and litigation costs of $64.9 million and $6.5 million, respectively, offset by business interruption-related insurance accruals of $36.6 million; and (2) a LIFO inventory charge of $3.7 million.

Segment operating results for 2002, discussed above, exclude non-recurring costs of $2.0 million incurred in connection with cost reduction initiatives. Segment operating results for 2001 exclude non-recurring costs of $15.8 million also incurred in connection with cost reduction initiatives.

Because of the January 2003 curtailment of two additional potlines at Valco (see "Valco Operating Level" above), it is anticipated that 2003 intersegment shipments will decline but will be substantially offset by an increase in third-party sales of alumina.

Primary Aluminum. Third party net sales of primary aluminum decreased 26% for 2002 as compared to 2001 as a result of a 20% decrease in third party shipments and a 7% decrease in third party average realized prices. The decrease in shipments was primarily due to the curtailment of one of Valco's operating potlines in March 2002 and the curtailment of the rod operations at the Tacoma facility in the second quarter of 2001. The decrease in the average realized prices was primarily due to the decrease in primary aluminum market prices.

Since the beginning of 2001, the Northwest smelters have been completely curtailed. The Mead facility is expected to remain curtailed indefinitely unless and until an appropriate combination of reduced power prices and higher primary aluminum prices occurs. The Tacoma facility was sold in February 2003. As a result, intersegment net sales of primary aluminum for 2002 and 2001 have been minimal. Beginning in the first quarter of 2001, the Flat-rolled products business unit began purchasing its own primary aluminum rather than relying on the Primary aluminum business unit to supply its aluminum requirements through production or third party purchases. The Engineered products business unit was already responsible for purchasing the majority of its primary aluminum requirements.

Segment operating results (before non-recurring items) for 2002 were substantially worse than 2001. The primary reasons for the decrease were the decreases in the average realized prices and net shipments discussed above and Valco potline shutdown and pension costs, offset by lower alumina metal prices and reductions in overhead costs. Results for 2002 also included a LIFO inventory charge of $2.1 million.

Segment operating results for 2002, discussed above, exclude a non-cash charge of approximately $138.5 million related to the write-down of the Washington smelter assets to their estimated fair value, a non-cash charge of approximately $21.4 million related to a write-down of certain aluminum and alumina inventories, an $.8 million LIFO inventory charge which resulted in connection with the write-down of the aluminum and alumina inventories and non-recurring costs of $2.7 million incurred in connection with cost reduction initiatives. Segment operating results for 2002 also exclude approximately $58.8 million of pension and postretirement benefits and related obligations for the hourly employees who had been on a laid-off status and under the terms of their labor contract are eligible for early retirement because of the indefinite curtailment of the Mead facility. Segment operating results for 2001 excluded non-recurring net power sales gains of $229.2 million. These gains were offset by costs of $7.5 million also incurred in connection with cost reduction initiatives and contractual labor costs related to the Washington smelter impairment of $12.7 million.

Because of the January 2003 curtailment of two additional potlines at Valco (see "Valco Operating Level" above), it is anticipated that 2003 primary aluminum shipments will decline substantially.

Flat-Rolled Products. Net sales of flat-rolled products decreased 40% in 2002 as compared to 2001 primarily due to a 38% decrease in product shipments and a 4% decrease in realized prices. Shipments in 2002 were lower than 2001 primarily due to a continuation of soft aerospace products demand and by the second quarter of 2002 exit of the can lid and tab stock and brazing sheet products offset modestly by an increase in general engineering plate demand. The decrease in average realized prices was due to the impact of weaker demand.

Segment operating results (before non-recurring items) for 2002 were worse than 2001 primarily due to the decrease in shipments and product prices discussed above. Operating results for 2002 were also adversely impacted by a LIFO inventory charge of $2.0 million. Partially offsetting these adverse impacts were reductions in overhead and other costs as a result of cost cutting initiatives. Operating results for 2001 included a LIFO inventory charge of $3.0 million.

Segment operating results for 2002 exclude non-recurring costs of $7.9 million incurred in connection with cost reduction initiatives and product line exit. Segment operating results for 2002 also exclude a $1.6 million non-cash LIFO inventory charge associated with the product line exits. Segment operating results for 2001 excludes a non-cash impairment charge of $17.7 million associated with certain equipment that the Company planned to sell or idle as a result of the planned 2002 exit from the brazing heat-treat and tab stock product lines and non-recurring costs of $10.7 million also incurred in connection with cost reduction initiatives.

Engineered Products. Net sales of engineered products decreased modestly during 2002 as compared to 2001, as a 6% decrease in average realized prices was substantially offset by a 5% increase in product shipments. The decrease in average realized prices was due to lower metal prices as well as some erosion in overall product prices resulting from continuing weak overall market conditions. The increase in product shipments was the result of increased ground transportation markets offset in part by reduced general aviation market shipments.

Segment operating results (before non-recurring items) for 2002 improved as compared to 2001. Such increase was primarily attributable to improved cost performance, higher shipment volumes and reductions in energy and overhead costs, offset in part by the net effect of the lower product prices factor described above and a LIFO inventory charge of $1.5 million. Operating results for 2001 included a LIFO inventory charge of $1.5 million.

Commodities Marketing. In 2002, net sales for this segment primarily represents recognition of deferred gains from hedges closed prior to the commencement of the Cases. See Note 13 of Notes to Consolidated Financial Statements. Gains or losses associated with these liquidated positions are initially deferred in Other comprehensive income and are subsequently recognized over the original hedging periods as the underlying purchases/sales occur. In 2001, net sales for this segment represented net settlements with third party brokers for maturing derivative positions.

Segment operating results for 2002 increased compared to the comparable periods in 2001 due to the higher prices implicit in the liquidation of the positions in January 2002 versus the prevailing market prices during 2001.

Eliminations. Eliminations of intersegment profit vary from period to period depending on fluctuations in market prices as well as the amount and timing of the affected segments' production and sales. Eliminations for 2002 include a benefit of $2.8 million of deferred intersegment profit offsetting the $21.4 million inventory write-down in the Primary aluminum business segment discussed above.

Corporate and Other. Corporate operating expenses represent corporate general and administrative expenses which are not allocated to the Company's business segments. The increase in corporate operating expenses (excluding non-recurring items) in 2002 as compared to 2001 was due largely to higher medical and pension cost accruals for active and retired employees and non-cash pension charges of $19.9 million (see Note 10 of Notes to Consolidated Financial Statements), charges of $5.1 million related to the Company's key employee retention program (see Note 14 of Notes to Consolidated Financial Statements) and payments in

January 2002 of approximately $4.2 million to a trust in respect of certain management compensation agreements (see Note 10 of Notes to Consolidated Financial Statements) offset in part primarily by reduced salary and litigation expenses.

Corporate operating results for 2002, discussed above, exclude a non-cash impairment charge of approximately $20.0 million related to the Kaiser Center office complex, one of the Company's non-operating properties. Corporate operating results for 2001, discussed above, exclude non-recurring costs of $1.2 million incurred in connection with the Company's cost reduction initiatives.

2001 AS COMPARED TO 2000

Bauxite and Alumina. Third-party net sales of alumina in 2001 were 15% higher than in 2000 as a 34% increase in third-party shipments was only partially offset by an 11% decrease in third-party average realized prices. The increase in period-over-period shipments resulted primarily from (1) higher third-party sales due to reduced internal alumina requirements as a result of the curtailment of the Washington smelters, (2) the restart of production at the Gramercy refinery in December 2000 and (3) the timing of shipments. The decrease in average realized prices was due to a decrease in primary aluminum market prices to which our third-party alumina sales contracts are linked, typically on a lagged basis of three months.

Intersegment net sales for 2001, decreased 47% as compared to 2000. The decrease was due to a 44% decrease in the intersegment shipments and a 7% decrease in intersegment average realized prices. The decrease in shipments was primarily due to the curtailments of the Company's Washington smelters. The decrease in the intersegment average realized prices was the result of the decrease in primary aluminum prices from period to period as intersegment transfers are made on the basis of primary aluminum market prices on a lagged basis of one month.

Segment operating results (excluding non-recurring items) for 2001 were down significantly from 2000. Increased net shipments only partially offset the decrease in the average realized sales prices. Additionally, operating income for 2001 was adversely affected by abnormal Gramercy related start-up costs and litigation costs of approximately $71.4 million, less than satisfactory bauxite mining cost performance at KJBC and a LIFO inventory charge of $3.7 million. These charges were offset in part by $36.6 million of additional insurance benefits related to the Gramercy incident.

Segment operating income for 2001 discussed above, excludes non-recurring costs of $15.8 million incurred in connection with the performance improvements initiative program. Segment operating income for 2000 excludes labor settlement charges of $2.1 million and three Gramercy-related items: a $7.0 million non-cash LIFO inventory charge, incremental maintenance spending of $11.5 million and an $.8 million non-cash restructuring charge.

Primary Aluminum. Third party sales of primary aluminum for 2001 decreased approximately 36% from 2000, reflecting a 29% decrease in third-party shipments and a 9% decrease in third-party average realized prices. The decrease in shipments was primarily due to the complete curtailment of the Washington smelters during 2001, as compared to 2000 when these smelters operated during a significant portion of the year. The decrease in the average realized prices was primarily due to the decrease in primary aluminum market prices. Intersegment net sales of primary aluminum for 2001 decreased significantly compared to 2000 primarily as a result of a substantial decrease in intersegment shipments. This change resulted primarily from a change in the Company's methodology for handling aluminum supply logistics for the Flat-rolled products business unit as a result of the continuing curtailment of the Northwest smelters. Beginning in the first quarter of 2001, the Flat-rolled products business unit began purchasing its own primary aluminum rather than relying on the Primary aluminum business unit to supply its aluminum requirements through production or third party purchases. The Engineered products business unit was already responsible for purchasing the majority of its primary aluminum requirements. The intersegment average realized price for 2001 was approximately the same as 2000 because substantially all of the intersegment shipments occurred in the first quarter of 2001 when the intersegment average realized price approximated the 2000 intersegment average realized price.

Segment operating income (excluding non-recurring items) for 2001 decreased significantly versus 2000. The primary reasons for the decrease were the decreases in the average realized prices and shipments discussed above as well as overhead and other fixed costs associated with the curtailed Northwest smelting operations, which totaled approximately $30.0 million during 2001. The Company believes that approximately half of such costs incurred are "excess" to the run rate that can be achieved during a prolonged curtailment period. During the third quarter of 2001, management took actions to minimize the excess outflows associated with the curtailed operations. These actions resulted in the elimination of most of the excess cost in 2002. Period-over-period results were also unfavorably impacted by higher energy costs at the Anglesey aluminum smelter, resulting from a new power contract entered into by Anglesey at the end of the first quarter of 2000.

Segment operating income for 2001, discussed above, excludes non-recurring net power sale gains of $229.2 million. These gains were offset by costs of $7.5 million incurred in connection with the Company's performance improvement initiative program and contractual labor costs related to the Northwest smelter curtailment of $12.7 million. Segment operating income for 2000 excludes net power sale gains of $159.5 million. These gains were offset by a non-cash smelter impairment charge of $33.0 million, labor settlement charges of $15.9 million and costs related to staff reduction initiatives of $3.1 million.

Flat-Rolled Products. Net sales of flat-rolled products for 2001 decreased by approximately 41% as compared to 2000 as a 54% decrease in shipments was partially offset by a 29% increase in average realized prices. The decrease in shipments was primarily due to reduced shipments of can body stock, as a part of the planned exit from this product line. Current period shipments were also adversely affected by the reduced demand for general engineering heat-treat products and can lid and tab stock, due to a weak market. These decreases were only modestly offset by a strong aerospace demand during the first nine months of 2001. However, after the events of September 11, 2001, aerospace demand and the price for aerospace products declined substantially. The increase in average realized prices primarily reflects the change in product mix from can body stock to heat-treat products.

Segment operating income (excluding non-recurring items) for 2001 was down significantly from 2000. The primary reasons for the decrease were the substantial decrease in shipments and weakened pricing for heat treat products as a result of the weaker U.S. economy which were worsened after September 11, 2001 to the point that fourth quarter operating results were a loss. Operating results were also adversely impacted by increased operating costs, mainly due to a lag in the ability to scale back costs to reflect the revised product mix and the substantial volume decline caused by weakened demand. Operating results for 2001 also included a LIFO inventory charge of $3.0 million and higher metal sourcing costs due to plant curtailments.

Segment operating income for 2001, discussed above, excludes a non-cash impairment charge of $17.7 million associated with certain equipment that the Company plans to sell or idle as the result of a planned 2002 exit from the brazing heat-treat and lid and tab stock for the beverage container market and non-recurring costs of $10.7 million incurred in connection with the performance improvement program. Segment operating income for 2000 excludes labor settlement charges of $18.2 million, an $11.1 million non-cash LIFO inventory charge and non-cash impairment charges associated with a product line exit of $1.5 million.

Engineered Products. Net sales of engineered products for 2001 decreased by approximately 24% as a 28% decrease in product shipments was offset by a 6% increase in average realized prices. The decrease in product shipments was the result of reduced transportation and electrical product shipments due to weak U.S. market demand. The increase in average realized prices reflects a shift in product mix to higher value-added products.

Segment operating income (excluding non-recurring items) for 2001 decreased as compared to 2000 primarily due to the volume and price factors described above. The segment's operating results were also adversely impacted by a LIFO inventory charge of $1.5 million and because cost reduction lagged the substantial volume decline.

Segment operating income for 2000, discussed above, excludes a non-recurring non-cash impairment charge associated with product line exit of $5.6 million and a labor settlement charge of $2.3 million.

Commodities Marketing. Net sales for this segment represent net settlements with third-party brokers for maturing derivative positions. Operating income represents the combined effect of such net settlements, any net premium costs associated with maturing options, as well as net results of internal hedging activities with our fabricated products segments. The minimum (and maximum) price of the hedges in any given period is primarily the result of the timing of the execution of the hedging contracts.

Segment operating income for 2001 increased compared to the comparable period in 2000. This is primarily the result of 2001 hedging positions having higher minimum prices than the positions in 2000, combined with the fact that 2000 market prices were higher than those experienced in 2001.

Eliminations. Eliminations of intersegment profit vary from period to period depending on fluctuations in market prices as well as the amount and timing of the affected segments' production and sales.

Corporate and Other. Corporate operating expenses (excluding non-recurring items) represent corporate general and administrative expenses which are not allocated to the Company's business segments. The increase in corporate operating expenses in 2001, as compared to 2000 was primarily due to higher medical and pension costs accruals for active and retired employees.

Corporate operating results for 2001, discussed above, exclude costs of $1.2 million incurred in connection with the Company's performance improvement program. Corporate operating results for 2000 exclude costs related to staff reduction and efficiency initiatives of $5.5 million.

LIQUIDITY AND CAPITAL RESOURCES

As a result of the filing of the Cases, claims against the Debtors for principal and accrued interest on secured and unsecured indebtedness existing on their Filing Date are stayed while the Debtors continue business operations as debtors-in-possession, subject to the control and supervision of the Court. See Note 1 of Notes to Consolidated Financial Statements for additional discussion of the Cases. At this time, it is not possible to predict the effect of the Cases on the businesses of the Debtors.

Operating Activities. In 2002, operating activities used $49.6 million of cash. This amount compares with 2001 when operating activities provided cash of $249.8 million and 2000 when operating activities provided cash of $83.1 million. The major reason for the decrease in cash between 2002 and 2001 is due to the non-recurring nature of the 2001 power sales. The increase in cash flows from operating activities between 2001 and 2000 resulted primarily from the impact of power sales and a decline in Gramercy-related receivables. The $49.6 million of cash and cash equivalents used in operations in 2002 included several items not typically considered part of our normal recurring operations including: (a) asbestos-related insurance recoveries of $23.3 million; (b) approximately $30.0 million of funding to QAL in respect of QAL's scheduled debt maturities; and (c) foreign income tax payments related to prior year activities of $8.0 million. The balance of the cash and cash equivalents used in operations ($34.9 million) resulted from a combination of adverse market factors in the business segments in which the Company operates including (a) primary aluminum prices that were below long-term averages, (b) a weak demand for fabricated metal products, particularly aerospace products, and (c) higher than average power, fuel oil and natural gas prices.

Investing Activities. Total consolidated capital expenditures were $47.6, $148.7 and $296.5 million in 2002, 2001 and 2000, respectively (of which $9.6, $10.4 and $5.4 million were funded by the minority partners in certain foreign joint ventures). Capital expenditures in 2001 and 2000 included $78.6 and $239.1 million spent with respect to rebuilding the Gramercy facility. Capital expenditures in 2000 also included $13.3 million spent with respect to the purchase of the non-working capital assets of the Chandler, Arizona drawn tube aluminum fabricating operation. The capital expenditures in 2002 and the remaining capital expenditures in 2001 and 2000 were made primarily to improve production efficiency, reduce operating costs and expand capacity at existing facilities. Total consolidated capital expenditures are currently expected to be between $50.0 and $80.0 million per year in each of 2003 and 2004 (of which approximately 15% is expected to be funded by the Company's minority partners in certain foreign joint ventures). Management continues to evaluate numerous projects, all of which would require substantial capital, both in the United States and overseas. The level of capital expenditures may be adjusted from time to time depending on the Company's price outlook for primary aluminum and other products, KACC's ability to assure future cash flows through hedging or other means, the Company's financial position and other factors.

Financing Activities and Liquidity. On February 12, 2002, the Company and KACC entered into the DIP Facility which provides for a secured, revolving line of credit through the earlier of February 12, 2004, the effective date of a plan of reorganization or voluntary termination by the Company. The Court signed a final order approving the DIP Facility in March 2002. In March 2003, the Additional Debtors were added as co-guarantors and the DIP Facility lenders received super priority status with respect to certain of the Additional Debtors' assets. KACC is able to borrow under the DIP Facility by means of revolving credit advances and to issue letters of credit (up to $125.0 million) in an aggregate amount equal to the lesser of $300.0 million or a borrowing base relating to eligible accounts receivable, eligible inventory and eligible fixed assets reduced by certain reserves, as defined in the DIP Facility agreement. The DIP Facility is guaranteed by the Company and certain significant subsidiaries of KACC. Interest on any outstanding borrowings will bear a spread over either a base rate or LIBOR, at KACC's option. During March 2003, the Company obtained a waiver from the lenders in respect of its compliance with a financial covenant covering the four-quarter period ending March 31, 2003. The waiver is of limited duration and will lapse on June 29, 2003 unless otherwise incorporated into a formal amendment. The Company is working with the lenders to complete such an amendment that would incorporate the limited waiver and also modify the financial covenant for periods subsequent to December 31, 2002. The Company believes that such an amendment will be agreed with the DIP Facility lenders not later than May 2003. While absolute assurances cannot be given in respect of the Company's ability to successfully obtain the necessary covenant modification, based on discussions with the DIP lenders and the fact that there are currently no outstanding borrowings and only a limited amount of letters of credit outstanding under the DIP Facility, the Company believes that acceptable modifications are likely to be obtained. As a part of this amendment, the Company also plans to request that the lenders extend the DIP Facility past its current February 2004 expiration.

The Company and KACC currently believe that the cash and cash equivalents of $78.7 million at December 31, 2002, cash flows from operations, cash proceeds from the sale of assets that are ultimately determined not to be an important part of the reorganized entity and cash available from the DIP Facility will provide sufficient working capital to allow the Company to meet its obligations during the pendency of the Cases. At February 28, 2003, there were no outstanding borrowings under the revolving credit facility and there were outstanding letters of credit of approximately $49.3 million. As of February 28, 2003, $146.0 million (of which $75.7 million could be used for additional letters of credit) was available to the Company under the DIP Facility.

Capital Structure. MAXXAM and one of its wholly owned subsidiaries collectively own approximately 62% of the Company's Common Stock, with the remaining approximately 38% of the Company's Common Stock being publicly held. At this time, it is not possible to predict the outcome of the Cases, in general, or the effect of the Cases on the interests of the stockholders. However, it is possible that all or a portion of MAXXAM's interests may be diluted or cancelled as a part of a plan of reorganization.

Commitments and Contingencies. During the pendency of the Cases, substantially all pending litigation against the Debtors, except that relating to certain environmental matters, is stayed. Generally, claims against a Debtor arising from actions or omissions prior to its Filing Date will be satisfied as part of a plan of reorganization.

The Company and KACC are subject to a number of environmental laws, to fines or penalties assessed for alleged breaches of the environmental laws, and to claims and litigation based upon such laws. Based on the Company's evaluation of these and other environmental matters, the Company has established environmental accruals of $59.1 million at December 31, 2002. However, the Company believes that it is reasonably possible that changes in various factors could cause costs associated with these environmental matters to exceed current accruals by amounts that could range, in the aggregate, up to an estimated $30.0 million.

KACC is also a defendant in a number of asbestos-related lawsuits that generally relate to products KACC has not sold for more than 20 years. The lawsuits are currently stayed by the Cases. Based on past experience and reasonably anticipated future activity, the Company has established a $610.1 million accrual at December 31, 2002, for estimated asbestos-related costs for claims filed and estimated to be filed through 2011, before consideration of insurance recoveries. However, the Company believes that substantial recoveries from insurance carriers are probable. The Company reached this conclusion based on prior insurance-related recoveries in respect of asbestos-related claims, existing insurance policies and the advice of outside counsel with respect to applicable insurance coverage law relating to the terms and conditions of these policies. Accordingly, the Company has recorded an estimated aggregate insurance recovery of $484.0 million (determined on the same basis as the asbestos-related cost accrual) at December 31, 2002. Although the Company has settled asbestos-related coverage matters with certain of its insurance carriers, other carriers have not yet agreed to settlements and disputes with carriers exist. The timing and amount of future recoveries from its insurance carriers will depend on the pendency of the Cases and on the resolution of disputes regarding coverage under the applicable insurance policies.

In connection with the USWA strike and subsequent lock-out by KACC which was settled in September 2000, certain allegations of ULPs have been filed with the NLRB by the USWA. KACC believes that all such allegations are without merit. Twenty-two of twenty-four allegations of ULPs previously brought against it by the USWA have been dismissed. A trial before an administrative law judge for the two remaining allegations concluded in September 2001. In May 2002, an administrative law judge of the NLRB ruled against KACC in respect of the two remaining ULP allegations and recommended that the NLRB award back wages, plus interest, less any earnings of the workers during the period of the lockout. The administrative law judge's ruling did not contain any specific amount of the proposed award and is not self-executing. The USWA has filed a proof of claim for $240.0 million in the Cases in respect of this matter. The NLRB also filed a proof of claim in respect of this matter. The NLRB claim was for $117.0 million, including interest of approximately $18.0 million. The Company continues to believe that the allegations are without merit and will vigorously defend its position. KACC has appealed the ruling of the administrative law judge to the full NLRB. The NLRB general counsel and the USWA have cross-appealed. Any outcome from the NLRB appeal would be subject to additional appeals in a United States Circuit Court of Appeals by the general counsel of the NLRB, the USWA or KACC. This process could take several years. Because the Company believes that it may prevail in the appeals process, the Company has not recognized a charge in response to the adverse ruling. However, it is possible that, if the Company's appeal(s) are not ultimately successful, a charge in respect of this matter may be required in one or more future periods and the amount of such charge(s) could be significant. Any amounts ultimately determined by a court to be payable in this matter will be dealt with in the overall context of the Debtors' plan of reorganization and will be subject to compromise. Accordingly, any payments that may ultimately be required in respect of this matter would likely only be paid upon or after the Company's emergence from the Cases.

While uncertainties are inherent in the final outcome of these matters and it is presently impossible to determine the actual costs that ultimately may be incurred and insurance recoveries that ultimately may be received, management currently believes that the resolution of these uncertainties and the incurrence of related costs, net of any related insurance recoveries, should not have a material adverse effect on the Company's consolidated financial position or liquidity. However, amounts paid, if any, in satisfaction of these matters could be significant to the results of the period in which they are recorded. See Note 12 of Notes to Consolidated Financial Statements for a more detailed discussion of these contingencies and the factors affecting management's beliefs.

OTHER MATTERS

Income Tax Matters. In light of the Cases, the Company has provided valuation allowances for all of its net deferred income tax assets as the Company no longer believes that the "more likely than not" recognition criteria were appropriate. See Note 9 of Notes to Consolidated Financial Statements for a discussion of these and other income tax matters.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are both very important to the portrayal of the Company's financial condition and results, and require management's most difficult, subjective, and/or complex judgments. Typically, the circumstances that make these judgments difficult, subjective and/or complex have to do with the need to make estimates about the effect of matters that are inherently uncertain. While the Company believes that all aspect of its financial statements should be studied and understood in assessing its current (and expected future) financial condition and results, the Company believes that the accounting policies that warrant additional attention include:

1. The fact that the consolidated financial statements as of (and for the year ending) December 31, 2002 have been prepared on a "going concern" basis in accordance with Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, and do not include possible impacts arising in respect of the Cases.

   The consolidated financial statements included elsewhere in this Report do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or the effect on existing stockholders' equity that may result from any plans, arrangements or other actions arising from the Cases, or the possible inability of the Company to continue in existence. Adjustments necessitated by such plans, arrangements or other actions could materially change the consolidated financial statements included elsewhere in this Report. For example,

   a. If the Company were to decide to sell certain assets not deemed a critical part of a reorganized Kaiser, such asset sales could result in gains or losses (depending on the asset sold) and such gains or losses could be significant. This is because, under generally accepted accounting principles ("GAAP"), assets to be held and used are evaluated for recoverability differently than assets to be sold or disposed of. Assets to be held and used are evaluated based on their expected undiscounted future net revenues. So long as the Company reasonably expects that such undiscounted future net revenues for each asset will exceed the recorded value of the asset being evaluated, no impairment is required. However, if possible or probable plans to sell or dispose of an asset or group of assets meet a number of specific criteria, then, under GAAP, such assets should be considered held for sale/disposition and their recoverability should be evaluated, for each asset, based on expected consideration to be received upon disposition. Sales or dispositions at a particular time will be affected by, among other things, the existing industry and general economic circumstances as well as the Company's own circumstances, including whether or not assets will (or must) be sold on an accelerated or more extended timetable. Such circumstances may cause the expected value in a sale or disposition scenario to differ materially from the realizable value over the normal operating life of assets, which would likely be evaluated on long-term industry trends.

b. Additional pre-Filing Date claims may be identified through the proof of claim reconciliation process and may arise in connection with actions taken by the Debtors in the Cases. For example, while the Debtors consider rejection of the BPA contract to be in the Company's best long-term interests, such rejection may increase the amount of pre-Filing Date claims by approximately $75.0 million based on the BPA's proof of claim filed in connection with the Cases in respect of the contract rejection.

c. As more fully discussed below, the amount of pre-Filing Date claims ultimately allowed by the Court in respect of contingent claims and benefit obligations may be materially different from the amounts reflected in the Consolidated Financial Statements.

While valuation of the Company's assets and pre-Filing Date claims at this stage of the Cases is subject to inherent uncertainties, the Company currently believes that it is likely that its liabilities will be found in the Cases to exceed the fair value of its assets. Therefore, the Company currently believes that it is likely that pre-Filing Date claims will be paid at less than 100% of their face value and the equity of the Company's stockholders will be diluted or cancelled. Because of such possibility, the value of the Common Stock is speculative and any investment in the Common Stock would pose a high degree of risk.

2. The Company's judgments and estimates with respect to commitments and contingencies; in particular: (a) future asbestos related costs and obligations as well as estimated insurance recoveries and (b) possible liability in respect of claims of ULPs which were not resolved as a part of the Company's September 2000 labor settlement.

   Valuation of legal and other contingent claims is subject to a great deal of judgment and substantial uncertainty. Under GAAP, companies are required to accrue for contingent matters in their financial statements only if the amount of any potential loss is both "probable" and the amount (or a range) of possible loss is "estimatable." In reaching a determination of the probability of an adverse ruling in respect of a matter, the Company typically consults outside experts. However, any such judgments reached regarding probability are subject to significant uncertainty. The Company may, in fact, obtain an adverse ruling in a matter that it did not consider a "probable" loss and which, therefore, was not accrued for in its financial statements. Further, in estimating the amount of any loss, in many instances a single estimation of the loss may not be possible. Rather, the Company may only be able to estimate a range for possible losses. In such event, GAAP requires that a liability be established for at least the minimum end of the range.

   The Company has two potentially material contingent obligations that are subject to significant uncertainty and variability in their outcome: (a) the USWA's ULP claim, and (b) the net obligation in respect of asbestos-related matters. Both of these matters are discussed in Note 12 of Notes to Consolidated Financial Statements and it is important that you read this note.

   As more fully discussed in Note 12, we have not accrued any amount in our

December 31, 2002 financial statements in respect of the USWA ULP matter as we do not consider the contingent loss to be "probable." The possible range of loss in this matter is in the $100.0 million to $250.0 million range based on the proof of claims filed by the NLRB and USWA in connection with the Company's and KACC's reorganization proceedings. This matter is not currently stayed by the Cases. However, as previously stated, seeing this matter to its ultimate outcome could take several years. Further, any amounts ultimately determined by a court to be payable in this matter will be dealt with in the overall context of the Debtors' plan of reorganization and will be subject to compromise. Accordingly, any payments that may ultimately be required in respect of this matter would only be paid upon or after the Company's emergence from the Cases.

Also, as more fully discussed in Note 12, KACC is one of many defendants in personal injury claims by large number of persons who assert that their injuries were caused by, among other things, exposure to asbestos during their employment or association with KACC or by exposure to products containing asbestos last produced or sold by KACC more than 20 years ago. It is difficult to predict the number of claims that will ultimately be made against KACC or the settlement value of such claims. As of December 31, 2002, KACC had recorded an obligation for approximately $610.0 million in respect of pending and an estimate of possible future asbestos claims through 2011. The Company did not accrue for amounts past 2011 because the Company believed that significant uncertainty existed in trying to estimate any such amounts. However, it is possible that a different number of claims will be made during the ten-year period and that the settlement amounts during this period may differ and that this will cause the actual amounts to differ materially from the Company's estimate. Further, the Company expects that, during its reorganization process, an estimate will have to be made in respect of its exposure to asbestos-related claims after 2011 and that such amounts could be substantial. Due to the Cases, holders of asbestos claims are stayed from continuing to prosecute pending litigation and from commencing new lawsuits against the Debtors. However, during the pendency of the Cases, KACC expects additional asbestos claims will be asserted as part of the claims process. A separate creditors' committee representing the interests of the asbestos claimants has been appointed. The Debtors' obligations with respect to present and future asbestos claims will be resolved pursuant to a plan of reorganization.

The Company believes that KACC has insurance coverage in respect of its asbestos-related exposures and that substantial recoveries in this regard are probable. At December 31, 2002, KACC had recorded a receivable for approximately $484.0 million in respect of expected insurance recoveries related to existing claims and the estimate future claims over a ten-year period. However, the actual amount of insurance recoveries may differ from the amount recorded and the amount of such differences could be material. Further, depending on the amount of asbestos-related claims ultimately determined to exist (including those in the periods after 2011), it is possible that the amount of such claims could exceed the amount of additional insurance recoveries available.

See Note 12 of Notes to Consolidated Financial Statements for a more complete discussion of these matters.

3. The Company's judgments and estimates in respect of its employee benefit plans.

   Pension and post-retirement medical obligations included in the consolidated balance sheet are based on assumptions that are subject to variation from year-to-year. Such variations can cause the Company's estimate of such obligations to vary significantly. Restructuring actions (such as the indefinite curtailment of the Mead smelter) can also have a significant impact on such amounts.

   For pension obligations, the most significant assumptions used in determining the estimated year-end obligation are the assumed discount rate and long-term rate of return ("LTRR") on pension assets. Since recorded pension obligations represent the present value of expected pension payments over the life of the plans, decreases in the discount rate (used to compute the present value of the payments) will cause the estimated obligations to increase. Conversely, an increase in the discount rate will cause the estimated present value of the obligations to decline. The LTRR on pension assets reflects the Company's assumption regarding what the amount of earnings will be on existing plan assets (before considering any future contributions to the plans). Increases in the assumed LTRR will cause the projected value of plan assets available to satisfy pension obligations to increase, yielding a reduced net pension obligation. A reduction in the LTRR reduces the amount of projected net assets available to satisfy pension obligations and, thus, causes the net pension obligation to increase.

For post-retirement obligations, the key assumptions used to estimate the year-end obligations are the discount rate and the assumptions regarding future medical costs increases. The discount rate affects the post-retirement obligations in a similar fashion to that described above for pension obligations. As the assumed rate of increase in medical costs goes up, so does the net projected obligation. Conversely, if the rate of increase is assumed to be smaller, the projected obligation will decline.

Please refer to Note 10 of Notes to Consolidated Financial Statements for information regarding the Company's pension and post-retirement obligations. Actual results may differ from the assumptions made in computing the estimated December 31, 2002 obligations and such differences may be material.

4. The Company's judgment and estimates in respect to environmental commitments and contingencies.

The Company and KACC are subject to a number of environmental laws and regulations ("environmental laws"), to fines or penalties assessed for alleged breaches of the environmental laws, and to claims and litigation based upon such laws. KACC currently is subject to a number of claims under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments Reauthorization Act of 1986 ("CERCLA"), and, along with certain other entities, has been named as a potentially responsible party for remedial costs at certain third-party sites listed on the National Priorities List under CERCLA.

Based on the Company's evaluation of these and other environmental matters, the Company has established environmental accruals, primarily related to potential solid waste disposal and soil and groundwater remediation matters. These environmental accruals represent the Company's estimate of costs reasonably expected to be incurred based on presently enacted laws and regulations, currently available facts, existing technology, and the Company's assessment of the likely remediation action to be taken. However, making estimates of possible environmental remediation costs is subject to inherent uncertainties. As additional facts are developed and definitive remediation plans and necessary regulatory approvals for implementation of remediation are established or alternative technologies are developed, changes in these and other factors may result in actual costs exceeding the current environmental accruals.

An example of how environmental accruals could change is the current situation of KACC's Mead smelter. KACC announced the indefinite curtailment of the Mead smelter in January 2003. The Mead smelter is expected to remain curtailed indefinitely unless and until an appropriate combination of reduced power prices, higher primary aluminum prices and other factors occurs to make a restart commercially feasible. However, at some point in the future, the Company may decide, due to economic conditions, foreign competition or other factors, to dispose of the facility. If, in connection with such hypothetical disposition the Company were required to dismantle, demolish or otherwise permanently close the

Mead facility, the demolition and environmental remediation costs could be significant. While proceeds of a disposition might offset such costs, no assurances can be provided that receipts would fully or substantially offset the total costs of the environmental remediation costs.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's operating results are sensitive to changes in the prices of alumina, primary aluminum, and fabricated aluminum products, and also depend to a significant degree upon the volume and mix of all products sold. As discussed more fully in Notes 2 and 13 of Notes to Consolidated Financial Statements, KACC historically has utilized hedging transactions to lock-in a specified price or range of prices for certain products which it sells or consumes in its production process and to mitigate KACC's exposure to changes in foreign currency exchange rates. However, because the agreements underlying KACC's hedging positions provided that the counterparties to the hedging contracts could liquidate KACC's hedging positions if KACC filed for reorganization, KACC chose to liquidate these positions in advance of the initial Filing Date. KACC has only completed limited hedging activities since the Filing Date (see below). The Company anticipates that, subject to prevailing economic conditions, it may enter into additional hedging transactions with respect to primary aluminum prices, natural gas and fuel oil prices and foreign currency values to protect the interests of its constituents. However, no assurance can be given as to when or if the Company will enter into such additional hedging activities.

SENSITIVITY

Alumina and Primary Aluminum. Alumina and primary aluminum production in excess of internal requirements is sold in domestic and international markets, exposing the Company to commodity price opportunities and risks. KACC's hedging transactions are intended to provide price risk management in respect of the net exposure of earnings resulting from (i) anticipated sales of alumina, primary aluminum and fabricated aluminum products, less (ii) expected purchases of certain items, such as aluminum scrap, rolling ingot, and bauxite, whose prices fluctuate with the price of primary aluminum. On average, before consideration of hedging activities, any fixed price contracts with fabricated aluminum products customers, variations in production and shipment levels, and timing issues related to price changes, the Company estimates that during 2003 each $.01 increase (decrease) in the market price per price-equivalent pound of primary aluminum increases (decreases) the Company's annual pre-tax earnings by approximately $5.0 million, based on recent operating levels. This decrease in pre-tax earnings from prior periods of approximately $10.0 million per each $.01 change in market price per price-equivalent is due to the Valco potline curtailments.

Foreign Currency. KACC enters into forward exchange contracts to hedge material cash commitments for foreign currencies. KACC's primary foreign exchange exposure is related to KACC's Australian Dollar (A$) commitments in respect of activities associated with its 20.0%-owned affiliate, QAL. The Company estimates that, before consideration of any hedging activities, a US $0.01 increase (decrease) in the value of the A$ results in an approximate $1.5 million (decrease) increase in the Company's annual pre-tax operating income.

Energy. KACC is exposed to energy price risk from fluctuating prices for natural gas, fuel oil and diesel oil consumed in the production process. The Company estimates that each $1.00 change in natural gas prices (per mcf) impacts the Company's annual pre-tax operating results by approximately $20.0 million. Further, the Company estimates that each $1.00 change in fuel oil prices (per barrel) impacts the Company's pre-tax operating results by approximately $3.0 million.

KACC from time to time in the ordinary course of business enters into hedging transactions with major suppliers of energy and energy related financial instruments. During December 2002 and the first quarter of 2003, KACC purchased option contracts which cap the price that KACC would have to pay for 2.4 million barrels of fuel oil in 2003. This amount of fuel oil represents substantially all of KACC's exposure to fuel oil requirements for the second through fourth quarter of 2003.

Based on an average January 2003 fuel oil price (per barrel) of approximately $30.0, the Company estimates the hedges would result in a net aggregate pre-tax increase to operating income of approximately $1.4 million in the first quarter of 2003.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Independent Auditors' Report

To the Stockholders and the Board of Directors of Kaiser Aluminum Corporation:

We have audited the accompanying consolidated balance sheet of Kaiser Aluminum Corporation (Debtor-In-Possession) and subsidiaries as of December 31, 2002, and the related consolidated statements of income (loss), stockholders' equity (deficit) and comprehensive income (loss) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Kaiser Aluminum Corporation as of December 31, 2001 and for the years ended December 31, 2001 and 2000 were audited by other auditors who have ceased operations. In their report, dated April 10, 2002, those auditors expressed an unqualified opinion on those consolidated financial statements with an explanatory paragraph as to the Company's ability to continue as a going concern.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Kaiser Aluminum Corporation and subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Company, its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC") and certain of KACC's subsidiaries have filed for reorganization under Chapter 11 of the Federal Bankruptcy Code. The accompanying consolidated financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 1 and 2, the action of filing for reorganization under Chapter 11 of the Federal Bankruptcy Code, losses from operations and stockholders' capital deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 1. The financial statements do not include adjustments that might result from the outcome of this uncertainty.

DELOITTE & TOUCHE

Houston, Texas
March 28, 2003

COPY OF REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Kaiser Aluminum Corporation dismissed Arthur Andersen on April 30, 2002 and subsequently engaged Deloitte & Touche LLP as its independent auditors. The predecessor auditors' report appearing below is a copy of Arthur Andersen's previously issued opinion dated April 10, 2002. Since Kaiser Aluminum Corporation is unable to obtain a manually signed audit report, a copy of Arthur Andersen's most recent signed and dated report has been included to satisfy filing requirements, as permitted under Rule 2-02(e) of Regulation S-X.

To the Stockholders and the Board of Directors of Kaiser Aluminum Corporation:

We have audited the accompanying consolidated balance sheets of Kaiser Aluminum Corporation (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related statements of consolidated income (loss), stockholders' equity and comprehensive income (loss) and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kaiser Aluminum Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which contemplate among other things, realization of assets and payment of liabilities in the normal course of business. As discussed in Note 1 to the consolidated financial statements, on February 12, 2002, the Company, its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC") and certain of KACC's subsidiaries filed for reorganization under Chapter 11 of the United States Bankruptcy Code. This action raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or the effects on existing stockholders' equity that may result from any plans, arrangements or other actions arising from the aforementioned proceedings, or the possible inability of the Company to continue in existence.

ARTHUR ANDERSEN LLP

Houston, Texas
April 10, 2002

CONSOLIDATED BALANCE SHEETS

	Decemb
(In millions of dollars, except share amounts)	2002
ASSETS	
Current assets:	
Cash and cash equivalents	$ 78.7

Receivables:	
Trade, less allowance for doubtful receivables of $11.0 and $7.0	103.1
Other	46.4
Inventories	254.9
Prepaid expenses and other current assets	33.5
Total current assets	516.6
Investments in and advances to unconsolidated affiliates	69.7
Property, plant, and equipment - net	1,009.9
Other assets	629.2
Total	$ 2,225.4
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	
Liabilities not subject to compromise -	
Current liabilities	
Accounts payable	$ 130.6
Accrued interest	2.9
Accrued salaries, wages, and related expenses	46.7
Accrued postretirement medical benefit obligation - current portion	60.2
Other accrued liabilities	64.2
Payable to affiliates	28.1
Long-term debt - current portion	.9
Total current liabilities	333.6
Long-term liabilities	86.9
Accrued postretirement medical benefit obligation	-
Long-term debt	42.7
	463.2
Liabilities subject to compromise	2,726.0
Minority interests	121.8
Commitments and contingencies	
Stockholders' equity (deficit):	
Common stock, par value $.01, authorized 125,000,000 shares; issued and outstanding 80,386,563 and 80,698,066 shares	.8
Additional capital	539.9
Accumulated deficit	(1,382.4)
Accumulated other comprehensive income (loss)	(243.9)
Total stockholders' equity (deficit)	(1,085.6)
Total	$ 2,225.4

The accompanying notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED INCOME (LOSS)

(In millions of dollars, except share and per share amounts)	Year Ended D	
	2002	
Net sales	$ 1,469.6	$ 1,
Costs and expenses:		
Cost of products sold	1,408.2	1,6
Depreciation and amortization	91.5	
Selling, administrative, research and development, and general	124.7	1
Non-recurring operating charges (benefits), net	251.2	(1
Total costs and expenses	1,875.6	1,6
Operating income (loss)	(406.0)	
Other income (expense):		
Interest expense (excluding unrecorded contractual interest expense of $84.0 in 2002)	(20.7)	(1
Reorganization items	(33.3)	
Gain on sale of interest in QAL	-	1
Other - net	.4	(
Income (loss) before income taxes and minority interests	(459.6)	
Provision for income taxes	(14.9)	(5
Minority interests	5.8	
Net income (loss)	$ (468.7)	$ (4
Earnings (loss) per share:		
Basic/Diluted	$ (5.82)	$ (
Weighted average shares outstanding (000):		
Basic	80,578	80
Diluted	80,578	80

The accompanying notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY (DEFICIT) AND COMPREHENSIVE INCOME (LOSS)

(In millions of dollars)

	Common Stock	Additional Capital	Accumulated Deficit	
BALANCE, December 31, 1999	$ .8	$ 536.8	$ (471.1)	$
Net income	-	-	16.8	
Minimum pension liability adjustment, net of income tax benefit of $.4	-	-	-	
Comprehensive income	-	-	-	
Incentive plan accretion	-	.7	-	
BALANCE, December 31, 2000	.8	537.5	(454.3)	
Net loss	-	-	(459.4)	
Minimum pension liability adjustment, net of income tax benefit of $38.0	-	-	-	
Adjustment of valuation allowances for net deferred income tax assets provided in respect of items reflected in Other comprehensive income (loss)	-	-	-	
Unrealized net gain in value of derivative instruments arising during the year, net of income tax provision of $19.4	-	-	-	
Reclassification adjustment for net realized gains on derivative instruments included in net loss, net of income tax benefit of $5.8	-	-	-	
Cumulative effect of accounting change, net of income tax provision of $.5	-	-	-	
Comprehensive income (loss)				
Incentive plan and restricted stock accretion	-	1.6	-	
BALANCE, December 31, 2001	.8	539.1	(913.7)	
Net loss	-	-	(468.7)	
Minimum pension liability adjustment	-	-	-	
Unrealized net decrease in value of derivative instruments arising during the year prior to settlement	-	-	-	
Reclassification adjustment for net realized gains on derivative instruments included in net loss, net	-	-	-	
Comprehensive income (loss)	-	-	-	
Incentive plan accretion	-	.8	-	
BALANCE, December 31, 2002	$ .8	$ 539.9	$ (1,382.4)	$

The accompanying notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions of dollars)	Y 200
Cash flows from operating activities:	
Net income (loss)	$ (468.7
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:	
Depreciation and amortization (including deferred financing costs of $3.9, $5.1 and $4.4, respectively)	95.4
Non-cash charges for reorganization items, non-recurring operating items and other	257.0
Gains - sale of real estate and miscellaneous equipment in 2002, sale of QAL interest and real estate in 2001 and real estate in 2000	(3.8
Equity in (income) loss of unconsolidated affiliates, net of distributions	(8.0
Minority interests	(5.8
Decrease (increase) in trade and other receivables	58.0
Decrease in inventories, excluding LIFO adjustments and non-recurring items	31.1
Decrease in prepaid expenses and other current assets	46.5
Increase (decrease) in accounts payable (associated with operating activities) and accrued interest	20.5
(Decrease) increase in payable to affiliates and other accrued liabilities	(67.8
(Decrease) increase in accrued and deferred income taxes	(24.4
Net cash impact of changes in long-term assets and liabilities	32.4
Other	(12.0
Net cash (used) provided by operating activities	(49.6
Cash flows from investing activities:	
Capital expenditures (including $78.6 and $239.1 in 2001 and 2000, respectively, related to the Gramercy facility)	(47.6
(Decrease) increase in accounts payable - Gramercy-related capital expenditures	-
Gramercy-related property damage insurance recoveries	-
Net proceeds from dispositions: Oxnard facility, equipment and other in 2002, QAL interest and real estate in 2001 and various real estate in 2000	31.4
Other	-
Net cash used by investing activities	(16.2
Cash flows from financing activities:	
Incurrence of financing costs	(8.8
(Repayments) borrowings under credit agreement, net	-
Repayments of other debt	-
Redemption of minority interests' preference stocks	-
Net cash (used) provided by financing activities	(8.8
Net (decrease) increase in cash and cash equivalents during the year	(74.6
Cash and cash equivalents at beginning of year	153.3
Cash and cash equivalents at end of year	$ 78.7
Supplemental disclosure of cash flow information:	
Interest paid, net of capitalized interest of $1.2, $3.5 and $6.5	$ 5.4
Income taxes paid	37.5

The accompanying notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share amounts)

1. REORGANIZATION PROCEEDINGS

Kaiser Aluminum Corporation ("Kaiser" or the "Company"), its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC") and 24 of KACC's subsidiaries have filed separate voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the "Court") for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Code"); the Company, KACC and 15 of KACC's subsidiaries (the "Original Debtors") filed in the first quarter of 2002 and nine additional KACC subsidiaries (the "Additional Debtors") filed in the first quarter of 2003. The Original Debtors and Additional Debtors are collectively referred to herein as the "Debtors" and the Chapter 11 proceedings of these entities are collectively referred to herein as the "Cases." For purposes of this Report, the term "Filing Date" shall mean, with respect to any particular Debtor, the date on which such Debtor filed its Case. None of KACC's non-U.S. joint ventures are included in the Cases. The Cases are being jointly administered. The Debtors are managing their businesses in the ordinary course as debtors-in-possession subject to the control and administration of the Court.

Original Debtors. During the first quarter of 2002, the Original Debtors filed separate voluntary petitions for reorganization. The wholly owned subsidiaries of KACC included in such filings were: Kaiser Bellwood Corporation, Kaiser Aluminium International, Inc., Kaiser Aluminum Technical Services, Inc., Kaiser Alumina Australia Corporation (and its wholly owned subsidiary, Kaiser Finance Corporation) and ten other entities with limited balances or activities.

The necessity for filing the Cases by the Original Debtors was attributable to the liquidity and cash flow problems of the Company and its subsidiaries arising in late 2001 and early 2002. The Company was facing significant near-term debt maturities at a time of unusually weak aluminum industry business conditions, depressed aluminum prices and a broad economic slowdown that was further exacerbated by the events of September 11, 2001. In addition, the Company had become increasingly burdened by asbestos litigation (see Note 12) and growing legacy obligations for retiree medical and pension costs (see Note 10). The confluence of these factors created the prospect of continuing operating losses and negative cash flow, resulting in lower credit ratings and an inability to access the capital markets.

The outstanding principal of, and accrued interest on, all debt of the Original Debtors became immediately due and payable upon commencement of the Cases. However, the vast majority of the claims in existence at the Filing Date (including claims for principal and accrued interest and substantially all legal proceedings) are stayed (deferred) during the pendency of the Cases. In connection with the filing of the Original Debtors' Cases, the Court, upon motion by the Original Debtors, authorized the Original Debtors to pay or otherwise honor certain unsecured pre-Filing Date claims, including employee wages and benefits and customer claims in the ordinary course of business, subject to certain limitations. In July 2002, the Court also issued a final order authorizing the Company to fund the cash requirements of its foreign joint ventures in the ordinary course of business and to continue using the Company's existing cash management systems. The Original Debtors also have the right to assume or reject executory contracts existing prior to the Filing Date, subject to Court approval and certain other limitations. In this context, "assumption" means that the Original Debtors agree to perform their obligations and cure certain existing defaults under an executory contract and "rejection" means that the Original Debtors are relieved from their obligations to perform further under an executory contract and are subject only to a claim for damages for the breach thereof. Any claim for damages resulting from the rejection of an executory contract is treated as a general unsecured claim in the Cases.

Generally, pre-Filing Date claims, including certain contingent or unliquidated claims, against the Original Debtors will fall into two categories: secured and unsecured. Under the Code, a creditor's claim is treated as secured only to the extent of the value of the collateral securing such claim, with the balance of such claim being treated as unsecured. Unsecured and partially secured claims do not accrue interest after the Filing Date. A fully secured claim, however, does accrue interest after the Filing Date until the amount due and owing to the secured creditor, including interest accrued after the Filing Date, is equal to the value of the collateral securing such claim. The amount and validity of pre-Filing Date contingent or unliquidated claims, although presently unknown, ultimately may be established by the Court or by agreement of the parties. As a result of the Cases, additional pre-Filing Date claims and liabilities may be asserted, some of which may be significant.

In October 2002, the Court set January 31, 2003 as the last date by which holders of pre-Filing Date claims against the Original Debtors (other than asbestos-related personal injury claims and certain hearing loss claims) could file their claims. Any holder of a claim that was required to file a claim by such date and did not do so may be barred from asserting such claim against any of the Original Debtors and, accordingly, may not be able to participate in any distribution in any of the Cases on account of such claim. Because the Company has not had sufficient time to analyze the proofs of claim to determine their validity, no provision has been included in the accompanying financial statements for claims that have been filed. The January 31, 2003 bar date does not apply to asbestos-related personal injury claims, for which the Original Debtors reserve the right to establish a separate bar date at a later time. A separate bar date of June 30, 2003 has been set for certain hearing loss claims.

Additional Debtors. On January 14, 2003, the Additional Debtors filed separate voluntary petitions for reorganization. The wholly owned subsidiaries included in the Cases were: Kaiser Bauxite Company, Kaiser Jamaica Corporation, Alpart Jamaica Inc., Kaiser Aluminum & Chemical of Canada Limited and five other entities with limited balances or activities.

The Cases filed by the Additional Debtors were commenced, among other reasons, to protect the assets held by these Debtors against possible statutory liens that may arise and be enforced by the Pension Benefit Guaranty Corporation ("PBGC") primarily as a result of the Company's failure to meet a $17.0 accelerated funding requirement to its salaried employee retirement plan in January 2003 (see Note 10). From an operating perspective, the filing of the Cases by the additional Debtors had no impact on the Company's day-to-day operations.

In connection with the Additional Debtors' filings, the Court authorized the Additional Debtors to continue to make payments in the normal course of business (including payments of pre-Filing Date amounts), including payments of wages and benefits, payments for items such as materials, supplies and freight and payments of taxes. The Court also approved the continuation of the Company's existing cash management systems and routine intercompany transactions involving, among other transactions, the transfer of materials and supplies among affiliates.

In March 2003, the Court set May 15, 2003, as the last date by which holders of pre-Filing Date claims against the Additional Debtors (other than asbestos-related personal injury claims and certain hearing loss claims) must file their claims.

All Debtors. The Debtors' objective is to achieve the highest possible recoveries for all creditors and stockholders, consistent with the Debtors' abilities to pay, and to continue the operations of their businesses. However, there can be no assurance that the Debtors will be able to attain these objectives or achieve a successful reorganization. While valuation of the

Debtors' assets and pre-Filing Date claims at this stage of the Cases is subject to inherent uncertainties, the Debtors currently believe that it is likely that their liabilities will be found in the Cases to exceed the fair value of their assets. Therefore, the Debtors currently believe that it is likely that pre-Filing Date claims will be paid at less than 100% of their face value and the equity of the Company's stockholders will be diluted or cancelled. Because of such possibility, the value of the Common Stock is speculative and any investment in the Common Stock would pose a high degree of risk.

Under the Code, the rights of and ultimate payments to pre-Filing Date creditors and stockholders may be substantially altered. At this time, it is not possible to predict the outcome of the Cases, in general, or the effect of the Cases on the businesses of the Debtors.

Two creditors' committees, one representing the unsecured creditors and the other representing the asbestos claimants, have been appointed as official committees in the Cases and, in accordance with the provisions of the Code, will have the right to be heard on all matters that come before the Court. The Debtors expect that the appointed committees, together with the legal representative for potential future asbestos claimants that has been appointed in the Cases, will play important roles in the Cases and the negotiation of the terms of any plan or plans of reorganization. The Debtors are required to bear certain costs and expenses for the committees and the legal representative for potential future asbestos claimants, including those of their counsel and other advisors.

The Debtors anticipate that substantially all liabilities of the Debtors as of the date of the Filing will be resolved under one or more plans of reorganization to be proposed and voted on in the Cases in accordance with the provisions of the Code. Although the Debtors intend to file and seek confirmation of such a plan or plans, there can be no assurance as to when the Debtors will file such a plan or plans, or that such plan or plans will be confirmed by the Court and consummated.

As provided by the Code, the Original Debtors had the exclusive right to propose a plan of reorganization for 120 days following the initial Filing Date. The Court has subsequently approved extensions of the exclusivity period for all Debtors through April 30, 2003. Additional extensions are likely to be sought. However, no assurance can be given that such future extension requests will be granted by the Court. If the Debtors fail to file a plan of reorganization during the exclusivity period, or if such plan is not accepted by the requisite numbers of creditors and equity holders entitled to vote on the plan, other parties in interest in the Cases may be permitted to propose their own plan(s) of reorganization for the Debtors.

Financial Statement Presentation. The accompanying consolidated financial statements have been prepared in accordance with Statement of Position 90-7 ("SOP 90-7"), Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, and on a going concern basis, which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. However, as a result of the Cases, such realization of assets and liquidation of liabilities are subject to a significant number of uncertainties.

Financial Information. Condensed consolidating financial statements of the Debtors and non-Debtors are set forth below:

CONDENSED CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2002

	Original Debtors	Additional Debtors	Non-Debtors	Conso Eli E

Current assets	$ 359.6	$ 42.3	$ 114.7	$
Investments in subsidiaries and affiliates	1,429.7	189.8	.1	
Intercompany receivables (payables)	(991.1)	884.7	106.4	
Property and equipment, net	610.7	20.2	379.0	
Deferred income taxes	(81.9)	81.9	-	
Other assets	620.3	.5	8.4	
	$ 1,947.3	$ 1,219.4	$ 608.6	$
Liabilities not subject to compromise -				
Current liabilities	$ 233.4	$ 12.3	$ 89.9	$
Long-term liabilities	72.8	16.3	40.5	
Liabilities subject to compromise	2,726.0	-	-	
Minority interests	.7	-	102.3	
Stockholders' equity	(1,085.6)	1,190.8	375.9	
	$ 1,947.3	$ 1,219.4	$ 608.6	$

CONDENSED CONSOLIDATING STATEMENTS OF INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2002

	Original Debtors	Additional Debtors	Non-Debtors	Conso Eli E
Net sales	$ 1,323.6	$ 47.6	$ 209.7	$
Costs and expenses -				
Non-recurring operating charges (benefits), net (Note 6)	250.2	-	1.0	
All other	1,494.2	14.5	227.0	
	1,744.4	14.5	228.0	
Operating income (loss)	(420.8)	33.1	(18.3)	
Interest expense	(19.4)	-	(1.3)	
All other income (expense), net	(31.8)	(11.6)	.2	
Provision for income tax and minority interests	(16.8)	1.1	6.6	
Equity in income of subsidiaries	20.1	-	-	
Net income (loss)	$ (468.7)	$ 22.6	$ (12.8)	$

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Original Debtors	Additional Debtors	Non-Debtors	Conso Eli E
Net cash provided (used) by:				

Operating activities	$ (85.4)	$ .7	$ 35.1	$
Investing activities	18.1	-	(34.3)	
Financing activities	(8.8)	-	-	
Net (decrease) increase in cash and cash equivalents	(76.1)	.7	.8	
Cash and cash equivalents at beginning of period	151.6	1.4	.3	
Cash and cash equivalents at end of period	$ 75.5	$ 2.1	$ 1.1	$

Classification of Liabilities as "Liabilities Not Subject to Compromise" Versus "Liabilities Subject to Compromise." Liabilities not subject to compromise include: (1) liabilities incurred after the Filing Date of the Cases; (2) pre-Filing Date liabilities that the Debtors expect to pay in full, including priority tax and employee claims and certain environmental liabilities, even though certain of these amounts may not be paid until a plan of reorganization is approved; and (3) pre-Filing Date liabilities that have been approved for payment by the Court and that the Debtors expect to pay (in advance of a plan of reorganization) over the next twelve month period in the ordinary course of business, including certain employee related items (salaries, vacation and medical benefits), claims subject to a currently existing collective bargaining agreement, and postretirement medical and other costs associated with retirees.

Liabilities subject to compromise refer to all other pre-Filing Date liabilities of the Debtors. The amounts of the various categories of liabilities that are subject to compromise are set forth below. These amounts represent the Company's estimates of known or probable pre-Filing Date claims that are likely to be resolved in connection with the Cases. Such claims remain subject to future adjustments. There can be no assurance that the liabilities of the Debtors will not be found in the Cases to exceed the fair value of their assets. This could result in claims being paid at less than 100% of their face value and the equity of the Company's stockholders being diluted or cancelled.

The amounts subject to compromise at December 31, 2002 consisted of the following items:

Items, absent the Cases, that would have been considered current:	
Accounts payable	$ 47
Accrued interest	44
Accrued salaries, wages and related expenses(1)	59
Other accrued liabilities (including asbestos liability of $130.0 - Note 12)	150
Items, absent the Cases, that would have been considered long-term:	
Accrued postretirement medical obligation	672
Long-term liabilities(2)	922
Debt (Note 7)	830
	$ 2,726

(1) Accrued salaries, wages and related expenses represents estimated minimum pension contributions for the year ended December 31, 2003. However, the Company does not currently expect to make any pension contributions in respect of its domestic pension plans. See Note 10.

(2) Long-term liabilities include pension liabilities of $362.7 (Note 10), environmental liabilities of $21.7 (Note 12) and asbestos liabilities of $480.1 (Note 12).

The classification of liabilities "not subject to compromise" versus liabilities "subject to compromise" is based on currently available information and analysis. As the Cases proceed and additional information and analysis is completed or, as the Court rules on relevant matters, the classification of amounts between these two categories may change. The amount of any such changes could be significant. Additionally, as the Company evaluates the proofs of claim filed in the Cases, adjustments will be made for those claims that the Company believes will probably be allowed by the Court. The amount of such claims could be significant.

Reorganization Items. Reorganization items under the Cases are expense or income items that are incurred or realized by the Company because it is in reorganization. These items include, but are not limited to, professional fees and similar types of expenses incurred directly related to the Cases, loss accruals or gains or losses resulting from activities of the reorganization process, and interest earned on cash accumulated by the Debtors because they are not paying their pre-Filing Date liabilities. For the year ended December 31, 2002, reorganization items were as follows:

Professional fees	$ 28.8
Accelerated amortization of certain deferred financing costs	4.5
Interest income	(1.8)
Other	1.8
	$ 33.3

As required by SOP 90-7, in the first quarter of 2002, the Company recorded the Debtors' pre-Filing Date debt that is subject to compromise at the allowed amount. Accordingly, the Company accelerated the amortization of debt-related premium, discount and costs attributable to this debt and recorded a net expense of approximately $4.5 in Reorganization items during the first quarter of 2002.

Trust Fund. During the first quarter of 2002, KACC paid $5.8 into a trust fund in respect of potential liability obligations of directors and officers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern. The consolidated financial statements of the Company have been prepared on a "going concern" basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business; however, as a result of the commencement of the Cases, such realization of assets and liquidation of liabilities are subject to a significant number of uncertainties. Specifically, the consolidated financial statements do not present: (a) the realizable value of assets on a liquidation basis or the availability of such assets to satisfy liabilities, (b) the amount which will ultimately be paid to settle liabilities and contingencies which may be allowed in the Cases, or (c) the effect of any changes which may be made in connection with the Debtors' capitalizations or operations as a result of a plan of reorganization. Because of the ongoing nature of the Cases, the discussions and consolidated financial statements contained herein are subject to material uncertainties.

Principles of Consolidation. The consolidated financial statements include the statements of the Company and its majority owned subsidiaries. The Company is a subsidiary of MAXXAM Inc. ("MAXXAM") and conducts its operations through its wholly owned subsidiary, KACC. KACC operates in all principal aspects of the aluminum industry-the mining of bauxite (the major aluminum bearing ore), the refining of bauxite into alumina (the intermediate material), the production of primary aluminum, and the manufacture of fabricated and semi-fabricated aluminum products. Kaiser's production levels of alumina and primary aluminum allows it to be a major seller of alumina and primary aluminum to domestic and international third parties (see Note 16).

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties, with respect to such estimates and assumptions, are inherent in the preparation of the Company's consolidated financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of the Company's consolidated financial position and results of operation.

Investments in 50%-or-less-owned entities are accounted for primarily by the equity method. Intercompany balances and transactions are eliminated.

Recognition of Sales. Sales are recognized when title, ownership and risk of loss pass to the buyer.

Earnings per Share. Basic earnings per share is computed by dividing the weighted average number of common shares outstanding during the period, including the weighted average impact of the shares of common stock issued during the year from the date(s) of issuance. However, earnings per share may not be meaningful, because as a part of a plan of reorganization, it is possible that the interests of the Company's existing stockholders could be diluted or cancelled.

Diluted earnings per share for the year ended December 31, 2000 included the dilutive effect of outstanding stock options (3,000 shares). The impact of outstanding stock options was excluded from the computation of diluted loss per share for the year ended December 31, 2001, as their effect would have been antidilutive.

Cash and Cash Equivalents. The Company considers only those short-term, highly liquid investments with original maturities of 90 days or less to be cash equivalents.

Inventories. Substantially all product inventories are stated at last-in, first-out ("LIFO") cost, not in excess of market value. Replacement cost is not in excess of LIFO cost. Other inventories, principally operating supplies and repair and maintenance parts, are stated at the lower of average cost or market. Inventory costs consist of material, labor, and manufacturing overhead, including depreciation. Inventories consist of the following:

	December 31,	
	2002	
Finished fabricated products	$ 28.1	$
Primary aluminum and work in process	71.2	
Bauxite and alumina	72.9	
Operating supplies and repair and maintenance parts	82.7	
	$ 254.9	$

Inventories were reduced by the following charges during the years ended December 31, 2002, 2001 and 2000:

	2002	
Included in cost of products sold:		

LIFO inventory charges	$ 6.1	$
Included in non-recurring operating charges (benefit), net (see Note 6):		
Net realizable value charges -		
Northwest smelters impairment (Primary Aluminum), net of intersegment profit elimination on Primary Aluminum impairment charges of $2.8	18.6	
Operating supplies and repair and maintenance parts (Bauxite & Alumina - $5.0 and Primary Aluminum - $.6)	-	
LIFO inventory charges associated with permanent inventory reductions -		
Northwest smelters impairment (Primary Aluminum)	.9	
Product line exit (Flat-Rolled Products)	1.6	
Product line exit (Engineered Products)	-	
LIFO inventory charge related to Gramercy facility delayed restart (Bauxite & Alumina)	-	
	$ 27.2	$

The LIFO inventory charges resulted from reductions in inventory volumes that were in inventory layers with higher costs than current market prices.

Depreciation. Depreciation is computed principally by the straight-line method at rates based on the estimated useful lives of the various classes of assets. The principal estimated useful lives of land improvements, buildings, and machinery and equipment are 8 to 25 years, 15 to 45 years, and 10 to 22 years, respectively.

Stock-Based Compensation. The Company applies the intrinsic value method to account for a stock-based compensation plan whereby compensation cost is recognized only to the extent that the quoted market price of the stock at the

measurement date exceeds the amount an employee must pay to acquire the stock. No compensation cost has been recognized for this plan as the exercise price of the stock options granted in 2001 and 2000 were at or above the market price. No stock options were granted in 2002. The pro forma after-tax effect of the estimated fair value of the grants would be to increase the net loss in 2002 and 2001 by $.6 and $.3, respectively, and reduce net income in 2000 by $2.2. While the pro forma after tax effect of the estimated fair value of the grants would have resulted in no change in the basic/diluted loss per share for 2002 and 2001, basic/diluted earnings per share for 2000 would have been reduced to $.18. The fair value of the 2001 and 2000 stock option grants were estimated using a Black-Scholes option pricing model.

The pro forma effect of the estimated value of stock options may not be meaningful, because as a part of a plan of reorganization, it is possible the interests of the holders of outstanding options could be diluted or cancelled.

Other Income (Expense). Amounts included in Other income (expense) in 2002, 2001 and 2000, other than interest expense, reorganization items and gain on sale of QAL interest, included the following pre-tax gains (losses):

	Year Ended D	
	2002	
Gains on sale of real estate and miscellaneous equipment (Note 5)	$ 3.8	$
Mark-to-market gains (losses) (Note 13)	(.4)	
Asbestos-related charges (Note 12)	-	(
Adjustment to environmental liabilities (Note 12)	-	(
Investment write-off (Note 4)	-	
Lease obligation adjustment (Note 12)	-	
Special items, net	3.4	(

All other, net	(3.0)	
	$ .4	$ (

Deferred Financing Costs. Costs incurred to obtain debt financing are deferred and amortized over the estimated term of the related borrowing. Such amortization is included in Interest expense. As a result of the Cases, the amortization of the deferred financing costs related to the Debtors' unsecured debt was discontinued on the Filing Date.

Goodwill. Through the year ended December 31, 2001, the goodwill associated with the acquisition of the Chandler, Arizona facility (see Note 5) was being amortized on a straight-line basis over 20 years. Beginning with the first quarter of 2002, the Company discontinued the amortization of goodwill consistent with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS No. 142"). However, the discontinuance of amortization of goodwill did not have a material effect on the Company's results of operations or financial condition (the amount of amortization in 2001 was less than $.8). In accordance with SFAS No. 142, the Company reviews goodwill for impairment at least annually. As of December 31, 2002, unamortized goodwill was approximately $11.4 and was included in Other assets in the accompanying consolidated balance sheets.

Foreign Currency. The Company uses the United States dollar as the functional currency for its foreign operations.

Derivative Financial Instruments. Hedging transactions using derivative financial instruments are primarily designed to mitigate KACC's exposure to changes in prices for certain of the products which KACC sells and consumes and, to a lesser extent, to mitigate KACC's exposure to changes in foreign currency exchange rates. KACC does not utilize derivative financial instruments for trading or other speculative purposes. KACC's derivative activities are initiated within guidelines established by management and approved by KACC's and the Company's boards of directors. Hedging transactions are executed centrally on behalf of all of KACC's business segments to minimize transaction costs, monitor consolidated net exposures and allow for increased responsiveness to changes in market factors.

Pre-2001 Accounting. Accounting guidelines in place through December 31, 2000, provided that any interim fluctuations in option prices prior to the settlement date were deferred until the settlement date of the underlying hedged transaction, at which time they were recorded in Net sales or Cost of products sold (as applicable) together with the related premium cost. No accounting recognition was accorded to interim fluctuations in prices of forward sales contracts. Hedge (deferral) accounting would have been terminated (resulting in the applicable derivative positions being marked-to-market) if the level of underlying physical transactions ever fell below the net exposure hedged. This did not occur in 2000.

Current Accounting. Effective January 1, 2001, the Company began reporting derivative activities pursuant to Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 requires companies to recognize all derivative instruments as assets or liabilities in the balance sheet and to measure those instruments at fair value by "marking-to-market" all of their hedging positions at each period-end (see Note 13). This contrasts with pre-2001 accounting principles, which generally only required certain "non-qualifying" hedging positions to be marked-to-market. Changes in the market value of the Company's open hedging positions resulting from the mark-to-market process represent unrealized gains or losses. Such unrealized gains or losses will fluctuate, based on prevailing market prices at each subsequent balance sheet date, until the transaction date occurs. Under SFAS No. 133, these changes are recorded as an increase or reduction in stockholders' equity through either other comprehensive income or net income, depending on the facts and circumstances with respect to the hedge and its documentation. To the extent that changes in market values of the Company's hedging positions are initially recorded in other comprehensive income, such changes reverse out of Other comprehensive income (offset by any fluctuations in other "open" positions) and are recorded in net income (included in Net sales or Cost of products sold, as applicable) when the subsequent physical transactions occur. Additionally, under SFAS No. 133, if the level of physical transactions ever falls below the net exposure hedged, "hedge" accounting must be terminated for such "excess" hedges. In such an instance, the mark-to-market changes on such excess hedges would be recorded in the income statement rather than in Other comprehensive income. This did not occur during 2001 or 2002.

Differences between Other comprehensive income and Net income, which have historically been small, may become significant in future periods as a result of SFAS No. 133. In general, SFAS No. 133 will result in material fluctuations in Other comprehensive income and Stockholders' equity in periods of price volatility, despite the fact that the Company's cash flow and earnings will be "fixed" to the extent hedged. This result is contrary to the intent of the Company's hedging program, which is to "lock-in" a price (or range of prices) for products sold/used so that earnings and cash flows are subject to reduced risk of volatility.

SFAS No. 133 requires that, as of the date of the initial adoption, the difference between the market value of derivative instruments recorded on the Company's consolidated balance sheet and the previous carrying amount of those derivatives be reported in net income or Other comprehensive income, as appropriate, as the cumulative effect of a change in accounting principle. Based on authoritative accounting literature issued during the first quarter of 2001, it was determined that all of the cumulative impact of adopting SFAS No. 133 should be recorded in Other comprehensive income. The cumulative effect amount was reclassified to earnings during 2001.

Fair Value of Financial Instruments. Given the fact that the fair value of substantially all of the Company's outstanding indebtedness will be determined as part of the plan of reorganization, it is impracticable and inappropriate to estimate the fair value of these financial instruments at December 31, 2002 and 2001.

New Accounting Pronouncements. Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations ("SFAS No. 143") was issued in June 2001. In general terms, SFAS No. 143 requires the recognition of a liability resulting from anticipated retirement obligations, offset by an increase in the value of the associated productive asset for such anticipated costs. Over the life of the asset, depreciation expense is to include the ratable expensing of the retirement cost included with the asset value. The statement applies to all legal obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, or development and (or) the normal operation of a long-lived asset, except for certain lease obligations. Excluded from this statement are obligations arising solely from a plan to dispose of a long-lived asset and obligations that result from the improper operation of an asset (i.e. the type of environmental obligations discussed in Note 12).

The Company's consolidated financial statements already reflect reclamation obligations by its bauxite mining operations in accordance with accounting policies consistent with SFAS No. 143. SFAS No. 143 was first applied to the Company's consolidated financial statements beginning January 1, 2003. The adoption of SFAS No. 143 did not have a material impact on the Company's financial statements.

Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS No. 144") was issued in August 2001. In general terms, SFAS No. 144 establishes a single accounting model for impairment or disposal of long-lived assets, and supersedes prior rules in this regard. SFAS No. 144 retains the existing accounting requirements for recognizing impairments on long-lived assets that are to be held and used.

However, it provides additional guidelines such as a "probability-weighted cash flow estimation" approach to deal with situations where alternative and undecided courses of action exist. Under SFAS No. 144, long-lived assets to be disposed of by sale are to be recorded at the lower of their carrying amount or fair value less cost to sell. SFAS No. 144 was applied to the Company's consolidated financial statements beginning January 1, 2002. The adoption of SFAS No. 144 did not have a material impact on the Company's financial statements.

Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("SFAS No. 146) was issued in June 2002 and must be first applied to the Company's consolidated financial statements beginning January 1, 2003. SFAS No. 146 requires that a liability for the cost associated with an exit or disposal activity be recognized and measured initially at its fair value in the period in which the liability is incurred. This contrasts with current accounting principles where a liability for an exit cost was recognized at the date an entity announced commitment to an exit plan. The adoption of SFAS No. 146 did not have a material impact on the Company's financial statements.

Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure ("SFAS No. 148") was issued in December 2002. SFAS No. 148 amends Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123") to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure provisions of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 was first applied to the Company's 2002 year-end financial statements. The adoption of SFAS No. 148 did not have a material impact on the Company's financial statements.

3. PACIFIC NORTHWEST SMELTER CURTAILMENTS AND RELATED POWER MATTERS

Future Power Supply and its Impact on Future Operating Rate. During October 2000, KACC signed a new power contract with the Bonneville Power Administration ("BPA") under which the BPA, starting October 1, 2001, was to provide KACC's operations in the State of Washington with approximately 290 megawatts of power through September 2006. The contract provided KACC with sufficient power to fully operate KACC's Trentwood facility (which requires up to an approximate 40 megawatts), as well as approximately 40% of the combined capacity of KACC's Mead and Tacoma aluminum smelting operations which have been curtailed since the last half of 2000.

Rates under the BPA contract during the period October 2001 through September 2002 were approximately 46% higher than power costs under the prior contract and such rates were subject to changes in future periods. The contract also included a take-or-pay requirement and clauses under which KACC's power allocation could be curtailed, or its costs increased, in certain instances. Under the contract, KACC could only remarket its power allocation to reduce or eliminate take-or-pay obligations. KACC was not entitled to receive any profits from any such remarketing efforts in contrast to KACC's prior contract with the BPA that expired in September 2001. However, under the BPA contract, KACC would have again been liable for take-or-pay costs beginning in October 2002. Given market power prices during 2002, the Company estimated that such take-or-pay charges could have been in the range of up to $1.0 to $2.0 per month through September 2006. The actual amount of any such obligation would be dependent upon the then prevailing prices of electricity during the contract period.

As a part of the reorganization process, the Company concluded that it was in its best interest to reject the BPA contract as permitted by the Code. As such, with the authorization of the Court, the Company rejected the BPA contract on September 30, 2002. The contract rejection gives rise to a pre-petition claim. The BPA has filed a proof of claim for approximately $75.0 in connection with the Cases in respect of the contract rejection. The claim is expected to be settled in the overall context of the Debtors' plan of reorganization. Accordingly, any payments that may be required as a result of the rejection of the BPA contract are expected to only be made upon the Company's emergence from the Cases. The amount of the BPA claim will be determined either through a negotiated settlement, litigation or a computation of prevailing power prices over the contract period. As the amount of the BPA's claim in respect of the contract rejection has not been determined, no provision has been made for the claim in the accompanying financial statements. KACC has entered into a short-term contract (pending the completion of a longer term arrangement) with an alternate supplier to provide the power necessary to operate its Trentwood facility.

The restart of a portion of KACC's Mead facility would require the purchase of additional power from available sources. For KACC to make such a decision, it would have to be able to purchase such power at a reasonable price in relation to current and expected market conditions for a sufficient term to justify its restart costs, which could be significant depending on the number of lines restarted and the length of time between the shutdown and restart. Given recent primary aluminum prices and the forward price of power in the Northwest, it is unlikely that KACC would operate more than a portion of its Mead facility in the near future. If KACC were to restart all or a portion of its Mead facility, it would take between three to six months to reach the full operating rate for such operations, depending upon the number of lines restarted. Even after achieving the full operating rate, operating only a portion of the Mead facility would result in production/cost inefficiencies such that operating results would, at best, be breakeven to modestly negative at long-term primary aluminum prices. See Note 5 for a discussion of the Northwest smelters fourth quarter of 2002 impairment charge.

Power Remarketing. In response to the unprecedented high market prices for power in the Pacific Northwest, KACC (first partially and then fully) curtailed the primary aluminum production at the Tacoma and Mead, Washington smelters during the last half of 2000 and all of 2001 and 2002. As a result of the curtailments, as permitted under the BPA contract, the Company remarketed the power that it had under contract through September 30, 2001 (the end of the prior contract period). In connection with such power remarketing, the Company recorded net pre-tax gains of approximately $229.2 in 2001 and $159.5 in 2000. Gross proceeds were offset by employee-related expenses, a non-cash LIFO inventory charge and other fixed commitments. The resulting net gains have been reflected as Non-recurring operating charges (benefits), net (see Note 6). The net gain amounts were composed of gross proceeds of $259.5 in 2001 and $207.8 in 2000, of which $347.5 was received in 2001 and $119.8 was received in 2000 (although a portion of such proceeds represent a replacement of the profit that would have otherwise been generated through operations).

4. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Summary of combined financial information is provided below for unconsolidated aluminum investments, most of which supply and process raw materials. The investees are Queensland Alumina Limited ("QAL") (20.0% owned), Anglesey Aluminium Limited ("Anglesey") (49.0% owned) and Kaiser Jamaica Bauxite Company (49.0% owned). The Company's equity in income (loss) before income taxes of such operations is treated as a reduction (increase) in Cost of products sold. At December 31, 2002 and 2001, KACC's net receivables from these affiliates were not material.

In September 2001, KACC sold an approximate 8.3% interest in QAL and recorded a pre-tax gain of approximately $163.6 (included in Other income/(expense) in the accompanying consolidated statements of income (loss)). As a result of the transaction, KACC now owns a 20% interest in QAL. The total value of the transaction was approximately $189.0, consisting of a cash payment of approximately $159.0 plus the purchaser's assumption of approximately $30.0 of off-balance sheet QAL indebtedness guaranteed by KACC prior to the sale. KACC's share of QAL's production for the first eight months of 2001 and for the year ended December 31, 2000 was approximately 668,000 tons and 1,064,000 tons, respectively. Had the sale of the QAL interest been effective as of the beginning of 2000, KACC's share of QAL's production for 2001 and 2000 would have been reduced by approximately 196,000 tons and 312,000 tons, respectively. Historically, KACC has sold about half of its share of QAL's production to third parties and has used the remainder to supply its Northwest smelters, which have been curtailed since the last half of 2000 (see Note 3). The reduction in KACC's alumina supply associated with this transaction is expected to be substantially offset by the return of its Gramercy alumina refinery to full operations during the first quarter of 2002 at a higher capacity, by reduced internal requirements due to curtailments of the primary aluminum facilities and by planned increases

during 2003 in capacity at its Alpart alumina refinery in Jamaica. Accordingly, the QAL transaction has not had an adverse impact on KACC's ability to satisfy existing third-party alumina customer contracts.

In June 2001, KACC wrote-off its investment of $2.8 in MetalSpectrum, LLC, a start-up, e-commerce entity in which KACC was a founding partner (in 2000). MetalSpectrum ceased operations during the second quarter of 2001.

Summary of Combined Financial Position

	December 2002
Current assets	$ 199.1
Non-current assets (primarily property, plant, and equipment, net)	409.5
Total assets	$ 608.6
Current liabilities	$ 239.3
Long-term liabilities (primarily long-term debt)	119.3
Stockholders' equity	250.0
Total liabilities and stockholders' equity	$ 608.6

Summary of Combined Operations

	Year Ended December 2002	Year Ended December 2001
Net sales	$ 584.3	$ 633.5
Costs and expenses	(518.4)	(621.5)
Provision for income taxes	(3.0)	(3.9)
Net income (loss)	$ 62.9	$ 8.1
Company's equity in income (loss)	$ 14.0	$ 1.7
Dividends received	$ 6.0	$ 2.8

The Company's equity in income (loss) differs from the summary net income (loss) due to varying percentage ownerships in the entities and equity method accounting adjustments. Prior to December 31, 2000, KACC's investment in its unconsolidated affiliates exceeded its equity in their net assets and such excess was being amortized to Depreciation and amortization. At December 31, 2000, the excess investment had been fully amortized. Such amortization was approximately $10.0 for the year ended December 31, 2000.

The Company and its affiliates have interrelated operations. KACC provides some of its affiliates with services such as management and engineering. Significant activities with affiliates include the acquisition and processing of bauxite, alumina, and primary aluminum. Purchases from these affiliates were $223.4, $266.0 and $235.7, in the years ended December 31, 2002, 2001 and 2000, respectively.

5. PROPERTY, PLANT, AND EQUIPMENT

The major classes of property, plant, and equipment are as follows:

	December 31, 2002	December 31, 2001
Land and improvements	$ 129.7	$ 130.9
Buildings	183.3	207.0
Machinery and equipment	1,735.2	1,881.3
Construction in progress	48.4	46.4
	2,096.6	2,265.6
Accumulated depreciation	(1,086.7)	(1,050.2)
Property, plant, and equipment, net	$ 1,009.9	$ 1,215.4

During the period from 2000 to 2002, the Company completed several acquisitions and dispositions and, based on changes in circumstances, recorded impairment charges as discussed below:

2002 -

- As previously disclosed, the Company was evaluating its options for minimizing the near-term negative cash flow at its Mead and Tacoma facilities and how to optimize the use and/or value of the facilities in connection with the development of a plan of reorganization. The Company conducted a study of the long-term competitive position of the Mead and Tacoma facilities and potential options for these facilities. Once the Company received the preliminary results of the study in the fourth quarter of 2002, it analyzed the findings and met with the USWA and other parties prior to making its determination as to the appropriate action(s). The outcome of the study and the Company's ongoing work on developing a plan of reorganization led the Company to indefinitely curtail the Mead facility in January 2003. The curtailment of the Mead facility was due to the continuing unfavorable market dynamics, specifically unattractive long-term power prices and weak primary aluminum prices - both of which are significant impediments for an older smelter with higher-than-average operating costs. The Mead facility is expected to remain completely curtailed unless and until an appropriate combination of reduced power prices, higher primary aluminum prices and other factors occurs. As a result of indefinite curtailment, KACC evaluated the recoverability of the December 31, 2002 carrying value of its Northwest smelters. The Company determined that the expected future undiscounted cash flows of the smelters was below their carrying value. Accordingly, KACC adjusted the carrying value of its Northwest smelting assets to their estimated fair value, which resulted in a fourth quarter 2002 non-cash impairment charge of approximately $138.5 (which amount was reflected in Non-recurring operating charges (benefits), net - see Note 6). The estimated fair value was based on anticipated future cash flows discounted at a rate commensurate with the risk involved. Additionally, during December 2002, the Company accrued approximately $58.8 of pension, postretirement benefit and related obligations for the hourly employees who had been on a laid-off status and under the terms of their labor contract are eligible for early retirement because of the indefinite curtailment (which amount was reflected in Non-recurring operating charges (benefits), net - see Note 6). The indefinite curtailment of the Mead facility also resulted in a $18.6 net realizable value charge and a $.9 LIFO inventory charge for certain of the inventories at the facility (see Notes 2 and 6).

- In December 2002, with Court approval, KACC sold its Oxnard, California aluminum forging facility because the Company had determined that the facility was not necessary for a successful operation and reorganization of its business. Net proceeds from the sale were approximately $7.4. The sale resulted in a net of loss of $.2 (included in Non-recurring operating charges (benefits) net - see Note 6) which included $1.1 of employee benefits and related costs associated with approximately 60 employees that were terminated in December 2002.

- In June 2002, with Court approval, the Company sold certain of the Trentwood facility equipment, previously associated with the lid and tab stock product lines discussed below, for total proceeds of $15.8, which amount approximated its previously estimated fair value. As a result, the sale did not have a material impact on the Company's operating results for the year ended December 31, 2002.

- In the ordinary course of business, KACC sold non-operating real estate and certain miscellaneous equipment for total proceeds of approximately $7.5 ($3.0 in the fourth quarter). These transactions resulted in pre-tax gains of $3.8 (included in Other income (expense) - see Note 2).

2001 -

- During 2001, as part of its ongoing initiatives to generate cash benefits, KACC sold certain non-operating real estate for net proceeds totaling approximately $7.9, resulting in a pre-tax gain of $6.9 (included in Other income (expense) - see Note 2).

- In the latter part of 2001, the Company concluded that the profitability of its Trentwood facility could be enhanced by further focusing resources on its core, heat-treat business and by exiting lid and tab stock product lines used in the beverage container market and brazing sheet for the automotive market. As a result of this decision, the Company concluded it would sell or idle several pieces of equipment resulting in an impairment charge of approximately $17.7 at December 31, 2001 (which amount was reflected in Non-recurring operating charges (benefits), net - see Note 6).

2000 -

- KACC sold (a) its Pleasanton, California office complex, because the complex had become surplus to the Company's needs, for net proceeds of approximately $51.6, which resulted in a net pre-tax gain of $22.0 (included in Other income (expense) - see Note 2); (b) certain non-operating properties, in the ordinary course of business, for total proceeds of approximately $12.0; and (c) the Micromill assets and technology for a nominal payment at closing and possible future payments based on subsequent performance and profitability of the Micromill technology. The sale of the non-operating properties and Micromill assets did not have a material impact on the Company's 2000 operating results.

- KACC evaluated the recoverability of the approximate $200.0 carrying value of its Northwest smelters, as a result of the change in the economic environment of the Pacific Northwest associated with the reduced power availability and higher power costs for KACC's Northwest smelters under the terms of the contract with the BPA starting in October 2001 (see Note 3). The Company determined that the expected future undiscounted cash flows of the Washington smelters were below their carrying value. Accordingly, KACC adjusted the carrying value of its Washington smelting assets to their estimated fair value, which resulted in a non-cash impairment charge of approximately $33.0 (which amount was reflected in Non-recurring operating charges (benefits), net - see Note 6). The estimated fair value was based on anticipated future cash flows discounted at a rate commensurate with the risk involved.

- KACC acquired the assets of a drawn tube aluminum fabricating operation in Chandler, Arizona. Total consideration for the acquisition was $16.1 ($1.1 of property, plant and equipment $2.8 of accounts receivables, inventory and prepaid expenses and $12.2 of goodwill).

6. NON-RECURRING OPERATING CHARGES (BENEFITS), NET

The income (loss) impact associated with Non-recurring operating (charges) benefits, net for 2002, 2001 and 2000, was as follows:

	Year Ended December	
	2002	2001
Washington smelter impairment charges, including contractual labor costs (Primary Aluminum) (Notes 2 and 5)	$ (219.6)	$ (12.7)
Eliminations - Intersegment profit elimination on Primary Aluminum inventory charge (Note 2)	2.8	-
Net gains from power sales (Primary Aluminum) (Note 3)	-	229.2
Restructuring charges:		
Bauxite & Alumina	(2.0)	(10.8)
Primary Aluminum	(2.7)	(6.9)
Flat-Rolled Products	(7.9)	(10.7)
Corporate	-	(1.2)
Inventory and net realizable value charges -		
Product line exit charges	(1.6)	-
Bauxite & Alumina - Gramercy related LIFO charge (Note 2)	-	-
Operating supplies and repairs and maintenance parts (Note 2)	-	(5.6)
Impairment and similar charges -		
Corporate - Kaiser Center office complex (Note 12)	(20.0)	-
Flat-Rolled Products - equipment (Note 5)	-	(17.7)
Net loss on sale of Oxnard facility (Note 5)	(.2)	-
Labor settlement charge - See below	-	-
Incremental maintenance - Bauxite & Alumina	-	-
	$ (251.2)	$ 163.6

2002. The product line exit charge in 2002 relates to a $1.6 LIFO inventory charge which resulted from the Flat-rolled products segment's exit from the lid and tab stock and brazing sheet product lines (see Note 2).

Restructuring charges result from the Company's initiatives to increase cash flow, generate cash and improve the Company's financial flexibility. Restructuring charges for 2002 consist of $10.1 of employee benefit and related costs associated with 140 job eliminations (all of which had been eliminated prior to December 31, 2002) and $2.5 of third party costs associated with cost reduction initiatives.

2001 and 2000. The contractual labor costs related to smelter curtailments in 2001 consisted of certain compensation costs associated with laid-off USWA workers that KACC estimated would be required to operate the Northwest smelters at up to a 40% operating rate. The costs had been accrued through early 2003 because KACC did not expect to restart the Northwest smelters prior to that date.

Restructuring charges for 2001 consist of $17.9 of employee benefit and related costs associated with 355 job eliminations (all of which have been eliminated) and $11.7 of third party costs associated with cost reduction initiatives. The 2000 restructuring charges were associated with the Primary aluminum and Corporate segments' ongoing cost reduction initiatives. During 2000, these initiatives resulted in restructuring charges for employee benefit and other costs for approximately 50 job eliminations at the Company's Tacoma facility and approximately 50 employee eliminations due to consolidation or elimination of certain corporate staff functions. All job eliminations associated with these initiatives have occurred.

The Washington smelters impairment charge in 2000 included a charge of $33.0 to write-down the Washington smelting assets to their estimated fair value (see Note 5).

Product line exit charges in 2000 included (a) a $12.6 impairment charge reflected by the Flat-rolled products segment which included a $11.1 LIFO inventory charge (see Note 2) and a $1.5 charge to reduce the carrying value of certain assets to their net realizable value as a result of the segment's decision to exit the can body stock product line; and (b) a $5.6 impairment charge recorded by the Engineered products segment which included a $.9 LIFO inventory charge (see Note 2) and a $4.7 charge to reduce the carrying value of certain machining facilities and assets, which were no longer required as a result of the segment's decision to exit a marginal product line, to their estimated net realizable value.

From September 1998 through September 2000, KACC and the United Steelworkers of America ("USWA") were involved in a labor dispute as a result of the September 1998 USWA strike and the subsequent "lock-out" by KACC in February 1999. The labor dispute was settled in September 2000. Under the terms of the settlement, USWA members generally returned to the affected plants during October 2000. The Company recorded a one-time pre-tax charge of $38.5 in 2000 to reflect the incremental, non-recurring impacts of the labor settlement, including severance and other contractual obligations for non-returning workers. The allocation of the labor settlement charge to the business units was: Bauxite and alumina - $2.1, Primary aluminum - $15.9, Flat-rolled products - $18.2 and Engineered products - $2.3. At December 31, 2002, substantially all of such costs had been paid.

The incremental maintenance charge in 2000 consisted of normal recurring maintenance expenditures for the Gramercy facility that otherwise would have been incurred in the ordinary course of business over a one to three year period. The Company chose to incur the expenditures prior to the restart of the facility to avoid normal operational outages that otherwise would have occurred once the facility resumed production.

7. LONG-TERM DEBT

Long-term debt and its maturity schedule are as follows:

	D 2
Secured:	
Post-Petition Credit Agreement	$ -
Alpart CARIFA Loans - (fixed and variable rates) due 2007, 2008	22
7.6% Solid Waste Disposal Revenue Bonds due 2027	19
Other borrowings (fixed rate)	2

Unsecured:	
9 7/8% Senior Notes due 2002, net	172
10 7/8% Senior Notes due 2006, net	225
12 3/4% Senior Subordinated Notes due 2003	400
Other borrowings (fixed and variable rates)	32
Total	873
Less - Current portion	
Pre-Filing Date claims included in subject to compromise (i.e. unsecured debt) (Note 1)	830
Long-term debt	$ 42

DIP Facility. On February 12, 2002, the Company and KACC entered into a post-petition credit agreement with a group of lenders for debtor-in-possession financing (the "DIP Facility"). The Court signed a final order approving the DIP Facility in March 2002. In March 2003, the Additional Debtors were added as co-guarantors and the DIP Facility lenders received super priority status with respect to certain of the Additional Debtors' assets. The DIP Facility provides for a secured, revolving line of credit through the earlier of February 12, 2004, the effective date of a plan of reorganization or voluntary termination by the Company. Under the DIP Facility, KACC is able to borrow amounts by means of revolving credit advances and to have issued for its benefit letters of credit (up to $125.0) in an aggregate amount equal to the lesser of $300.0 or a borrowing base relating to eligible accounts receivable, eligible inventory and eligible fixed assets reduced by certain reserves, as defined in the DIP Facility agreement. The DIP Facility is guaranteed by the Company and certain significant subsidiaries of KACC. Interest on any outstanding borrowings will bear a spread over either a base rate or LIBOR, at KACC's option. The DIP Facility requires KACC to comply with certain financial covenants and places restrictions on the Company's and KACC's ability to, among other things, incur debt and liens, make investments, pay dividends, undertake transactions with affiliates, make capital expenditures, and enter into unrelated lines of business. As of December 31, 2002, $147.0 was available to the Company under the DIP Facility (of which $79.2 could be used for additional letters of credit) and no borrowings were outstanding under the revolving credit facility. During March 2003, the Company obtained a waiver from the lenders in respect of its compliance with a financial covenant covering the four-quarter period ending March 31, 2003. The waiver is of limited duration and will lapse on June 29, 2003 unless otherwise incorporated into a formal amendment. The Company is working with the lenders to complete such amendment that would incorporate the limited waiver and also modify the financial covenant for periods subsequent to December 31, 2002. The Company believes that such an amendment will be agreed with the DIP Facility lenders not later than May 2003. While absolute assurances cannot be given in respect of the Company's ability to successfully obtain the necessary covenant modification, based on discussions with the DIP lenders and the fact that there are currently no outstanding borrowings and only a limited amount of letters of credit outstanding under the DIP facility, the Company believes that acceptable modifications are likely to be obtained. As part of this amendment, the Company also plans to request that the lenders extend the DIP Facility past its current February 2004 expiration.

Credit Agreement. Prior to the February 12, 2002 Filing Date, the Company and KACC had a credit agreement, as amended (the "Credit Agreement"), which provided a secured, revolving line of credit. The Credit Agreement terminated on the Filing Date and was replaced by the DIP Facility discussed above. As of the Filing Date, outstanding letters of credit were approximately $43.3 (which were replaced by letters of credit under the DIP Facility) and there were no borrowings outstanding under the Credit Agreement.

Alpart CARIFA Loans. In December 1991, Alumina Partners of Jamaica ("Alpart") entered into a loan agreement with the Caribbean Basin Projects Financing Authority ("CARIFA"). As of December 31, 2002, Alpart's obligations under the loan agreement were secured by two letters of credit aggregating $23.5. KACC was a party to one of the two letters of credit in the amount of $15.3 in respect of its 65% ownership interest in Alpart. Alpart has also agreed to indemnify bondholders of CARIFA for certain tax payments that could result from events, as defined, that adversely affect the tax treatment of the interest income on the bonds.

7.6% Solid Waste Disposal Revenue Bonds. The solid waste disposal revenue bonds are secured by a first mortgage on certain machinery at KACC's Mead smelter and a second lien on certain real property and improvements at such facility.

9 7/8% Notes, 10 7/8% Notes and 12 3/4% Notes. The obligations of KACC with respect to its 9 7/8% Senior Notes due 2002 (the "9 7/8% Notes"), its 10 7/8%

Senior Notes due 2006 (the "10 7/8% Notes") and its 12 3/4% Senior Subordinated Notes due 2003 (the "12 3/4% Notes") are guaranteed, jointly and severally, by certain subsidiaries of KACC. During 2001, prior to concluding that, as a result of the events outlined in Note 1, the Company should file the Cases, KACC had purchased $52.2 of the 9 7/8% Notes. The net gain from the purchase of the notes was less than $1.1 and has been included in Other income (expense) in the accompanying statements of consolidated income (loss).

Debt Covenants and Restrictions. The DIP Facility requires KACC to comply with certain financial covenants and places restrictions on the Company's and KACC's ability to, among other things, incur debt and liens, make investments, pay dividends, undertake transactions with affiliates, make capital expenditures, and enter into unrelated lines of business. The DIP Facility is secured by, among other things, (i) mortgages on KACC's major domestic plants; (ii) subject to certain exceptions, liens on the accounts receivable, inventory, equipment, domestic patents and trademarks, and substantially all other personal property of KACC and certain of its subsidiaries; (iii) a pledge of all the stock of KACC owned by the Company; and (iv) pledges of all of the stock of a number of KACC's wholly owned domestic subsidiaries, pledges of a portion of the stock of certain foreign subsidiaries, and pledges of a portion of the stock of certain partially owned foreign affiliates.

The indentures governing the 9 7/8% Notes, the 10 7/8% Notes and the 12 3/4% Notes (collectively, the "Indentures") restrict, among other things, KACC's ability to incur debt, undertake transactions with affiliates, and pay dividends. Further, the Indentures provide that KACC must offer to purchase the 9 7/8% Notes, the 10 7/8% Notes and the 12 3/4% Notes, respectively, upon the occurrence of a Change of Control (as defined therein).

8. INCIDENT AT GRAMERCY FACILITY

General. From July 1999 until December 2000, KACC's Gramercy, Louisiana alumina refinery was completely curtailed as a result of extensive damage from an explosion in the digestion area of the plant. Construction on the damaged part of the facility began during the first quarter of 2000. However, construction was not substantially completed until the third quarter of 2001. During the first nine months of 2001, the plant operated at approximately 68% of its newly-rated estimated capacity of 1,250,000 tons. During the fourth quarter of 2001, the plant operated at approximately 90% of its newly-rated capacity. Since the end of February 2002, the plant has, except for normal operating variations, generally operated at approximately 100% of its newly-rated capacity. The facility is now focusing its efforts on achieving its full operating efficiency. During 2001, abnormal Gramercy-related start-up costs and litigation costs totaled approximately $64.9 and $6.5, respectively. These incremental costs for 2001 were offset by approximately $36.6 of additional insurance benefit (recorded as a reduction of Bauxite and alumina business unit's cost of products sold). The abnormal start-up costs in 2001 resulted from operating the plant in an interim mode pending completion of construction at well less than the expected production rate or full efficiency. During 2002, because the plant was operating at near full capacity, the amount of start-up costs was substantially reduced compared to prior periods. Such costs were approximately $3.0 during the first quarter of 2002 and were substantially eliminated during the balance of 2002.

Property Damage. KACC's insurance policies provided that KACC would be reimbursed for the costs of repairing or rebuilding the damaged portion of the facility using new materials of like kind and quality with no deduction for depreciation. As a result of discussions with the insurance carriers, the Company received a reimbursement of $100.0 for property damage in 2000.

Contingencies. The Gramercy incident resulted in a significant number of claims and individual and class action lawsuits being filed against KACC and others alleging, among other things, property damage, business interruption losses by other businesses and personal injury. KACC ultimately was able to settle all of these matters for amounts which, after the application of insurance, were not material to KACC.

9. INCOME TAXES

Income (loss) before income taxes and minority interests by geographic area is as follows:

	Year Ended December 31,		
	2002	2001	
Domestic	$ (481.1)	$ (126.5)	$
Foreign	21.5	213.2	
Total	$ (459.6)	$ 86.7	$

Income taxes are classified as either domestic or foreign, based on whether payment is made or due to the United States or a foreign country. Certain income classified as foreign is also subject to domestic income taxes.

The (provision) benefit for income taxes on income (loss) before income taxes and minority interests consists of:

		Federal	Foreign	State
2002	Current	$ (.2)	$ (31.7)	$ (.3)
	Deferred	3.2	14.5	(.4)
	Total	$ 3.0	$ (17.2)	$ (.7)
2001	Current	$ (1.1)	$ (40.6)	$ -
	Deferred	(484.3)	.5	(24.7)
	Total	$ (485.4)	$ (40.1)	$ (24.7)
2000	Current	$ (1.9)	$ (35.3)	$ (.3)
	Deferred	35.5	(8.9)	(.7)
	Total	$ 33.6	$ (44.2)	$ (1.0)

A reconciliation between the (provision) benefit for income taxes and the amount computed by applying the federal statutory income tax rate to income (loss) before income taxes and minority interests is as follows:

	Year 2002
Amount of federal income tax (provision) benefit based on the statutory rate	$ 160.9
Increase in valuation allowances and revision of prior years' tax estimates	(151.6)
Percentage depletion	7.6
Foreign taxes, net of federal tax benefit in 2000	(28.9)
Other	(2.9)
Provision for income taxes	$ (14.9)

Included in increase in valuation allowances and revision of prior years' tax estimates for 2002 shown above include a benefit of $14.3 for revisions to prior years' estimates. Of this amount, approximately $8.8 relates to the resolution of certain prior year income tax matters.

Deferred Income Taxes. The components of the Company's net deferred income tax assets are as follows:

	December 31, 2002	
Deferred income tax assets:		
Postretirement benefits other than pensions	$ 274.6	$ 26
Loss and credit carryforwards	278.0	15
Other liabilities	288.8	19
Other	121.7	17
Valuation allowances	(861.8)	(65
Total deferred income tax assets-net	101.3	12
Deferred income tax liabilities:		
Property, plant, and equipment	(94.3)	(12
Other	(22.5)	(4
Total deferred income tax liabilities	(116.8)	(16
Net deferred income tax assets (liabilities)(1)	$ (15.5)	$ (3

(1) Net deferred income tax liabilities of $15.5 and $39.4 are included in the Consolidated Balance Sheets as of December 31, 2002 and 2001, respectively, in the caption entitled Long-term liabilities.

2002. For the year ended December 31, 2002, as a result of the Cases, the Company did not recognize U.S. income tax benefits for the losses incurred from its domestic operations (including temporary differences) or any U.S. income tax benefits for foreign income taxes. Instead, the increases in federal and state deferred tax assets as a result of additional net operating losses and foreign tax credits generated in 2002 were fully offset by increases in valuation allowances.

2001 and 2000. Prior to 2001, the principal component of the Company's deferred income tax assets was the tax benefit associated with the accrued liability for postretirement benefits other than pensions. The future tax deductions with respect to the turnaround of that accrual will occur over a 30-to-40-year period. If such deductions were to create or increase a net operating loss, the Company had the ability to carry forward such loss for 20 taxable years. Accordingly, prior to the Cases, the Company believed that a long-term view of profitability was appropriate and had concluded that a substantial majority of the net deferred income tax asset would more likely than not be realized.

However, as a result of the Cases, the Company provided additional valuation allowances of $530.4 in 2001 of which $505.4 was recorded in Provision for income taxes in the accompanying statements of consolidated income (loss) and $25.0 was recorded in Other comprehensive income (loss) in the accompanying consolidated balance sheet. The additional valuation allowances were provided as the Company no longer believed that the "more likely than not" recognition criteria were appropriate given a combination of factors including: (a) the expiration date of the loss and credit carryforwards; (b) the possibility that all or a substantial portion of the loss and credit carryforwards and tax bases of assets could be reduced to the extent of cancellation of indebtedness occurring as a part of a reorganization plan; (c) the possibility that all or a substantial portion of the loss and credit carryforwards could become limited if a change of ownership occurs as a result of the Debtors reorganization; and (d) due to updated near-term expectations regarding near-term taxable income. The valuation allowances adjustment had no impact on the Company's or KACC's liquidity, operations or loan compliance and was not intended, in any way, to be indicative of their long-term prospects or ability to successfully reorganize.

Tax Attributes. At December 31, 2002, the Company had certain tax attributes available to offset regular federal income tax requirements, subject to certain limitations, including net operating loss and general business credit carryforwards of $297.7 and $.7, respectively, which expire periodically through 2022 and 2011, respectively, FTC carryforwards of $133.2, which expire primarily from 2004 through 2007, and alternative minimum tax ("AMT") credit carryforwards of $27.1, which have an indefinite life. The Company also has AMT net operating loss and FTC carryforwards of $212.4 and $139.6, respectively, available, subject to certain limitations, to offset future alternative minimum taxable income, which expire periodically through 2022 and 2007, respectively.

The Company and its domestic subsidiaries file consolidated federal income tax returns. During the period from October 28, 1988, through June 30, 1993, the Company and its domestic subsidiaries were included in the consolidated federal income tax returns of MAXXAM. The tax allocation agreements of the Company and KACC with MAXXAM terminated pursuant to their terms, effective for taxable periods beginning after June 30, 1993. Due to the resolution during the fourth quarter of 2002 of all remaining tax matters relating to the taxable periods covered by the tax allocation agreements, no further payments or refunds are required under such agreements.

See Note 12 concerning commitments and contingencies.

10. EMPLOYEE BENEFIT AND INCENTIVE PLANS

Pension and Other Postretirement Benefit Plans. Retirement plans are generally non-contributory for salaried and hourly employees and generally provide for benefits based on formulas which consider such items as length of service and earnings during years of service. Through December 31, 2002, the Company's funding policies met or exceeded all regulatory requirements. However, as more fully discussed below, the Company failed to meet certain minimum funding requirements in early 2003. The Company does not currently intend to make any further contributions to its domestic retirement plans as it believes that virtually all of such amounts are pre-Filing Date obligations. As previously announced, the Company has met on several occasions with the PBGC, the government agency that guarantees annuity payments from defined pension plans, to discuss alternative solutions to the pension funding issue that would help the Company's emergence from bankruptcy. These options could include extended amortization periods for payments of unfunded liabilities or the potential termination of the plans.

The Company and its subsidiaries provide postretirement health care and life insurance benefits to eligible retired employees and their dependents. Substantially all employees may become eligible for those benefits if they reach retirement age while still working for the Company or its subsidiaries. The Company has not funded the liability for these benefits, which are expected to be paid out of cash generated by operations. The Company reserves the right, subject to applicable collective bargaining agreements, to amend or terminate these benefits.

Assumptions used to value obligations at year-end and to determine the net periodic benefit cost in the subsequent year are:

	Pension Benefits			
	2002	2001	2000	
Weighted-average assumptions as of December 31,				
Discount rate	6.75%	7.25%	7.75%	
Expected return on plan assets	9.00%	9.50%	9.50%	
Rate of compensation increase	4.00%	4.00%	4.00%	

In 2002, the average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 8.5% for all participants. The assumed rate of increase is assumed to decline gradually to 5.0% in 2010 for all participants and remain at that level thereafter.

The following table presents the funded status of the Company's pension and other postretirement benefit plans as of December 31, 2002 and 2001, and the corresponding amounts that are included in the Company's Consolidated Balance Sheets.

	Pension Benefits		
	2002	2001	
Change in Benefit Obligation:			
Obligation at beginning of year	$ 915.6	$ 871.4	$
Service cost	48.6	38.6	
Interest cost	62.0	63.6	
Currency exchange rate change	(2.1)	(1.4)	
Plan participants contributions	1.8	2.0	
Curtailments, settlements and amendments	(87.2)	.3	
Actuarial (gain) loss	42.9	33.5	
Benefits paid	(68.2)	(92.4)	
Obligation at end of year	913.4	915.6	
Change in Plan Assets:			
FMV of plan assets at beginning of year	670.8	791.1	
Actual return on assets	(57.0)	(48.5)	
Currency exchange rate change	(1.9)	(1.1)	
Employer contributions	9.8	21.7	
Benefits paid (including lump sum payments of $87.4 in 2002)	(155.6)	(92.4)	

FMV of plan assets at end of year	466.1	670.8	
Obligation in excess of plan assets	447.3	244.8	
Unrecognized net actuarial loss	(257.7)	(128.4)	
Unrecognized prior service costs	(36.9)	(39.9)	
Adjustment required to recognize minimum liability	242.1	105.5	
Intangible asset and other	36.8	40.3	
Accrued benefit liability	$ 431.6	$ 222.3	$

(1) The aggregate accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligation in excess of plan assets were $854.7 and $424.6, respectively, as of December 31, 2002 and $856.1 and $634.7, respectively, as of December 31, 2001.

The assets of the Company-sponsored pension plans, like numerous other companies' plans, are, to a substantial degree, invested in the capital markets and managed by a third party. Given: (1) the performance of the stock market during 2002 and the resulting declines in the value of the assets held by the Company's pension plans and (2) the declining interests rates, which cause the discounted value of the projected liabilities to increase, the Company was required to reflect an increase in its additional minimum pension liabilities of $133.1 in its December 31, 2002 balance sheet. Similar circumstances had resulted in a $64.5 (net of income tax benefit of $38.0) increase in additional minimum pension liabilities in its December 31, 2001 balance sheet. Minimum pension liability adjustments are non-cash adjustments that are reflected as an increase in pension liability and an offsetting charge to stockholders' equity through Other comprehensive income (rather than Net income). Additionally, 2003 operating results are expected to be adversely impacted by higher pension costs resulting from the decline in the value of the pension plans' assets and increased liabilities due to lower interest rates, restructuring activities and the incurrence of additional full early retirement obligations in respect of KACC's Washington smelters.

	Pension Benefits(1)			M
	2002	2001	2000	
Components of Net Periodic Benefit Costs:				
Service cost	$ 47.9	$ 38.6	$ 20.6	$
Interest cost	62.0	63.6	63.4	
Expected return on assets	(58.0)	(70.9)	(80.8)	
Amortization of prior service cost	3.8	5.5	3.9	(
Recognized net actuarial (gain) loss	6.5	(.5)	(1.9)	
Net periodic benefit cost	62.2	36.3	5.2	
Curtailments, settlements, etc.	26.4	-	.1	
Adjusted net periodic benefit costs(1)	$ 88.6	$ 36.3	$ 5.3	$

(1) Approximately $60.9 of the $88.6 adjusted net periodic benefit costs in 2002, $24.5 of the $36.3 adjusted net periodic benefit costs in 2001 and $6.1 of the $5.3 adjusted net periodic benefit costs in 2000 related to pension benefit accruals that were provided in respect of non-recurring items and/or restructuring activities (see Note 3 and 6).

(2) Approximately $30.7 of the $82.8 adjusted net periodic benefit costs in 2002 related to medical/life benefit accruals that were provided in respect of non-recurring restructuring activities (see Notes 3 and 6).

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Increase	
Increase (decrease) to total of service and interest cost	$ 8.6	$
Increase (decrease) to the postretirement benefit obligation	86.4	

Changes Impacting Existing Plans. The foregoing medical benefit liability and cost data reflects the fact that in February 2002, KACC notified its salaried retirees that, given the significant escalation in medical costs and the increased burden it was creating, KACC was going to require such retirees to fund a portion of their medical costs beginning May 1, 2002. The impact of such charges reduced the estimated cash payments by the Company by approximately $10.0 per year. The financial statement benefits of this change will, however, be reflected over the remaining employment period of the Company's employees in accordance with generally accepted accounting principles.

During 2002, approximately 230 salaried employees retired. These retirements resulted in lump sum payments which triggered a special provision under the Employee Retirement Income Security Act ("ERISA") that required the Company to make a $17.0 accelerated contribution to its salaried employee pension plan on January 15, 2003. However, because substantially all of the amount would have been classified as a pre-Filing Date obligation requiring Court approval before payment and represented a small portion of the legacy liabilities that must be addressed in the Company's reorganization, the Company did not make the payment. Since the Company did not make the payment, it is no longer in compliance with ERISA's minimum funding requirements and, in turn, is prohibited by ERISA from making lump-sum distributions from the salaried employee pension plan to employees who retire after December 31, 2002.

Special Charges in 2002. During 2002, the Company's Corporate segment recorded charges of $24.1 ($9.5 in the fourth quarter - included in Corporate selling, administrative, research and development, and general expense), for additional pension expense. The charges were recorded because:

(1) The lump sum payments from the assets of KACC's salaried employee pension plan exceeded a stipulated level prescribed by GAAP. Accordingly, a partial "settlement," as defined by GAAP, was deemed to have occurred. Under GAAP, if a partial "settlement" occurs, a charge must be recorded for a portion of any unrecognized net actuarial losses not reflected in the consolidated balance sheet. The portion of the total unrecognized actuarial losses of the plan ($75.0 at December 31, 2001) that had to be recorded as a charge was the relative percentage of the total projected benefit obligation of the plan ($300.0 at December 31, 2001) settled by the lump sum payments totaling $75.0 in 2002; and

(2) During the first quarter of 2002, KACC also paid $4.2 into a trust fund in respect of certain obligations attributable to certain non-qualified pension benefits under management compensation agreements. These payments also represented a "settlement" and resulted in a charge of $4.2.

In addition to the foregoing, during the fourth quarter of 2002, the Primary aluminum segment reflected approximately $58.8 of charges for pension, postretirement medical benefits and related obligations in respect of the indefinite curtailment of the Mead facility. This amount consisted of approximately $29.0 of incremental pension charges and $29.8 of incremental postretirement medical and related charges.

Postemployment Benefits. The Company provides certain benefits to former or inactive employees after employment but before retirement.

Restricted Common Stock. The Company has a restricted stock plan, which is one of its stock incentive compensation plans, for its officers and other employees. During January 2002, approximately 95,000 restricted shares of the Company's Common Stock were issued to officers and other employees. The fair value of the restricted shares issued is being amortized to expense over the terms of the applicable restriction periods. The restricted shares issued in 2001 included an exchange with certain employees who held stock options to purchase the Company's Common Stock whereby a total of approximately 3,617,000 options were exchanged (on a fair value basis) for approximately 1,086,000 restricted shares. During 2002, approximately 406,000 of the restricted shares, all of which had not been vested, were cancelled, including approximately 338,000 restricted shares that were voluntarily forfeited by certain employees.

Incentive Plans. The Company has an unfunded incentive compensation program, which provides incentive compensation based on performance against annual plans and over rolling three-year periods. In addition, the Company has a "nonqualified" stock option plan and KACC has a defined contribution plan for salaried employees which provides for matching contributions by the Company at the discretion of the board of directors. Given the challenging business environment encountered during 2002 and the disappointing results of operations for the year, only modest incentive payments were made and no matching contribution awarded in respect of 2002. The Company's expense for all of these plans was $1.0, $4.5 and $5.7 for the years ended December 31, 2002, 2001 and 2000, respectively.

Up to 8,000,000 shares of the Company's Common Stock were initially reserved for issuance under its stock incentive compensation plans. At December 31, 2002, 3,295,156 shares of Common Stock remained available for issuance under those plans. Stock options granted pursuant to the Company's nonqualified stock option program are to be granted at or above the prevailing market price, generally vest at a rate of 20 - 33% per year, and have a five or ten year term. Information concerning nonqualified stock option plan activity is shown below. The weighted average price per share for each year is shown parenthetically.

	2002	
Outstanding at beginning of year ($8.37, $10.24 and $10.24, respectively)	1,560,707	
Granted ($2.89 and $10.23 in 2001 and 2000, respectively)	-	
Expired or forfeited ($5.71, $10.39 and $11.08, respectively)	(105,846)	
Outstanding at end of year ($5.63, $8.37 and $10.24, respectively)	1,454,861	
Exercisable at end of year ($6.84, $9.09 and $10.18, respectively)	987,306	

Options exercisable at December 31, 2002 had exercisable prices ranging from $1.72 to $12.75 and a weighted average remaining contractual life of 3.8 years. Given that the average sales price of the Company's Common Stock is currently in the $.05 per share range, the Company believes it is unlikely any of the stock options will be exercised. Further, as a part of a plan of reorganization, it is possible that the interests of the holders of outstanding options could be diluted or cancelled.

11. MINORITY INTERESTS

Minority Interests in Consolidated Affiliates. The Company owns a 90% interest in Volta Aluminium Company Limited ("Valco") and a 65% interest in Alpart. These companies' financial statements are fully consolidated into the Company's consolidated financial statements because they are majority-owned.

KACC Preference Stock. KACC has four series of $100 par value Cumulative Convertible Preference Stock ("$100 Preference Stock") outstanding with annual dividend requirements of between 4 1/8% and 4 3/4% included in "Other" in 2000 in the table above. KACC has the option to redeem the $100 Preference Stock at par value plus accrued dividends. KACC does not intend to issue any additional shares of the $100 Preference Stock. By its terms, the $100 Preference Stock can be exchanged for per share cash amounts between $69 - $80. KACC records the $100 Preference Stock at their exchange amounts for financial statement presentation and the Company includes such amounts in minority interests. At December 31, 2002 and 2001, outstanding shares of $100 Preference Stock were 8,669 and 8,969, respectively. In accordance with the Code and DIP Facility, KACC is not permitted to repurchase any of its stock. Further, as a part of a plan of reorganization, it is likely that the interests of the holders of the $100 Preference Stock will be diluted or cancelled.

In 1985, KACC issued certain of its Redeemable Preference Stock with a par value of $1 per share and a liquidation and redemption value of $50 per share plus accrued dividends, if any. In connection with the USWA settlement agreement in September 2000, KACC redeemed all of the remaining Redeemable Preference Stock (350,872 shares outstanding at December 31, 2000) during March 2001. The net cash impact of the redemption on KACC was only approximately $5.5 because approximately $12.0 of the total redemption amount of $17.5 had previously been funded into redemption funds.

12. COMMITMENTS AND CONTINGENCIES

Impact of Reorganization Proceedings. During the pendency of the Cases, substantially all pending litigation, except certain environmental claims and litigation, against the Debtors is stayed. Generally, claims against a Debtor arising from actions or omissions prior to its Filing Date will be settled in connection with the plan of reorganization.

Commitments. KACC has a variety of financial commitments, including purchase agreements, tolling arrangements, forward foreign exchange and forward sales contracts (see Note 13), letters of credit, and guarantees. Such purchase agreements and tolling arrangements include long-term agreements for the purchase and tolling of bauxite into alumina in Australia by QAL. These obligations are scheduled to expire in 2008. Under the agreements, KACC is unconditionally obligated to pay its proportional share of debt, operating costs, and certain other costs of QAL. KACC's share of the aggregate minimum amount of required future principal payments at December 31, 2002, is $49.0 which matures as follows: $32.0 in 2003 and $17.0 in 2006. During July 2002, KACC made payments of approximately $29.5 to QAL to fund KACC's share of QAL's scheduled debt maturities. KACC's share of payments, including operating costs and certain other expenses under the agreements, has ranged between $95.0 - $103.0 over the past three years. KACC also has agreements to supply alumina to and to purchase aluminum from Anglesey.

Minimum rental commitments under operating leases at December 31, 2002, are as follows: years ending December 31, 2003 - $15.2; 2004 - $6.2; 2005 - $5.4; 2006 - $3.1; 2007 - $2.4; thereafter - $3.7. Pursuant to the Code, the Debtors may elect to reject or assume unexpired pre-petition leases. At this time, no decisions have been made as to which significant leases will be accepted or rejected (see Note 1).

Rental expenses were $38.3, $41.0 and $42.5, for the years ended December 31, 2002, 2001 and 2000, respectively.

KACC has a long-term liability, net of estimated subleases income (included in Long-term liabilities), on the Kaiser Center office complex in Oakland, California, in which KACC has not maintained offices for a number of years, but for which it is responsible for lease payments as master tenant through 2008 under a sale-and-leaseback agreement. During 2000, KACC reduced its net lease obligation by $17.0 (see Note 2) to reflect new third-party sublease agreements which resulted in occupancy and lease rates above those previously projected. In October 2002, the Company entered into a contract to sell its interests in the office complex. As the contract amount was less than the asset's net carrying value (included in Other assets), the Company recorded a non-cash impairment charge in 2002 of approximately $20.0 (which amount was reflected in Non-recurring operating charges (benefits), net - see Note 6). The sale was approved by the Court in February 2003 and closed in March 2003. Net cash proceeds were approximately $61.0.

Environmental Contingencies. The Company and KACC are subject to a number of environmental laws, to fines or penalties assessed for alleged breaches of the environmental laws, and to claims and litigation based upon such laws. KACC currently is subject to a number of claims under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments Reauthorization Act of 1986 ("CERCLA"), and, along with certain other entities, has been named as a potentially responsible party for remedial costs at certain third-party sites listed on the National Priorities List under CERCLA.

Based on the Company's evaluation of these and other environmental matters, the Company has established environmental accruals, primarily related to potential solid waste disposal and soil and groundwater remediation matters. During the year ended December 31, 2001, KACC's ongoing assessment process resulted in KACC recording charges of $13.5 included in Other income (expense) - see Note 2) to increase its environmental accrual. Additionally, KACC's environmental accruals were increased during the year ended December 31, 2001, by approximately $6.0 in connection with purchase of certain property. The following table presents the changes in such accruals, which are primarily included in Long-term liabilities, for the years ended December 31, 2002, 2001 and 2000:

	2002	2001	2000
Balance at beginning of period	$ 61.2	$ 46.1	$ 48.9
Additional accruals	1.5	23.1	2.6
Less expenditures	(3.6)	(8.0)	(5.4)
Balance at end of period(1)	$ 59.1	$ 61.2	$ 46.1

(1) As of December 31, 2002, $21.7 of the environmental accrual was included in Liabilities subject to compromise (see Note 1) and the balance was included in Long-term liabilities. As of December 31, 2001 and 2000, the environmental accrual was primarily included in Long-term liabilities.

These environmental accruals represent the Company's estimate of costs reasonably expected to be incurred based on presently enacted laws and regulations, currently available facts, existing technology, and the Company's assessment of the likely remediation action to be taken. The Company expects that these remediation actions will be taken over the next several years and estimates that annual expenditures to be charged to these environmental accruals will be approximately $.6 to $12.3 for the years 2003 through 2007 and an aggregate of approximately $33.3 thereafter.

As additional facts are developed and definitive remediation plans and necessary regulatory approvals for implementation of remediation are established or alternative technologies are developed, changes in these and other factors may result in actual costs exceeding the current environmental accruals. The Company believes that it is reasonably possible that costs associated with these environmental matters may exceed current accruals by amounts that could range, in the aggregate, up to an estimated $30.0. As the resolution of these matters is subject to further regulatory review and approval, no specific assurance can be given as to when the factors upon which a substantial portion of this estimate is based can be expected to be resolved. However, the Company is currently working to resolve certain of these matters.

The Company believes that KACC has insurance coverage available to recover certain incurred and future environmental costs and is pursuing claims in this regard. However, no amounts have been accrued in the financial statements with respect to such potential recoveries.

While uncertainties are inherent in the final outcome of these environmental matters, and it is presently impossible to determine the actual costs that ultimately may be incurred, management currently believes that the resolution of such uncertainties should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Asbestos Contingencies. KACC has been one of many defendants in a number of lawsuits, some of which involve claims of multiple persons, in which the plaintiffs allege that certain of their injuries were caused by, among other things, exposure to asbestos during, and as a result of, their employment or association with KACC or exposure to products containing asbestos produced or sold by KACC. The lawsuits generally relate to products KACC has not sold for more than 20 years. The lawsuits are currently stayed by the Cases.

The following table presents the changes in number of such claims pending for the years ended December 31, 2002 (through the initial Filing Date), 2001 and 2000.

	January 1, 200 throug February 12 200
Number of claims at beginning of period	112,800
Claims received	5,300
Claims settled or dismissed	(6,100
Number of claims at end of period	112,000

Due to the Cases, holders of asbestos claims are stayed from continuing to prosecute pending litigation and from commencing new lawsuits against the Debtors. However, during the pendency of the Cases, KACC expects additional asbestos claims will be filed as part of the claims process. A separate creditors' committee representing the interests of the asbestos claimants has been appointed. The Debtors' obligations with respect to present and future asbestos claims will be resolved pursuant to a plan of reorganization.

The Company maintains a liability for estimated asbestos-related costs for claims filed to date and an estimate of claims to be filed through 2011. At December 31, 2002, the balance of such accrual was $610.1, all of which was included in Liabilities subject to compromise (see Note 1). The Company's estimate is based on the Company's view, at each balance sheet date, of the current and anticipated number of asbestos-related claims, the timing and amounts of asbestos-related payments, the status of ongoing litigation and settlement initiatives, and the advice of Wharton Levin Ehrmantraut & Klein, P.A., with respect to the current state of the law related to asbestos claims. However, there are inherent uncertainties involved in estimating asbestos-related costs and the Company's actual costs could exceed the Company's estimates due to changes in facts and circumstances after the date of each estimate. Further, while the Company does not presently believe there is a reasonable basis for estimating asbestos-related costs beyond 2011 and, accordingly, no accrual has been recorded for any costs which may be incurred beyond 2011, the Company expects that the plan of reorganization process may require an estimation of KACC's entire asbestos-related liability, which may go beyond 2011, and that such costs could be substantial.

The Company believes that KACC has insurance coverage available to recover a substantial portion of its asbestos-related costs. Although the Company has settled asbestos-related coverage matters with certain of its insurance carriers, other carriers have not yet agreed to settlements and disputes with carriers exist. The timing and amount of future recoveries from these insurance carriers will depend on the pendency of the Cases and on the resolution of any disputes regarding coverage under the applicable insurance policies. The Company believes that substantial recoveries from the insurance carriers are probable and additional amounts may be recoverable in the future if additional claims are added. The Company reached this conclusion after considering its prior insurance-related recoveries in respect of asbestos-related claims, existing insurance policies, and the advice of Heller Ehrman White & McAuliffe LLP with respect to applicable insurance coverage law relating to the terms and conditions of those policies. During 2000, KACC filed suit in San Francisco Superior Court against a group of its insurers, which suit was thereafter split into two related actions. Additional insurers were added to the litigation in 2000 and 2002. During October 2001, the court ruled favorably on a number of policy interpretation issues, one of which was affirmed in February 2002 by an

intermediate appellate court in response to a petition from the insurers. The rulings did not result in any changes to the Company's estimates of its current or future asbestos-related insurance recoveries. The trial court is scheduled to decide certain policy interpretation issues in Spring 2003 and may hear additional issues from time to time. Given the expected significance of probable future asbestos-related payments, the receipt of timely and appropriate payments from its insurers is critical to a successful plan of reorganization and KACC's long-term liquidity.

The following tables present historical information regarding KACC's asbestos-related balances and cash flows:

	December 31,	
	2002	
Liability (current portion of $130.0 in 2001)	$ 610.1	$ 62
Receivable (included in Other assets)(1)	484.0	50
	$ 126.1	$ 12

(1) The asbestos-related receivable was determined on the same basis as the asbestos-related cost accrual. However, no assurances can be given that KACC will be able to project similar recovery percentages for future asbestos-related claims or that the amounts related to future asbestos-related claims will not exceed KACC's aggregate insurance coverage. As of December 31, 2002 and 2001, $24.7 and $33.0, respectively, of the receivable amounts relate to costs paid. The remaining receivable amounts relate to costs that are expected to be paid by KACC in the future.

	Year Ended December 31,		
	2002	2001	
Payments made, including related legal costs	$ 17.1	$ 118.1	$
Insurance recoveries	23.3	90.3	
	$ (6.2)	$ 27.8	$

During the pendency of the Cases, all asbestos litigation is stayed. As a result, the Company does not expect to make any asbestos payments in the near term. Despite the Cases, the Company continues to pursue insurance collections in respect of asbestos-related amounts paid prior to its Filing Date.

Management continues to monitor claims activity, the status of lawsuits (including settlement initiatives), legislative developments, and costs incurred in order to ascertain whether an adjustment to the existing accruals should be made to the extent that historical experience may differ significantly from the Company's underlying assumptions. This process resulted in the Company reflecting charges of $57.2 and $43.0 (included in Other income(expense) - see Note 2) in the years ended December 31, 2001 and 2000, respectively, for asbestos-related claims, net of expected insurance recoveries, based on recent cost and other trends experienced by KACC and other companies. Additional asbestos-related claims are likely to be asserted as a part of the Chapter 11 process. Management cannot reasonably predict the ultimate number of such claims or the amount of the associated liability. However, it is likely that such amounts could exceed, perhaps significantly, the liability amounts reflected in the Company's consolidated financial statements, which (as previously stated) is only reflective of an estimate of claims through 2011. KACC's obligations in respect of the currently pending and future asbestos-related claims will ultimately be determined (and resolved) as a part of the overall Chapter 11 proceedings. It is anticipated that resolution of these matters will be a lengthy process. Management will continue to periodically reassess its asbestos-related liabilities and estimated insurance recoveries as the Cases proceed. However, absent unanticipated developments such as asbestos-related legislation, material developments in other asbestos-related proceedings or in the Company's or KACC's Chapter 11 proceedings, it is not anticipated that the Company will have sufficient information to reevaluate its asbestos-related obligations and estimated insurance recoveries until much later in the Cases. Any adjustments ultimately deemed to be required as a result of the reevaluation of KACC's asbestos-related liabilities or estimated insurance recoveries could have a material impact on the Company's future financial statements.

Labor Matters. In connection with the USWA strike and subsequent lock-out by KACC, which was settled in September 2000, certain allegations of unfair labor practices ("ULPs") were filed with the National Labor Relations Board ("NLRB") by the USWA. As previously disclosed, KACC has responded to all such allegations and believes that they were without merit. Twenty-two of twenty-four allegations of ULPs previously brought against KACC by the USWA have been dismissed. A trial before an administrative law judge for the two remaining allegations concluded in September 2001. In May 2002, the administrative law judge ruled against KACC in respect of the two remaining ULP allegations and recommended that the NLRB award back wages, plus interest, less any earnings of the workers during the period of the lockout. The administrative law judge's ruling did not contain any specific amount of proposed award and is not self-executing. The USWA has filed a proof of claim for $240.0 in the Cases in respect of this matter. The NLRB also filed a proof of claim in respect of this matter. The NLRB claim was for $117.0, including interest of approximately $18.0. Depending on the ultimate amount of any interest due and amount of offsetting employee earnings and other factors, if the USWA ultimately were to prevail it is possible that the amount of the award could exceed $100.0. It is also possible that the Company may ultimately prevail on appeal and that no loss will occur.

The Company continues to believe that the allegations are without merit and will vigorously defend its position. KACC has appealed the ruling of the administrative law judge to the full NLRB. The general counsel of NLRB and the USWA have cross-appealed. Any outcome from the NLRB appeal would be subject to additional appeals in a United States Circuit Court of Appeals by the general counsel of the NLRB, the USWA or KACC. This process could take several years. Because the Company believes that it may prevail in the appeals process, the Company has not recognized a charge in response to the adverse ruling. However, it is possible that, if the Company's appeal(s) are not ultimately successful, a charge in respect of this matter may be required in one or more future periods and the amount of such charge(s) could be significant.

This matter is not currently stayed by the Cases. However, as previously stated, seeing this matter to its ultimate outcome could take several years. Further, any amounts ultimately determined by a court to be payable in this matter will be dealt with in the overall context of the Debtors' plan of reorganization and will be subject to compromise. Accordingly, any payments that may ultimately be required in respect of this matter would only be paid upon or after the Company's emergence from the Cases.

Dispute with MAXXAM. In March 2002, MAXXAM filed a declaratory action with the Court asking the Court to find that it had no further obligations to Debtors under certain tax allocation agreements discussed in Note 9. At December 31, 2001, the Company had a receivable from MAXXAM of $35.0 (included in Other Assets) outstanding under the tax allocation agreement in respect to various tax contingencies in an equal amount (reflected in Long-term liabilities). As this matter to which the MAXXAM receivable has now been resolved with no amounts coming due from MAXXAM, both the receivable and the equal and offsetting payable were reversed in December 2002. The resolution between MAXXAM and KACC was approved by the Court in February 2003.

Other Contingencies. The Company or KACC is involved in various other claims, lawsuits, and other proceedings relating to a wide variety of matters related to past or present operations. While uncertainties are inherent in the final outcome of such matters, and it is presently impossible to determine the actual costs that ultimately may be incurred, management currently believes that the resolution of such uncertainties and the incurrence of such costs should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

13. DERIVATIVE FINANCIAL INSTRUMENTS AND RELATED HEDGING PROGRAMS

In conducting its business, KACC uses various instruments, including forward contracts and options, to manage the risks arising from fluctuations in aluminum prices, energy prices and exchange rates. KACC enters into hedging transactions from time to time to limit its exposure resulting from (1) its anticipated sales of alumina, primary aluminum, and fabricated aluminum products, net of expected purchase costs for items that fluctuate with aluminum prices, (2) the energy price risk from fluctuating prices for natural gas, fuel oil and diesel oil used in its production process, and (3) foreign currency requirements with respect to its cash commitments with foreign subsidiaries and affiliates. As KACC's hedging activities are generally designed to lock-in a specified price or range of prices, gains or losses on the derivative contracts utilized in the hedging activities (except the impact of those contracts discussed below which have been marked to market) generally offset at least a portion of any losses or gains, respectively, on the transactions being hedged.

2002. Because the agreements underlying KACC's hedging positions provided that the counterparties to the hedging contracts could liquidate KACC's hedging positions if KACC filed for reorganization, KACC chose to liquidate these positions in advance of the Filing Date. Proceeds from the liquidation totaled approximately $42.2. A net gain of $23.3 associated with these liquidated positions was deferred and is being recognized over the period during which the underlying transactions to which the hedges related are expected to occur. The net gain upon liquidation consisted of: gains of $30.2 for aluminum contracts and losses of $5.0 for Australian dollars and $1.9 for energy contracts. As of

December 31, 2002, the remaining unamortized amount was approximately a net loss of $1.3.

During December 2002 and the first quarter of 2003, the Company entered into hedging transactions (included in Prepaid expenses and other current assets) with respect to a portion of its 2003 fuel oil requirements. As of January 31, 2003, KACC held option contracts which cap the price that KACC would have to pay for 1.8 million barrels of fuel oil in 2003. This amount of fuel oil represents substantially all of KACC's exposure to fuel oil requirements in the second half of 2003 and 40% of KACC's exposure to fuel oil requirements in the first half of 2003. The carrying/market value of the option contracts was $.9 at December 31, 2002.

The Company anticipates that, subject to prevailing economic conditions, it may enter into additional hedging transactions with respect to primary aluminum prices, natural gas and fuel oil prices and foreign currency values to protect the interests of its constituents. However, no assurance can be given as to when or if the Company will enter into such additional hedging activities.

As of December 31, 2002, KACC had sold forward substantially all of the alumina available to it in excess of its projected internal smelting requirements for 2003 and 2004, respectively, at prices indexed to future prices of primary aluminum.

2001 and 2000. During the first quarter of 2001, the Company recorded a mark-to-market benefit of $6.8 (included in Other income (expense)) related to the application of SFAS No. 133. However, starting in the second quarter of 2001, the income statement impact of mark-to-market changes was essentially eliminated as unrealized gains or losses resulting from changes in the value of these hedges began being recorded in Other comprehensive income (see Note 2) based on changes in SFAS No. 133 enacted in April 2001.

During late 1999 and early 2000, KACC entered into certain aluminum contracts with a counterparty. While the Company believed that the transactions were consistent with its stated hedging objectives, these positions did not qualify for treatment as a "hedge" under accounting guidelines. Accordingly, the positions were marked-to-market each period. A recap of mark-to-market pre-tax gains (losses) for these positions, together with the amount discussed in the paragraph above, is provided in Note 2. During the fourth quarter of 2001, KACC liquidated all of the remaining positions. This resulted in the recognition of approximately $3.3 of additional mark-to-market income during 2001.

14. KEY EMPLOYEE RETENTION PROGRAM

In June 2002, the Company adopted a key employee retention program (the "KERP"), which was approved by the Court in September 2002. The KERP is a comprehensive program that is designed to provide financial incentives sufficient to retain certain key employees during the Cases. The KERP includes six key elements: a retention plan, a severance plan, a change in control plan, a completion incentive plan, the continuation for certain participants of an existing supplemental employee retirement plan ("SERP") and a long-term incentive plan. The retention plan is expected to have a total cost of up to approximately $7.3 per year. The total cost of the KERP will vary depending on the level of continuing participation in each period. Under the KERP, retention payments commenced in September 2002 and will be paid every six months through March 31, 2004, except that 50% of the amounts payable to certain senior officers will be withheld until the Debtors emerge from the Cases or as otherwise agreed pursuant to the KERP. The severance and change in control plans, which are similar to the provisions of previous arrangements that existed for certain key employees, generally provide for severance payments of between six months and three years of salary and certain benefits, depending on the facts and circumstances and the level of employee involved. The completion incentive plan generally provides for payments of up to an aggregate of approximately $1.2 to certain senior officers provided that the Debtors emerge from the Cases in 30 months or less from the initial Filing Date. If the Debtors emerge from the Cases after 30 months from the initial Filing Date, the amount of the payments will be reduced accordingly.

The SERP generally provides additional non-qualified pension benefits for certain active employees at the time that the KERP was approved, who would suffer a loss of benefits based on Internal Revenue Code limitations, so long as such employees are not subsequently terminated for cause or voluntarily terminate prior to reaching their retirement age. The long-term incentive plan generally provides for incentive awards to key employees based on an annual cost reduction target. Payment of such awards generally will be made: (a) 50% when the Debtors emerge from the Cases and (b) 50% one year from the date the Debtors emerge from the Cases. During 2002, the Company has recorded charges of $5.1, of which $1.5 were recorded in the fourth quarter of 2002 (included in Selling, administrative, research and development, and general), related to the KERP.

15. SUBSEQUENT EVENTS

In January 2003, the Court approved the sale of the Tacoma facility to the Port of Tacoma (the "Port") for $12.1 and the assumption by the Port of all environmental remediation obligations. The sale closed in February 2003. An additional $4.0 of proceeds are being held in escrow pending the resolution of certain environmental and other issues.

In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS No. 144"), the operations of the Tacoma facility will be reported in discontinued operations in the Company's future financial statements. Income statement information for the Tacoma facility for the years ended December 31, 2002, 2001 and 2000 were as follows:

		(Unaudited)	
	2002	2001	2000
Net sales	$ .1	$ 33.3	$ 106.6
Operating loss	(5.8)	(26.5)	(48.4)
Loss before income tax benefit	(5.8)	(26.4)	(48.4)

During January 2003, as a result of reduced power availability from the Volta River Authority ("VRA"), the Company's 90% owned Volta Aluminum Company Limited ("Valco") curtailed two of its three operating potlines. In connection with such curtailments, $5.5 of end-of-service benefits were paid resulting in a $3.2 charge to earnings in January 2003. Additional curtailments and end-of-service payments and charges are possible.

During March 2003, the Company paid approximately $22.0 in settlement of certain foreign tax matters in respect of a number of prior periods. Also, as more fully discussed in Note 12, during March 2003, the Company completed the sale of its interests in an office building complex in Oakland, California, netting approximately $61.0 in sale proceeds.

16. SEGMENT AND GEOGRAPHICAL AREA INFORMATION

The Company's operations are located in many foreign countries, including Australia, Canada, Ghana, Jamaica, and the United Kingdom. Foreign operations in general may be more vulnerable than domestic operations due to a variety of political and other risks. Sales and transfers among geographic areas are made on a basis intended to reflect the market value of products.

The Company's operations are organized and managed by product type. The Company operations include four operating segments of the aluminum industry and its commodities marketing and corporate segments. The aluminum industry segments include: Alumina and bauxite, Primary aluminum, Flat-rolled products and Engineered products. The Alumina and bauxite business unit's principal products are smelter grade alumina and chemical grade alumina hydrate, a value-added product, for which the Company receives a premium over smelter grade market prices. The Primary aluminum business unit produces commodity grade products as well as value-added products such as rod and billet, for which the Company receives a premium over normal commodity market prices. The Flat-rolled products group sells value-added products such as heat treat aluminum sheet and plate which are used in the aerospace and general engineering markets. The Engineered products business unit serves a wide range of industrial segments including the automotive, distribution, aerospace and general engineering markets. The Company uses a portion of its bauxite, alumina and primary aluminum production for additional processing at its downstream facilities. Transfers between business units are made at estimated market prices. The Commodities marketing segment includes the results of KACC's alumina and aluminum hedging activities (see Note 13). The accounting policies of the segments are the same as those described in Note 2. Business unit results are evaluated internally by management before any allocation of corporate overhead and without any charge for income taxes, interest expense or non-recurring charges.

Financial information by operating segment at December 31, 2001, 2000 and 1999 is as follows:

	Year Ended Decembe	
	2002	2001
Net Sales:		
Bauxite and Alumina:		
Net sales to unaffiliated customers	$ 458.1	$ 508.3
Intersegment sales	58.6	77.9
	516.7	586.2
Primary Aluminum:(1)		
Net sales to unaffiliated customers	265.3	358.9
Intersegment sales	2.5	3.8
	267.8	362.7
Flat-Rolled Products	183.6	308.0
Engineered Products	425.0	429.5
Commodities Marketing(2)	39.1	22.9
Minority Interests	98.5	105.1
Eliminations	(61.1)	(81.7)
	$ 1,469.6	$ 1,732.7
Equity in income (loss) of unconsolidated affiliates:		
Bauxite and Alumina	$ 10.4	$ (2.3)
Primary Aluminum	3.6	4.0
	$ 14.0	$ 1.7
Operating income (loss):		
Bauxite and Alumina(3)	$ (48.5)	$ (46.9)
Primary Aluminum(4)	(23.1)	5.1
Flat-Rolled Products(4)(5)	(30.7)	.4
Engineered Products(4)(5)	8.5	4.6
Commodities Marketing	36.2	5.6
Eliminations	1.7	1.0
Corporate and Other(6)	(98.9)	(68.5)
Non-Recurring Operating (Charges) Benefits, Net - Note 6	(251.2)	163.6
	$ (406.0)	$ 64.9

(1) Beginning in the first quarter of 2001, as a result of the continuing curtailment of KACC's Northwest smelters, the Flat-rolled products business unit began purchasing its own primary aluminum rather than relying on the Primary aluminum business unit to supply its aluminum requirements through production or third party purchases. The Engineered products business unit was already responsible for purchasing the majority of its primary aluminum requirements.

(2) Net sales in 2002 primarily represent partial recognition of deferred gains from hedges closed prior to the commencement of the Cases (see Note 13). Net sales in 2001 and 2000 represent net settlements with counterparties for maturing derivative positions.

(3) Operating results for 2002 include $4.4 of charges resulting from an increase in the allowance for doubtful receivables and a LIFO inventory charge of $.5. Operating results for 2001 include abnormal Gramercy-related start-up and litigation costs, net of business interruption-related insurance accruals, of $34.8 and a LIFO inventory charge of $3.7.

(4) Operating results for 2002 include LIFO inventory charges of: Primary Aluminum - $2.1, Flat-Rolled Products - $2.0 and Engineered Products - $1.5.

(5) Operating results for 2001 include LIFO inventory charges of: Flat-Rolled Products - $3.0 and Engineered Products - $1.5.

(6) Operating results for 2002 include special pension charges of $24.1 and key employee retention program charges of $5.1.

	Year Ended December 31,		
	2002	2001	2
Depreciation and amortization:			
Bauxite and Alumina	$ 39.2	$ 37.8	$ 22
Primary Aluminum	21.6	21.6	24
Flat-Rolled Products	15.0	16.9	16
Engineered Products	12.0	12.8	11
Corporate and Other	3.7	1.1	1
	$ 91.5	$ 90.2	$ 76
Capital expenditures:			
Bauxite and Alumina	$ 28.3	$ 117.8	$ 254
Primary Aluminum	8.4	8.7	9
Flat-Rolled Products	5.1	1.5	7
Engineered Products	5.1	19.9	23
Corporate and Other	.7	.8	1
	$ 47.6	$ 148.7	$ 296

	December 31,	
	2002	
Investments in and advances to unconsolidated affiliates:		
Bauxite and Alumina	$ 54.3	$
Primary Aluminum	15.1	
Corporate and Other	.3	
	$ 69.7	$

Segment assets:		
Bauxite and Alumina	$ 887.1	$
Primary Aluminum - Note 5	271.0	
Flat-Rolled Products	202.0	
Engineered Products	222.9	
Commodities Marketing	(3.3)	
Corporate and Other	645.7	
	$ 2,225.4	$ 2

Geographical information for net sales, based on country of origin, and long-lived assets follows:

	Year Ended December 31,		
	2002	2001	
Net sales to unaffiliated customers:			
United States	$ 828.1	$ 1,017.3	$
Jamaica	189.7	219.4	
Ghana	171.7	221.3	
Other Foreign	280.1	274.7	
	$ 1,469.6	$ 1,732.7	$

	December 31,	
	2002	2001
Long-lived assets: (1)		
United States - Note 5	$ 616.9	$ 832.5
Jamaica	313.4	303.8
Ghana	84.7	83.3
Other Foreign	64.6	58.8
	$ 1,079.6	$ 1,278.4

(1) Long-lived assets include Property, plant, and equipment, net and Investments in and advances to unconsolidated affiliates. Prepared on a going-concern basis - see Note 2.

The aggregate foreign currency gain included in determining net income was immaterial for the years ended December 31, 2002, 2001 and 2000. No single customer accounted for sales in excess of 10% of total revenue in 2002, 2001 and 2000. Export sales were less than 10% of total revenue during the years ended December 31, 2002, 2001 and 2000.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ende		
(In millions of dollars, except share amounts)	March 31,	June 30,	Septe

		(1)	(1)	
2002				
Net sales	$	370.6	$ 386.3	
Operating income (loss)		(36.7)	(36.7)	
Net income (loss)		(64.1)	(50.4)	
Basic/Diluted Earnings (loss) per share(5)		(.79)	(.63)	
Common stock market price:(5)				
High		1.76	.34	
Low		.21	.04	
2001				
Net sales	$	480.3	$ 446.8	
Operating income (loss)		215.4	(27.6)	
Net income (loss)		119.6	(64.1)	
Basic/Diluted Earnings per share(5)		1.50	(.80)	
Common stock market price:(5)				
High		4.44	4.90	
Low		3.23	3.25	
2000				
Net sales	$	575.7	$ 552.8	
Operating income		36.9	51.5	
Net income (loss)		11.7	11.0	
Basic/Diluted Earnings (loss) per share(5)		.15	.14	
Common stock market price:(5)				
High		8.88	5.13	
Low		4.13	2.94	

(1) Quarterly results include a number of non-recurring and unusual items that may cause an individual quarter's results not to be indicative of the underlying operating performance. See the applicable quarterly report on Form 10-Q for a recap of such items.

(2) Includes the following pre-tax items: non-recurring impairment charges of $215.4, non-recurring restructuring charges of $2.6 and LIFO inventory charges of $3.1 (see Notes 2 and 6 of Notes to Consolidated Financial Statements). Excluding these charges, results would have been a basic loss per share of approximately $.62.

(3) Includes increase in valuation allowances for net deferred income tax assets of $505.4 and the following pre-tax items: charges for restructuring of $8.2, abnormal Gramercy start-up and other costs of $16.5, contract labor costs related to smelter curtailment of $9.4, impairment charges related to Trentwood equipment of $17.7 and certain other net non-recurring charges totaling $9.6 (see Notes 2 and 6 of Notes to Consolidated Financial Statements). Excluding these items, results would have been basic loss per share of approximately $.43.

(4) Includes the following pre-tax items: a gain of $103.2 from the sale of power offset by a non-cash impairment loss of approximately $33.0, a charge of $26.2 for operating profit foregone as a result of power sales and certain other net non-operating charges totaling $10.9 (see Notes 2 and 6 of Notes to Consolidated Financial Statements). Excluding these items, but giving effect to operating profit foregone as a result of these power sales, results would have been basic loss per share of approximately $.19.

(5) Earnings (loss) per share and market price may not be meaningful because, as part of a plan of reorganization, it is likely that the interests of the Company's existing stockholders will be diluted or cancelled.

FIVE-YEAR FINANCIAL DATA
CONSOLIDATED BALANCE SHEETS

(In millions of dollars)	December 2002	2001	20
ASSETS	(1)		
Current assets:			
Cash and cash equivalents	$ 78.7	$ 153.3	$ 23.
Receivables	149.5	206.4	429.
Inventories	254.9	313.3	396.
Prepaid expenses and other current assets	33.5	86.2	162.
Total current assets	516.6	759.2	1,012.
Investments in and advances to unconsolidated affiliates	69.7	63.0	77.
Property, plant, and equipment - net	1,009.9	1,215.4	1,176.
Deferred income taxes	-	-	454.
Other assets	629.2	706.1	622.
Total	$ 2,225.4	$ 2,743.7	$ 3,343.
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities not subject to compromise -			
Current liabilities:			
Accounts payable and accruals	$ 244.4	$ 515.0	$ 673.
Accrued postretirement medical benefit obligation - current portion	60.2	62.0	58.
Payable to affiliates	28.1	52.9	78.
Long-term debt - current portion	.9	173.5	31.
Total current liabilities	333.6	803.4	841.
Long-term liabilities	86.9	919.9	703.
Accrued postretirement medical benefit obligation	-	642.2	656.
Long-term debt	42.7	700.8	957.
	463.2	3,066.3	3,159.
Liabilities subject to compromise	2,726.0	-	
Minority interests	121.8	118.5	101.
Stockholders' equity:			
Common stock	.8	.8	.
Additional capital	539.9	539.1	537.
Retained earnings (accumulated deficit)	(1,382.4)	(913.7)	(454.
Accumulated other comprehensive income (loss)	(243.9)	(67.3)	(1.
Total stockholders' equity	(1,085.6)	(441.1)	82.
Total	$ 2,225.4	$ 2,743.7	$ 3,343.

(1) Prepared on a "going concern" basis. See Notes 1 and 2 of Notes to Consolidated Financial impact of the Cases.

FIVE-YEAR FINANCIAL DATA
STATEMENTS OF CONSOLIDATED INCOME (LOSS)

(In millions of dollars, except share amounts)	Year Ended December 2002	2001	2000

	(1)		
Net sales	$ 1,469.6	$ 1,732.7	$ 2,169.8
Costs and expenses:			
Cost of products sold	1,408.2	1,638.4	1,891.4
Depreciation and amortization	91.5	90.2	76.9
Selling, administrative, research and development, and general	124.7	102.8	104.1
Non-recurring operating charges (benefits), net	251.2	(163.6)	(41.9)
Total costs and expenses	1,875.6	1,667.8	2,030.5
Operating income (loss)	(406.0)	64.9	139.3
Other income (expense):			
Interest expense (excluding unrecorded contractual interest expense of $84.0 in 2002)	(20.7)	(109.0)	(109.6)
Reorganization items	(33.3)	-	-
Gain on sale of interest in QAL	-	163.6	-
Gain on involuntary conversion at Gramercy facility	-	-	-
Other - net	.4	(32.8)	(4.3)
Income (loss) before income taxes, minority interests	(459.6)	86.7	25.4
(Provision) benefit for income taxes	(14.9)	(550.2)	(11.6)
Minority interests	5.8	4.1	3.0
Net income (loss)	$ (468.7)	$ (459.4)	$ 16.8
Earnings (loss) per share(2):			
Basic/Diluted	$ (5.82)	$ (5.73)	$ .21
Dividends per common share	$ -	$ -	$ -
Weighted average shares outstanding (000):			
Basic	80,578	80,235	79,520
Diluted	80,578	80,235	79,523

(1) Prepared on a "going concern" basis. See Notes 1 and 2 of Notes to Consolidated Financial Statements for a discussion of the possible impact of the Cases.
(2) Earnings (loss) per share may not be meaningful because, as a part of a plan of reorganization, it is likely that the interests of the Company's existing stockholders will be diluted or cancelled.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information, as of March 28, 2003, with respect to the executive officers and directors of the Company and KACC. All officers and directors hold office until their respective successors are elected and qualified or until their earlier death, resignation or removal.

NAME	POSITIONS AND OFFICES WITH THE COMPANY AN
Jack A. Hockema	President, Chief Executive Officer and Director
Joseph A. Bonn	Executive Vice President, Corporate Development
John T. La Duc	Executive Vice President and Chief Financial Officer
John Barneson	Senior Vice President and Chief Administrative Office
Kris S. Vasan	Senior Vice President, Strategic Risk Management
Edward F. Houff	Vice President, Secretary and General Counsel
Edward A. Kaplan	Vice President of Taxes
W. Scott Lamb	Vice President, Investor Relations and Corporate Comm
Daniel D. Maddox	Vice President and Controller
Daniel J. Rinkenberger	Vice President of Economic Analysis and Planning
Kerry A. Shiba	Vice President and Treasurer
Robert J. Cruikshank	Director
James T. Hackett	Director
George T. Haymaker, Jr.	Chairman of the Board and Director
Charles E. Hurwitz	Director
Ezra G. Levin	Director
John D. Roach	Director

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* All named individuals hold the same positions and offices with both the Company and KACC.

Jack A. Hockema. Mr. Hockema, age 56, was elected to the position of President and Chief Executive Officer and as a director of the Company and KACC in October 2001. He previously served as Executive Vice President and President of Kaiser Fabricated Products of KACC from January 2000 until October 2001, and Executive Vice President of the Company from May 2000 until October 2001. He served as Vice President of the Company from May 1997 until May 2000. Mr. Hockema was Vice President of KACC and President of Kaiser Engineered Products from March 1997 until January 2000. He served as President of Kaiser Extruded Products and Engineered Components from September 1996 to March 1997. Mr. Hockema served as a consultant to KACC and acting President of Kaiser Engineered Components from September 1995 until September 1996. Mr. Hockema was an employee of KACC from 1977 to 1982, working at KACC's Trentwood facility, and serving as plant manager of its former Union City, California, can plant and as operations manager for Kaiser Extruded Products. In 1982, Mr. Hockema left KACC to become Vice President and General Manager of Bohn Extruded Products, a division of Gulf+Western, and later served as Group Vice President of American Brass Specialty Products until June 1992. From June 1992 until September 1996, Mr. Hockema provided consulting and investment advisory services to individuals and companies in the metals industry.

Joseph A. Bonn. Mr. Bonn, age 59, was elected to the position of Executive Vice President, Corporate Development of the Company and KACC effective August 2001. He previously served as Vice President, Commodities Marketing, Corporate Planning and Development of the Company from May 2000 through August 2001, and of KACC from September 1999 through August 2001. He served as Vice President, Planning and Development of KACC from March 1997 through September 1999, and as Vice President of the Company from May 1997 through May 2000. He served as Vice President, Planning and Administration of the Company from February 1992 through

May 1997, and of KACC from July 1989 through July 1997. Mr. Bonn was first elected a Vice President of KACC in April 1987. He served as Senior Vice President--Administration of MAXXAM from September 1991 through December 1992. He was also KACC's Director of Strategic Planning from April 1987 until July 1989. From September 1982 to April 1987, Mr. Bonn served as General Manager of various aluminum fabricating divisions of KACC.

John T. La Duc. Mr. La Duc, age 60, was elected Executive Vice President and Chief Financial Officer of the Company effective September 1998, and of KACC effective July 1998. Mr. La Duc served as Vice President and Chief Financial Officer of the Company from June 1989 and May 1990, and was Treasurer of the Company from August 1995 until February 1996 and from January 1993 until April 1993. He also was Treasurer of KACC from June 1995 until February 1996, and served as Vice President and Chief Financial Officer of KACC from June 1989 and January 1990, respectively. He previously served as Senior Vice President of MAXXAM from September 1990 through December 2001. Prior to December 2001, Mr. La Duc also served as a Vice President and a director of MAXXAM Group Holdings Inc., a wholly owned subsidiary of MAXXAM and parent of MAXXAM's forest products operations ("MGHI"), as a Vice President and manager on the Board of Managers of Scotia Pacific Company LLC ("Scopac LLC"), a wholly owned subsidiary of MAXXAM engaged in forest product operations and successor by merger in July 1998 to Scotia Pacific Holding Company, and as a director and Vice President of The Pacific Lumber Company, the parent of Scopac LLC ("Pacific Lumber").

John Barneson. Mr. Barneson, age 52, was elected to the position of Senior Vice President and Chief Administrative Officer of the Company and KACC effective August 2001. He previously served as Vice President and Chief Administrative Officer of the Company and KACC from December 1999 through August 2001. He served as Engineered Products Vice President of Business Development and Planning from September 1997 until December 1999. Mr. Barneson served as Flat-Rolled Products Vice President of Business Development and Planning from April 1996 until September 1997. Mr. Barneson has been an employee of KACC since September 1975 and has held a number of staff and operation management positions within the Flat-Rolled and Engineered Products business units.

Kris S. Vasan. Mr. Vasan, age 53, was elected to the position of Senior Vice President, Strategic Risk Management of the Company and KACC effective August 2001. In March 2002, he also was appointed Senior Vice President of Strategic Planning, Energy and Hedging of KACC's Commodities business unit. Mr. Vasan previously served as Vice President, Strategic Risk Management of KACC from June 2000 through August 2001, and of the Company from August 2000 through August 2001. He served as Vice President, Financial Risk Management of KACC from June 1995 through June 2000. Mr. Vasan served as Treasurer of the Company from April 1993 until August 1995, and as Treasurer of KACC from April 1993 until June 1995. Prior to that, Mr. Vasan served the Company and KACC as Corporate Director of Financial Planning and Analysis from June 1990 until April 1993. From October 1987 until June 1990, he served as Associate Director of Financial Planning and Analysis.

Edward F. Houff. Mr. Houff, age 56, was elected to the position of Vice President and General Counsel of the Company and KACC effective April 2002. He was elected Secretary of the Company and KACC effective October 15, 2002. He served as Acting General Counsel of the Company and KACC from February 2002 until April 2002, and Deputy General Counsel for Litigation of the Company and KACC from October 2001 until February 2002. Mr. Houff was President and Managing Shareholder of the law firm Church & Houff, P.A. in Baltimore, Maryland from April 1989 through September 2001.

Edward A. Kaplan. Mr. Kaplan, age 44, was elected to the position of Vice President of Taxes of the Company and KACC effective March 2001. Mr. Kaplan previously served as Director of Taxes of the Company and KACC from October 1999 through February 2001. From July 1997 to September 1999, he served as Director of Tax Planning of the Company and KACC, and from January 1995 through June 1997, he served as Associate Director of Tax Planning of the Company and KACC.

W. Scott Lamb. Mr. Lamb, age 48, was elected Vice President, Investor Relations and Corporate Communications of the Company effective September 1998, and of KACC effective July 1998. Mr. Lamb previously served as Director of Investor Relations and Corporate Communications of the Company and KACC from June 1997 through July 1998. From July 1995 through June 1997, he served as Director of Investor Relations of the Company and KACC, and from January 1995 through July 1995, he served as Director of Public Relations of the Company and KACC.

Daniel D. Maddox. Mr. Maddox, age 43, was elected to the position of Vice President and Controller of the Company effective September 1998, and of KACC effective July 1998. He served as Controller, Corporate Consolidation and Reporting of the Company and KACC from October 1997 through September 1998 and July 1998, respectively. Mr. Maddox previously served as Assistant Corporate Controller of the Company from May 1997 to September 1997, and of KACC from June 1997 to September 1997, and Director--External Reporting of KACC from June 1996 to May 1997. Mr. Maddox was with Arthur Andersen LLP from 1982 until joining KACC in June 1996.

Daniel J. Rinkenberger. Mr. Rinkenberger, age 44, was elected to the position of Vice President of Economic Analysis and Planning of the Company and KACC effective February 2002. Mr. Rinkenberger previously served as Vice President, Planning and Business Development of Kaiser Fabricated Products of KACC from June 2000 through February 2002. Prior to that, he served as Vice President, Finance and Business Planning of Kaiser Flat-Rolled Products of KACC from February 1998 to February 2000, and as Assistant Treasurer of the Company and KACC from January 1995 through February 1998.

Kerry A. Shiba. Mr. Shiba, age 48, was elected to the position of Vice President and Treasurer of the Company and KACC effective February 2002. Mr. Shiba previously served as Vice President, Controller and Information Technology of Kaiser Fabricated Products of KACC from January 2000 to February 2002, and as Vice President and Controller of Kaiser Engineered Products of KACC from June 1998 through January 2000. Prior to joining the Company, Mr. Shiba was with the BF Goodrich Company for 16 years, holding various financial positions.

Robert J. Cruikshank. Mr. Cruikshank, age 72, has served as a director of the Company and KACC since January 1994. In addition, Mr. Cruikshank has been a director of MAXXAM since May 1993. Mr. Cruikshank was a Senior Partner in the international public accounting firm of Deloitte & Touche from December 1989 until his retirement in March 1993. Mr. Cruikshank served on the board of directors of Deloitte Haskins & Sells from 1981 to 1985 and as Managing Partner of the Houston office from June 1974 until its merger with Touche Ross & Co. in December 1989. Mr. Cruikshank also serves as a director of CenterPoint Energy, Inc. (formerly Reliant Energy Incorporated), a public utility holding company with interests in electric and natural gas utilities, coal and transportation businesses; a director of Texas Biotechnology Incorporated; a trust manager of Weingarten Realty Investors; and as advisory director of Compass Bank--Houston.

James T. Hackett. Mr. Hackett, age 49, has been a director of the Company since May 2000, and of KACC since June 2000. Since January 2000, Mr. Hackett has been Chairman, President and Chief Executive Officer of Ocean Energy, Inc., a company engaged in oil and natural gas exploration and production worldwide. From 1990 through 1995, Mr. Hackett worked for NGC Corporation, now known as Dynegy, Inc., serving as Senior Vice President and President of the Trident Division in 1995. From January 1996 until June 1997, Mr. Hackett served as Executive Vice President of PanEnergy Corporation and was responsible for integrated international energy development, domestic power operations, and various corporate staff functions. PanEnergy Corporation merged with Duke Energy Corporation in June 1997. From June 1997 until September 1998, Mr. Hackett served as President-Energy Services Group of Duke Energy Corporation, and was responsible for the non-regulated operations of Duke Energy, including energy trading, risk management, and international midstream energy infrastructure development and engineering services. From September 1998 through December 1998, Mr. Hackett was Chief Executive Officer of Seagull Energy Corporation, which was engaged primarily in exploration and production of oil and natural gas. From January 1999 through March 1999, Mr. Hackett assumed the additional title of

Chairman of Seagull Energy Corporation, and when Seagull Energy Corporation merged with Ocean Energy, Inc. in March 1999, he was appointed President and Chief Executive Officer of Ocean Energy, Inc. Mr. Hackett also serves as a director of Fluor Corporation, a worldwide engineering services company; New Jersey Resources Corporation, a holding company engaged in retail and wholesale energy services; and Temple Inland Inc., a holding company engaged in wood, pulp, paper and fiber products, and financial services.

George T. Haymaker, Jr. Mr. Haymaker, age 65, has been a director of the Company since May 1993, and of KACC since June 1993. He was named as non-executive Chairman of the Board of the Company and KACC effective October 2001. Mr. Haymaker served as Chairman of the Board and Chief Executive Officer of the Company and KACC from January 1994 until January 2000, and as non-executive Chairman of the Board of the Company and KACC from January 2000 through May 2001. He served as President of the Company from May 1996 through July 1997, and of KACC from June 1996 through July 1997. From May 1993 to December 1993, Mr. Haymaker served as President and Chief Operating Officer of the Company and KACC. Mr. Haymaker also is a director of 360networks Corporation, a provider of broadband network services; Flowserve Corporation, a provider of valves, pumps and seals; a director of CII Carbon, LLC., a producer of calcined coke; and non-executive Chairman of the Board of Directors of Safelite Glass Corp., a provider of automotive replacement glass. Since July 1987, Mr. Haymaker has been a director, and from February 1992 through March 1993 was President, of Mid-America Holdings, Ltd. (formerly Metalmark Corporation), which is in the business of semi-fabrication of aluminum extrusions.

Charles E. Hurwitz. Mr. Hurwitz, age 62, has served as a director of the Company since October 1988, and of KACC since November 1988. From December 1994 until April 2002, he served as Vice Chairman of KACC. Mr. Hurwitz also has served as a member of the Board of Directors and the Executive Committee of MAXXAM since August 1978 and was elected Chairman of the Board and Chief Executive Officer of MAXXAM in March 1980. From January 1993 to January 1998, he also served MAXXAM as President. Mr. Hurwitz was Chairman of the Board and Chief Executive Officer of Federated Development Company, a Texas corporation, from January 1974 until its merger in February 2002 into Federated Development, LLC ("FDLLC"), a wholly owned subsidiary of Giddeon Holdings, Inc. ("Giddeon Holdings"). Mr. Hurwitz is the President and Director of Giddeon Holdings, a principal stockholder of MAXXAM, which is primarily engaged in the management of investments. Mr. Hurwitz also has been, since its formation in November 1996, Chairman of the Board, President and Chief Executive Officer of MGHI.

Ezra G. Levin. Mr. Levin, age 69, has been a director of the Company since July 1991. He has been a director of KACC since November 1988, and a director of MAXXAM since May 1978. Mr. Levin also served as a director of the Company from April 1988 to May 1990. Mr. Levin has served as a director of Pacific Lumber since February 1993, and as a manager on the Board of Managers of Scopac LLC since June 1998. Mr. Levin is a member of the law firm of Kramer Levin Naftalis & Frankel LLP. He has held leadership roles in various legal and philanthropic capacities and also has served as visiting professor at the University of Wisconsin Law School and Columbia College.

John D. Roach. Mr. Roach, age 59, has been a director of the Company and KACC since April 30, 2002. Since August 2001, Mr. Roach has been the Chairman and Chief Executive Officer of Stonegate International, Inc., a private investment and advisory services firm. From March 1998 to September 2001, Mr. Roach was the Chairman, President and Chief Executive Officer of Builders FirstSource, Inc., a distributor of building products to production homebuilders. From July 1991 to July 1997, Mr. Roach served as Chairman, President and Chief Executive Officer of Fibreboard Corporation. From 1988 to July 1991, he was Executive Vice President of Manville Corporation. Mr. Roach also serves as a director of Material Sciences Corp., a provider of materials-based solutions; PMI Group, Inc., a provider of credit enhancement products and lender services; and URS Corporation, an engineering firm. He also is a director of the Dallas Symphony Association.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of the copies of the Forms 3, 4 and 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year, and written representations from reporting persons that no other Forms 5 were required, the Company believes that all filing requirements that were applicable to its officers, directors and greater than 10% beneficial owners were complied with.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

Although certain plans or programs in which executive officers of the Company participate are jointly sponsored by the Company and KACC, executive officers of the Company generally are directly employed and compensated by KACC. The following table sets forth compensation information, cash and non-cash, for each of the Company's last three completed fiscal years with respect to the Company's Chief Executive Officer during 2002 and the four most highly compensated executive officers other than the Chief Executive Officer for the year 2002 (collectively referred to as the "Named Executive Officers").

		ANNUAL COMPENSATION		
(A)	(B)	(C)	(D)	(E)
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)(1)
Jack A. Hockema	2002	730,000	-0-	-
President and Chief	2001	455,390	159,135	-
Executive Officer	2000	315,000	250,000	-
Edward F. Houff(7)	2002	400,000	125,000	-
Vice President, Secretary	2001	100,000	62,500	-
and General Counsel				
John T. La Duc	2002	400,592	-0-	-
Executive Vice President	2001	387,393	171,000	-
and Chief Financial	2000	372,493	435,000	-
Officer				
Harvey L. Perry(7)	2002	375,000	-0-	-
Former Executive Vice	2001	137,500	87,500	-
President and President				
Global Commodities				
Joseph A. Bonn	2002	333,333	-0-	-
Executive Vice President,	2001	322,350	126,464	-
Corporate Development	2000	296,250	290,716	-

	LONG-TERM COMPENSATION			
	AWARDS		PAYOUTS	
(A)	(F)	(G)	(H)	(I)
NAME AND PRINCIPAL POSITION	RESTRICTED STOCK AWARD(S) ($)	SECURITIES UNDERLYING OPTIONS/ SARS #	LTIP PAYOUTS ($)(2)	ALL OTHER COMPENSATION ($)
Jack A. Hockema	116,495(3)	-0-	236,200(4)	346,750(5)(6)
President and Chief	467,104(3)	375,770	887,600(4)	22,770(6)
Executive Officer	-0-	28,184	235,600(4)	15,750(6)
Edward F. Houff(7)	-0-	-0-	-0-	168,909(5)(6)(8)
Vice President, Secretary	524,573(9)	222,772	-0-	2,865(8)
and General Counsel				
John T. La Duc	-0-	-0-	-0-	189,958(5)(6)
Executive Vice President	-0-(10)	-0-	4,628(11)	19,370(6)
and Chief Financial	-0-	-0-	59,065(12)	18,625(6)
Officer				
Harvey L. Perry(7)	-0-	-0-	-0-	184,849(5)(6)(8)
Former Executive Vice	89,867(9)	31,809	-0-	-0-
President and President				
Global Commodities				
Joseph A. Bonn	-0-	-0-	-0-	158,060(5)(6)
Executive Vice President,	-0-(10)	-0-	148,829(11)	16,118(6)
Corporate Development	-0-	-0-	44,747(12)	164,813(6)(8)

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(1) Excludes perquisites and other personal benefits, which in the aggregate amount do not exceed the lesser of either $50,000 or 10% of the total of annual salary and bonus reported for the Named Executive Officer.

(2) Amounts reflect the value of payments actually received during the year indicated in connection with awards under the Company's long-term incentive plan. The value of shares included in column (h) was determined by multiplying the number of shares paid by the average of the high and low market price of a share of Company Common Stock on the New York Stock Exchange on the date of payment.

(3) As part of his annual long-term incentive, effective as of June 28, 2001, Mr. Hockema was granted 53,552 restricted shares of Company Common Stock, vesting at the rate of 33 1/3% per year, beginning on December 31, 2001. In connection with Mr. Hockema's promotion to President and Chief Executive Officer, he also was granted 146,448 restricted shares of Company Common Stock effective as of October 31, 2001, and 95,488 restricted shares of Company Common Stock effective as of January 25, 2002, each such grant vesting at the rate of 33 1/3% per year, beginning October 11, 2002. The restrictions on 33 1/3% of the shares granted to Mr. Hockema in June 2001 lapsed and the shares vested on December 31, 2001. Prior to the scheduled vesting dates, Mr. Hockema elected to cancel all of

his restricted shares of Company Common Stock otherwise scheduled to vest during 2002. Vesting of Mr. Hockema's remaining restricted shares is subject to his being an employee of the Company, KACC or an affiliate or subsidiary of the Company or KACC as of the applicable vesting date. Vesting may be accelerated under certain circumstances. Any dividends payable on the shares prior to the lapse of the restrictions are payable to Mr. Hockema. The above table includes, for the respective year, the value of the restricted shares granted to Mr. Hockema in 2001 and 2002, in each case determined by multiplying the number of shares in the grant by the closing market price of a share of Company Common Stock on the New York Stock Exchange on the effective date of the grant. As of December 31, 2002, Mr. Hockema owned 196,991 restricted shares of Company Common Stock valued at $11,425, based on the closing price on the OTC Bulletin Board of $0.058 per share.

(4) Amounts reflect the cash awards actually received by Mr. Hockema during the year indicated under the Company's long-term incentive plan for the rolling three-year performance periods 1997-1999, 1998-2000, and 1999-2001. In each case, such awards were paid in the year immediately following the end of the applicable three-year performance period. Mr. Hockema's award for the performance period 1997-1999 was paid in cash during 2000 pursuant to the terms of his employment agreement. Mr. Hockema's 1998-2000 award includes a special "growing the business" bonus for the period 1999-2000 in the amount of $601,200.

(5) Includes retention payments made during 2002 under KACC's key employee retention plans in the amount of $346,750 for Mr. Hockema, $160,000 for Mr. Houff, $189,958 for Mr. La Duc, $178,125 for Mr. Perry, and $158,060 for Mr. Bonn. In addition to such retention amounts, Messrs. Hockema, Houff, La Duc and Bonn may in the future receive up to $273,750, $150,000, $152,063 and $126,525, respectively, of additional retention payments with respect to the year 2002, which pursuant to the terms of the Kaiser Aluminum & Chemical Corporation Key Employee Retention Plan, have been withheld by KACC and for which payment is subject to, among other conditions, KACC's emergence from chapter 11 and the timing thereof. For additional information, see discussion under "Employment Contracts, Retention Plan and Agreements and Termination of Employment and Change-in-Control Arrangements - Kaiser Retention Plan and Agreements" below.

(6) Includes contributions by KACC of $22,770 and $15,750 for Mr. Hockema, $19,370 and $18,625 for Mr. La Duc, and $16,118 and $14,813 for Mr. Bonn under KACC's Supplemental Savings and Retirement Plan and Supplemental Benefits Plan for 2001 and 2000, respectively. KACC did not contribute any amounts under such plans for the Named Executive Officers for 2002.

(7) Messrs. Houff and Perry became employees of KACC during 2001. Accordingly, no compensation is reflected for either of them in the Summary Compensation Table for the year 2000. Mr. Perry voluntarily terminated his employment with KACC as of January 31, 2003.

(8) Includes moving-related items of $8,909 and $2,685 for Mr. Houff for 2002 and 2001, respectively, $6,724 for Mr. Perry for 2002, and $150,000 for Mr. Bonn for 2000.

(9) Effective as of October 9, 2001, Mr. Houff was granted 171,429 restricted shares of Company Common Stock, vesting at the rate of 33 1/3% per year, beginning on October 1, 2002. Effective as of August 27, 2001, Mr. Perry was granted 24,621 restricted shares of Company Common Stock, vesting at the rate of 33 1/3% per year, beginning on August 1, 2002. Prior to the scheduled vesting dates, Messrs. Houff and Perry each elected to cancel all of their respective restricted shares of Company Common Stock otherwise scheduled to vest during 2002. In accordance with the terms of Mr. Perry's Restricted Stock Agreement, the balance of his restricted shares were cancelled as of January 31, 2003, in connection with his resignation. Vesting of Mr. Houff's remaining restricted shares is subject to his being an employee of the Company, KACC or an affiliate or subsidiary of the Company or KACC as of the applicable vesting dates. Vesting may be accelerated under certain circumstances. Any dividends payable on the shares prior to the lapse of the restrictions are payable to Mr. Houff. The above table includes for the year 2001 the value of the restricted shares granted to Messrs. Houff and Perry, in each case

determined by multiplying the number of shares in the grant by the closing market price of a share of Company Common Stock on the New York Stock Exchange on the effective date of the grant. As of December 31, 2002, Messrs. Houff and Perry owned 114,286 and 16,414 restricted shares of Company Common Stock, respectively, valued at $6,629 and $952, respectively, based on the closing price on the OTC Bulletin Board of $0.058 per share.

(10) In April 2001, the Company and KACC made an offer to current employees and directors to exchange their outstanding options to acquire shares of the Company's Common Stock for restricted shares of Company Common Stock (the "Exchange Offer"), vesting at the rate of 33 1/3% per year beginning March 5, 2002. Pursuant to the Exchange Offer, Mr. La Duc exchanged approximately 51% (i.e., options to purchase 243,575 shares) of his then outstanding options to acquire Company Common Stock for 34,511 restricted shares of Company Common Stock, and Mr. Bonn exchanged all of his then outstanding options (i.e., options to purchase 171,690 shares) to acquire Company Common Stock for 91,133 restricted shares of Company Common Stock. Prior to the March 2002 and March 2003 vesting dates, Messrs. La Duc and Bonn elected to cancel all of their respective restricted shares otherwise scheduled to vest on such dates. Vesting of Messrs. La Duc's and Bonn's respective remaining restricted shares is subject to their being an employee of the Company, KACC or an affiliate or subsidiary of the Company or KACC as of the applicable vesting dates. Vesting may be accelerated under certain circumstances. Any dividends payable on the shares prior to the lapse of the restrictions are payable to Messrs. La Duc and Bonn. The restricted shares issued to Messrs. La Duc and Bonn in connection with the Exchange Offer are not reflected in the above table. As of December 31, 2002, Messrs. La Duc and Bonn owned 158,822 and 84,703 restricted shares of Company Common Stock, respectively, valued at $9,212 and $4,913, respectively, based on the closing price on the OTC Bulletin Board of $0.058 per share.

(11) Amounts reflect the value of shares of Company Common Stock actually received in 2001 under the Company's long-term incentive plan for the rolling three-year performance period 1997-1999. For Mr. Bonn, the amount also reflects the cash award actually received by him in 2001for the rolling three-year performance period 1998-2000. The awards for the 1997-1999 performance period generally were paid in two equal installments, with the first during the year following the end of the three-year performance period and the second during the next following year. Such awards generally were made entirely in shares of Company Common Stock (based on the average closing price of the Company's Common Stock during the last December of such performance period for one-half of the award and on a target price of $15.00 per share for the other half).

(12) Amounts reflect the value of payments actually received in 2000 under the Company's long-term incentive plan for the rolling three-year performance periods 1996-1998 and 1997-1999. The awards for the 1996-1998 period generally were paid in two equal installments, with the first paid during the year following the end of the three-year performance period and the second during the next following year. Such awards generally were made 57% in shares of Company Common Stock (based on the average closing price of the Company's Common Stock during the last December of each performance period) and 43% in cash. See Note 11 above for information with respect to the awards for the 1997-1999 performance period.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

The Company did not issue any stock options or SARs during the year 2002.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

The table below provides information on an aggregated basis concerning each exercise of stock options during the fiscal year ended December 31, 2002, by each of the Company's Named Executive Officers, and the 2002 fiscal year-end value of unexercised options. During 2002, the Company did not have any SARs outstanding.

(A)	(B)	(C)	(D)	
			NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR END (#)	
NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	EXERCISABLE	UNEXERCISABLE
Jack A. Hockema	-0-	-0-	148,473(1)	255,481(1)
Edward F. Houff	-0-	-0-	74,258(1)	148,514(1)
John T. La Duc	-0-	-0-	234,375(1)	-0-
Harvey L. Perry	-0-	-0-	10,103(1)	21,206(1)

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(1) Represents shares of Company Common Stock underlying stock options.
(2) No value is shown because the exercise price is higher than the closing price of $0.058 per share of the Company's Common Stock on the OTC Bulletin Board on December 31, 2002.

LONG-TERM INCENTIVE PLAN AWARDS TABLE

During 2002, the Company adopted, and the Court approved as part of the Kaiser Employee Retention Program discussed below, a new cash-based long-term incentive program under which participants became eligible to receive an award based on the attainment by the Company of sustained cost reductions above a stipulated threshold for the period 2002 through emergence from chapter 11. The following table and accompanying footnotes further describe the awards made in 2002 to the Named Executive Officers under such program.

			ESTIMATED FU UNDER NON-STOCK	
(A)	(B)	(C)	(D)	(E
NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS	PERFORMANCE OR OTHER PERIODS UNTIL MATURATION OR PAYOUT	THRESHOLD	TAR
Jack A. Hockema	N/A	(1)	(2)	$1,500
Edward F. Houff	N/A	(1)	(2)	300,0
John T. La Duc	N/A	(1)	(2)	523,0
Harvey L. Perry	N/A	(1)	(2)	575,0
Joseph A. Bonn	N/A	(1)	(2)	338,0

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(1) Any awards earned under the program shall be payable in two equal installments - the first on the date that the Company emerges from bankruptcy and the second on the one year anniversary of such date. Any awards earned under the program are forfeited if the participant voluntarily terminates his or her employment (other than at normal retirement) or is terminated for cause prior to the scheduled payment date.
(2) The amount, if any, that may be paid under the program shall not be determinable until the end of the performance period. Based on performance

during 2002, assuming that (i) the cost reductions made in 2002 are maintained, (ii) no additional cost savings are attained during the balance of the performance period, and (iii) there are no changes to the participants in the program or in the amount of any participant's award based on individual performance, Messrs. Hockema, Houff, La Duc and Bonn would receive a total of approximately $300,000, $60,000, $104,600, and $67,600, respectively under the program, subject to the conditions of payment described in Note 2 above. Because Mr. Perry voluntarily terminated his employment with the Company in January 2003, he will not be entitled to any payment under the program. The maximum award that may be earned by any participant will not exceed three times his or her target.

DEFINED BENEFIT PLANS

Kaiser Retirement Plan. KACC maintains a qualified, defined-benefit retirement plan (the "Kaiser Retirement Plan") for salaried employees of KACC and co-sponsoring subsidiaries who meet certain eligibility requirements. The table below shows estimated annual retirement benefits payable under the terms of the Kaiser Retirement Plan to participants with the indicated years of credited service. These benefits are reflected without reduction for the limitations imposed by the Internal Revenue Code of 1986, as amended (the "Tax Code") on qualified plans and before adjustment for the Social Security offset, thereby reflecting aggregate benefits to be received, subject to Social Security offsets, under the Kaiser Retirement Plan and the Kaiser Supplemental Benefits Plan (as defined below).

AVERAGE ANNUAL REMUNERATION	YEARS OF SERVICE				
	15	20	25	30	3
$ 250,000	$ 56,250	$ 75,000	$ 93,750	$ 112,500	$ 131
350,000	78,750	105,000	131,250	157,500	183
450,000	101,250	135,000	168,750	202,500	236
550,000	123,750	165,000	206,250	247,500	288
650,000	146,250	195,000	243,750	292,500	341
750,000	168,750	225,000	281,250	337,500	393
850,000	191,250	255,000	318,750	382,500	446
950,000	213,750	285,000	356,250	427,500	498
1,050,000	236,250	315,000	393,750	472,500	551

The estimated annual retirement benefits shown are based upon the assumptions that current Kaiser Retirement Plan and Kaiser Supplemental Benefits Plan provisions remain in effect, that the participant retires at age 65, and that the retiree receives payments based on a straight-life annuity for his lifetime. Messrs. Hockema, Houff, La Duc, Perry and Bonn had 10.9, 1.25, 33.3, 1.42 and 35.5 years of credited service, respectively, on December 31, 2002. Monthly retirement benefits, except for certain minimum benefits, are determined by multiplying years of credited service (not in excess of 40) by the difference between 1.50% of average monthly compensation for the highest base period (of 36, 48 or 60 consecutive months, depending upon compensation level) in the last 10 years of employment and 1.25% of monthly primary Social Security benefits. Pension compensation covered by the Kaiser Retirement Plan and the Kaiser Supplemental Benefits Plan consists of salary and bonus amounts set forth in the Summary Compensation Table (column (c) plus column (d) thereof).

Participants are entitled to retire and receive pension benefits, unreduced for age, upon reaching age 62 or after 30 years of credited service. Full early pension benefits (without adjustment for Social Security offset prior to age 62) are payable to participants who are at least 55 years of age and have completed 10 or more years of pension service (or whose age and years of pension service total 70) and who have been terminated by KACC or an affiliate for reasons of job elimination or partial disability. Participants electing to retire prior to age 62 who are at least 55 years of age and who have completed 10 or more years of pension service (or whose age and years of pension service total at least 70) may receive pension benefits, unreduced for age, payable at age 62 or reduced benefits payable earlier. Participants who terminate their employment after five years or more of pension service, or after age 55 but prior to age 62, are entitled to pension benefits, unreduced for age, commencing at age 62 or, if they have completed 10 or more years of pension service, actuarially reduced benefits payable earlier. For participants with five or more years of pension service or who have reached age 55 and who die, the Kaiser Retirement Plan provides a pension to their eligible surviving spouses. Upon retirement, participants may elect among several payment alternatives including, for most types of retirement, a lump-sum payment. Because of a liquidity shortfall under the funding provisions of the Tax Code, lump-sum payments for retirements after 2002 have been suspended.

Kaiser Supplemental Benefits Plan. KACC maintains an unfunded, non-qualified Supplemental Benefits Plan (the "Kaiser Supplemental Benefits Plan"), the purpose of which is to restore benefits that would otherwise be paid from the Kaiser Retirement Plan or the Supplemental Savings and Retirement Plan, a qualified Section 401(k) plan (the "Kaiser Savings Plan"), were it not for the Section 401(a)(17) and Section 415 limitations imposed by the Tax Code. Participation in the Kaiser Supplemental Benefits Plan includes all employees of KACC and its subsidiaries whose benefits under the Kaiser Retirement Plan and Kaiser Savings Plan are likely to be affected by such limitations imposed by the Tax Code. Eligible participants are entitled to receive the equivalent of the Kaiser Retirement Plan and Kaiser Savings Plan benefits that they may be prevented from receiving under those plans because of such Tax Code limitations.

Pursuant to the Kaiser Key Employee Retention Program discussed below, payments under the Kaiser Supplemental Benefits Plan may be made only to participants (including Messrs. Hockema and Houff) whose voluntary termination of employment with KACC does not occur until after KACC emerges from bankruptcy (other than normal retirement at age 62), and Messrs. Bonn and La Duc if their retirement occurs on or after February 12, 2004. See "Employment Contracts, Retention Plan and Agreements and Termination of Employment and Change-in-Control Arrangements - Kaiser Retention Plan and Agreements" below for a discussion of the trust created and funded by the Company and KACC to pay Messrs. Bonn and La Duc their benefits under the Kaiser Supplemental Benefits Plan under certain conditions. Any claims by participants with respect to amounts not paid under the Kaiser Supplemental Benefits Plan will be resolved in the overall context of a plan of reorganization.

Kaiser Termination Payment Policy. Most full-time salaried employees of KACC are eligible for benefits under an unfunded termination policy if their employment is involuntarily terminated, subject to a number of exclusions. The policy provides for lump-sum payments after termination ranging from one-half month's salary for less than one year of service graduating to eight months' salary for 30 or more years of service. As a result of the filing of the Cases, payments under the policy in respect of periods prior to the Filing Date generally cannot be made by KACC. Any claims for such pre-petition amounts will be resolved in the overall context of a plan of reorganization. The Named Executive Officers and certain other participants in the Kaiser Key Employee Retention Plan waived their rights to any payments under the termination policy in connection with their participation in the Kaiser Key Employee Retention Plan.

DIRECTOR COMPENSATION

Each of the directors who is not an employee of the Company or KACC generally receives an annual base fee for services as a director. The base fee for the year 2002 was $50,000. Prior to May 2002, a portion of such fee was payable in the form of options to purchase Company Common Stock. Effective as of May 2002, the base fee was made payable entirely in cash. During 2002, in respect of base compensation, Messrs. Cruikshank, Hackett and Levin each received $43,334; Mr. Roach, who was elected to the Board of Directors in April 2002, received

$33,334; and Mr. Hurwitz, who began receiving compensation as a director as of October 1, 2002, received $12,500. Mr. Haymaker's compensation for 2002 was covered by a separate agreement with the Company and KACC, which is discussed below.

For the year 2002, non-employee directors of the Company and KACC who were directors of MAXXAM, also received director or committee fees from MAXXAM. In addition, the non-employee Chairman of each of the Company's and KACC's committees was paid a fee of $3,000 per year for services as Chairman. Effective as of February 2003, such fee was increased to $10,000 per year for the Chairman of the Audit Committees. All non-employee directors also generally received a fee of $1,500 per day per Board meeting attended in person, $1,500 per day per committee meeting held in person on a date other than a Board meeting, and $500 (increased to $1,500 effective as of May 2002) per formal telephonic meeting of the Board or a committee. In respect of 2002, Messrs. Cruikshank, Hackett, Hurwitz, Levin and Roach received an aggregate of $32,000, $30,000, $4,500, $35,500, and $20,500, respectively, in such fees from the Company and KACC in the form of cash payments. Each of Messrs. Cruikshank, Hackett and Levin also have a pre-petition claim against the Company and KACC for $500 with respect to 2002 meeting attendance fees.

Non-employee directors are eligible to participate in the Kaiser 1997 Omnibus Stock Incentive Plan (the "1997 Omnibus Plan"). During 2002, no awards were made to non-employee directors under such plan.

Directors are reimbursed for travel and other disbursements relating to Board and committee meetings, and non-employee directors are provided accident insurance in respect of Company-related business travel. Subject to the approval of the Chairman of the Board, directors also generally may be paid ad hoc fees in the amount of $750 per one-half day or $1,500 per day for services other than attending Board and committee meetings that require travel in excess of 100 miles. During 2002, Mr. Roach received $9,750 in such fees with respect to his services as Chairman of the Audit Committees and attendance at strategic planning meetings.

Effective January 2002, the Boards of Directors of the Company and KACC approved a supplemental compensation arrangement with Mr. Levin for certain advisory services to be provided to the President and the Boards of the Company and KACC. Any such supplemental compensation is payable at Mr. Levin's usual hourly rate as a member of Kramer Levin Naftalis & Frankel LLP, and would be in addition to amounts otherwise payable to Mr. Levin as a member of the Executive Committees of the Boards. No amounts were paid to Mr. Levin under this arrangement during 2002.

The Company and KACC have a deferred compensation program in which all non-employee directors are eligible to participate. By executing a deferred fee agreement, a non-employee director may defer all or part of the fees from the Company and KACC for services in such capacity for any calendar year. The deferred fees are credited to a book account and are deemed "invested," in 25% increments, in two investment choices: in phantom shares of Company Common Stock and/or in an account bearing interest calculated using one-twelfth of the sum of the prime rate plus 2% on the first day of each month. If deferred, fees, including all earnings credited to the book account, are paid in cash to the director or beneficiary as soon as practicable following the date the director ceases for any reason to be a member of the Board, either in a lump sum or in a specified number of annual installments not to exceed ten, at the director's election. With the exception of Mr. Haymaker, who deferred his fees in 2000 and 2001, no deferral elections have been made under this program. Mr. Haymaker revoked his deferral election effective January 1, 2002, for services rendered on or after that date.

Fees to directors who also are employees of KACC are deemed to be included in their salary. Directors of the Company were also directors of KACC and received the foregoing compensation for acting in both capacities.

On October 11, 2001, Mr. Haymaker, the Company and KACC entered into an agreement concerning the terms upon which he would serves as a director and non-executive Chairman of the Boards of the Company and KACC through December 31, 2002. Under the agreement, Mr. Haymaker provided consulting services to the Company and KACC, in addition to acting as a director. For the year 2002, Mr. Haymaker received base compensation under the agreement in the amount of $27,115 for services as a director, and $365,000 for services as non-executive Chairman of the Boards of the Company and KACC, inclusive of any Board and committee fees otherwise payable. Mr. Haymaker also has a pre-petition claim against the Company and KACC for an additional $2,885 with respect to 2002 base director compensation. No options to purchase shares of Company Common Stock were granted to Mr. Haymaker during 2002. Under the agreement, Mr. Haymaker would have been entitled to an incentive bonus of $105,000 upon the achievement of certain goals. Because of the chapter 11 filings by the Company and KACC, such goals were not attained and the incentive bonus was not paid.

On November 4, 2002, Mr. Haymaker, the Company and KACC entered into a new agreement concerning the terms upon which Mr. Haymaker would continue to serve as a director and non-executive Chairman of the Boards of the Company and KACC through December 31, 2003. For the year 2003, Mr. Haymaker's base compensation under the agreement will be $50,000 for services as a director and $73,000 for services as non-executive Chairman of the Boards of the Company and KACC, inclusive of any Board and committee fees otherwise payable. All compensation under the agreement is payable in cash. Mr. Haymaker may elect to defer receipt of the Director fee portion of the compensation in accordance with the deferred compensation program discussed above.

EMPLOYMENT CONTRACTS, RETENTION PLAN AND AGREEMENTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

Jack A. Hockema. Effective January 24, 2000, in connection with Mr. Hockema's election as Executive Vice President, and President of Kaiser Fabricated Products, the Section 162(m) Compensation Committee of the Board approved compensation arrangements for Mr. Hockema for 2000 and 2001 comprised of three components: base pay, short-term incentive and long-term incentive. The long-term incentive covered the period 2000-2002 and had two components. The first component had a target amount of $200,000, with any award under such component to be made based on that target amount and on the performance of the Engineered Products business unit for the period 2000-2002. The second component, which was valued at the time of grant at $135,000, was made during 2000 in the form of a grant of a stock option to purchase 28,184 shares of the Company's Common Stock at $6.0938 per share. The options generally were scheduled to vest at the rate of 33 1/3% per year, beginning on February 3, 2001, with an additional 33 1/3% vesting each February 3 thereafter until fully vested, provided that as of any such vesting date the Company's Common Stock had traded at $10.00 or more per share for at least 20 consecutive trading days during the option period. Such condition not having occurred, the options are scheduled to vest on the date such condition has been met or February 3, 2009, whichever is earlier. Vesting may be accelerated in certain circumstances. Mr. Hockema also would have qualified for a cash bonus of $500,000 in the event of the sale of a specified portion of the business units under his management on or before July 1, 2002. Such transaction did not occur and such bonus was not paid.

Effective October 9, 2001, in connection with Mr. Hockema's election as President and Chief Executive Officer, Mr. Hockema and KACC entered into an employment agreement for the period October 9, 2001 through December 31, 2002. Under the terms of the agreement, Mr. Hockema's compensation continued to be comprised of base pay, short-term incentive and long-term incentive. His base pay for 2002 was $730,000. His short-term incentive target for 2002 was $500,000, with payment to be from 50% to 300% of target based upon attainment of objectives established by the Board of Directors. Mr. Hockema did not receive any short-term incentive payment for 2002.

Mr. Hockema's long-term incentive bonus for the term of the agreement was valued at the time of grant at $1,500,000 and was composed one-half in the form of 241,936 restricted shares of Company Common Stock and one-half in the form of options to purchase 306,122 shares of Company Common Stock at $3.10 per share.

The options were granted as of October 11, 2001 and generally vest at the rate of 33 1/3% per year, beginning on October 11, 2002, with an additional 33 1/3% vesting on each October 11 thereafter until fully vested. Vesting of the options may be accelerated under certain circumstances. The restricted stock was granted in two awards, one for 146,448 shares issued effective October 31, 2001, and the second for 95,488 shares issued effective January 25, 2002. See Note 3 to the Summary Compensation Table above for additional information with respect to Mr. Hockema's restricted shares.

John T. La Duc. Effective January 1, 1998, Mr. La Duc and KACC entered into a five-year employment agreement, which expired December 31, 2002. Pursuant to the terms of the agreement, Mr. La Duc's base salary for 2002 was $400,592. During the term of the agreement, the amount was reviewed annually to evaluate Mr. La Duc's performance and to reflect adjustments for inflation consistent with the general program of increases for other executives and management employees. Mr. La Duc's agreement established an annual target bonus of $200,000 (subject to adjustment for inflation) payable upon KACC's achieving short-term objectives under its executive bonus plan, which were to be agreed upon annually and otherwise be consistent with KACC's business plan. Mr. La Duc did not receive any short-term incentive payment for 2002.

Pursuant to the terms of the agreement, in 1998 Mr. La Duc received a grant under the 1997 Omnibus Plan of options to purchase 468,750 shares of the Company's Common Stock at an exercise price of $9.3125 per share. This grant was intended to have a value at the date of grant equivalent to a value of five times Mr. La Duc's annual long-term incentive target of $465,000 and to be in lieu of any payment of long-term incentive compensation under KACC's executive bonus plan for the five-year period beginning January 1, 1998, although Mr. La Duc remained eligible for additional option grants. One-half of the options granted to Mr. La Duc under this agreement were among those exchanged by him for restricted shares of Company Common Stock in connection with the Exchange Offer. See Note 10 to the Summary Compensation Table above for additional information with respect to the Exchange Offer and Mr. La Duc's restricted shares.

Mr. La Duc's agreement provided that if his employment were to be terminated for any reason other than termination for cause, his acceptance of any offer of employment with an affiliate of KACC, or a voluntary termination by Mr. La Duc for other than good reason, or if Mr. La Duc's employment terminated by the expiration of the employment period under the agreement without an offer for continued employment by KACC for a position of responsibility comparable to that held by Mr. La Duc at the beginning of the employment period and on substantially the same or improved terms and conditions, then Mr. La Duc would be entitled to receive the following benefits: (A) an early retirement lump sum payment equal to the excess, if any, of the sum of (i) the lump sum benefit from the Kaiser Retirement Plan that Mr. La Duc would have been entitled to as of the date of his actual termination based upon the terms of the Kaiser Retirement Plan as in effect on January 1, 1998, and as if he qualified for a full early retirement pension, and (ii) the lump sum benefit from the Kaiser Supplemental Benefits Plan based upon the terms of that Plan as in effect on January 1, 1998, and as if he qualified for a Kaiser Retirement Plan full early retirement pension, over (iii) an amount equal to the lump sum actuarial equivalent of Mr. La Duc's actual benefit payable from the Kaiser Retirement Plan on account of his actual termination, plus the actual benefit payable from the Kaiser Supplemental Benefits Plan on account of his actual termination; (B) full health benefits as if Mr. La Duc had qualified for an early retirement pension; (C) a lump sum equal to Mr. La Duc's base salary as of the date of his termination for a period equal to the greater of (x) the number of months remaining in the employment period, or (y) two years, plus an amount equal to Mr. La Duc's target annual bonus for the year of termination (but no less than $200,000); and (D) all unvested stock options held by Mr. La Duc on the date of such termination that would have vested during his employment period would immediately vest and become exercisable in full for the remaining portion of the period of five years from the date of grant. The agreement also provided that in the event of a change in control, the terms and conditions of Mr. La Duc's agreement would continue in full force and effect during the period that he would continue to provide services; provided, in the event of a termination of his employment by

KACC other than for cause, or in the event Mr. La Duc would terminate his employment for any reason within twelve (12) months following a change in control, the foregoing benefits would become due and payable.

Edward F. Houff. Effective October 1, 2001, Mr. Houff and KACC entered into an employment agreement for the period October 1, 2001 through September 30, 2004. Under the terms of the agreement,. Mr. Houff's annual salary is $400,000. The agreement also provides for a guaranteed cash bonus of $125,000, plus an annual incentive bonus of up to $125,000.

Pursuant to the agreement, in 2001 Mr. Houff received a grant under the 1997 Omnibus Plan of options, valued at the time of grant at $450,000, to purchase 222,772 shares of Company Common Stock at an exercise price of $2.625 per share, plus 171,429 restricted shares of Company Common Stock, also valued at $450,000 at the time of grant. The options generally vest at the rate of 33 1/3% per year, beginning October 1, 2002, with an additional 33 1/3% vesting on each of October 2, 2003 and September 30, 2004. Vesting of the options may be accelerated under certain circumstances. See Note 9 to the Summary Compensation Table above for additional information with respect to Mr. Houff's restricted shares.

Mr. Houff's agreement provides that if his employment is terminated by KACC for any reason other than cause, death or disability, he shall be entitled to receive all of the remaining base salary and guaranteed bonus to the end of the term of the agreement, but in no event less than six month's base salary. The agreement also provides that if Mr. Houff's employment is not retained beyond the term of the agreement, he shall be entitled to six months' base salary as severance and up to $25,000 in relocation expenses. If Mr. Houff terminates his employment as a result of a breach by KACC of its contractual duties or KACC's material and unilateral alteration of his duties, the agreement provides that he shall be paid his base salary and guaranteed bonus for the balance of the agreement. If Mr. Houff's employment terminates as a result of death or disability, the agreement also provides that he or his estate, as applicable, shall receive any base salary, guaranteed bonus and unpaid vacation accrued through the date of death or disability and any other benefits payable under KACC's then existing benefit plans and policies. The foregoing severance arrangements are superseded by the terms of Mr. Houff's severance agreements discussed below.

Pursuant to the Code, as debtor-in-possession, KACC may have the right, subject to Court approval, to assume or reject Mr. Houff's employment agreement. See "Business--Reorganization Proceedings" for a discussion of assumption or rejection of executory contracts.

Kaiser Key Employee Retention Program. On September 3, 2002, the Court approved a Key Employee Retention Program, consisting of the long-term incentive program discussed above and the Kaiser Retention Plan, the Kaiser Severance Plan, and the Kaiser Change in Control Severance Program discussed below.

Kaiser Retention Plan and Agreements. Effective September 3, 2002, KACC adopted the Kaiser Aluminum & Chemical Corporation Key Employee Retention Plan (the "Retention Plan") and in connection therewith entered into retention agreements with certain key employees, including each of the Named Executive Officers. The Retention Plan replaced the Kaiser Aluminum & Chemical Corporation Retention Plan adopted on January 15, 2002 (the "Prior Plan"). As described below, each of Messrs. Hockema, Houff, La Duc, Bonn and Perry received a basic award under the Retention Plan and Messrs. La Duc and Bonn also received a special award under the Retention Plan.

Basic awards under the Retention Plan generally vest on September 30, 2002, March 31, 2003, September 30, 2003 and March 31, 2004, provided that if a participant's employment is terminated within 90 days following the payment of any award for any reason other than death, disability, retirement on or after age 62, or termination without cause (as defined in the Retention Plan), the participant must return such payment to KACC. For each of Messrs. Hockema, Houff, La Duc and Bonn (and prior to his resignation, Mr. Perry), the amount earned on each vesting date is equal to 62.5% of his base salary at the time of grant. If the Named Executive Officer is employed by KACC on a vesting date, 40% of the amount earned on such date is paid to him in a lump sum on such date. The remaining 60% of such amount (the "Withheld Amount") is paid to the Named Executive Officer as follows: (i) 33 1/3% of each Withheld Amount is paid to the Named Executive Officer in a lump sum on the date of KACC's emergence from bankruptcy if the Named Executive Officer is employed by KACC on that date, (ii) 33 1/3% of each Withheld Amount is paid to the Named Executive Officer in a lump sum on the first anniversary of the date of KACC's emergence from bankruptcy if the Named Executive Officer is employed by KACC on that date, and (iii) 33 1/3% of the remaining portion of each Withheld Amount (the "Emergence Amount") is only payable as follows: (A) 100% of the Emergence Amount is paid on the date of KACC's emergence from bankruptcy if the emergence occurs on or prior to August 12, 2004 and the Named Executive Officer is employed by KACC on that date, (B) 50% of the Emergence Amount is paid on the date of KACC's emergence from bankruptcy if the emergence occurs on or prior to August 12, 2005 but after August 12, 2004, and the Named Executive Officer is employed by KACC on that date (the remaining 50% of the Emergence Amount is forfeited by the Named Executive Officer to KACC), and (C) 100% of the Emergence Amount is forfeited by the Named Executive Officer to KACC if the date of KACC's emergence from bankruptcy occurs after August 12, 2005.

In general, if a Named Executive Officer's employment with KACC is terminated prior to any vesting date for any reason, the portion of the basic award that would have become vested and payable on such vesting date, all subsequent portions of the award, if any, that would have become payable following such vesting date and any Withheld Amounts are forfeited by the Named Executive Officer. However, if the Named Executive Officer's employment with KACC is terminated as a result of the Named Executive Officer's death, disability, retirement from KACC on or after age 62 or KACC's termination of the Named Executive Officer's employment without cause, the Named Executive Officer is entitled to receive (a) a prorated portion of the amount due on the vesting date immediately following the termination of employment, (b) all Withheld Amounts, and (c) the Emergence Amount, if such amount is earned based on the date of KACC's emergence from bankruptcy, as described above.

A portion of the basic awards under the Retention Plan vested and was paid on September 30, 2002. The amount paid pursuant to awards under the Retention Plan on September 30, 2002 to Messrs. Hockema, Houff, La Duc, Bonn and Perry was $182,500, $100,000, $101,375, $84,350, and $93,750, respectively. Mr. Perry resigned on January 31, 2003 and therefore will not be eligible for further payments under the Retention Plan. Assuming KACC's emergence from bankruptcy prior to August 12, 2004, the maximum amount that may be received in the future pursuant to the Retention Plan by Messrs. Hockema, Houff, La Duc and Bonn would be $1,642,500, $900,000, $912,375, and $759,150, respectively. In addition, awards under the Prior Plan were paid on January 15, 2002. The total amount paid to Messrs. Hockema, Houff, La Duc, Bonn and Perry under the Prior Plan was $164,250, $60,000, $88,583, $73,710, and $84,375, respectively.

In addition to the basic awards described above, Messrs. La Duc and Bonn received a special award under the Retention Plan. Because Messrs. La Duc and Bonn received this special award, neither is eligible to participate in the Kaiser Aluminum & Chemical Corporation Severance Plan and neither was eligible to enter into a Kaiser Aluminum & Chemical Corporation Change in Control Severance Agreement, as discussed below. Messrs. La Duc and Bonn also agreed to forego any claims under the Enhanced Severance Protection and Change in Control Benefits Program adopted in 2000, as discussed below. The special award entitles each of Messrs. La Duc and Bonn to a lump sum payment upon his termination of employment with KACC if his employment is terminated as a result of death, disability, retirement on or after February 12, 2004, or is terminated without cause. For each of Messrs. La Duc and Bonn, the amount of the special award is equal to his benefit under the Kaiser Supplemental Benefits Plan, discussed above. If Messr. La Duc's or Bonn's employment is terminated by KACC prior to February 14, 2004 for any reason other than death, disability, retirement or termination without cause, he will forfeit any benefit available under the Kaiser Supplemental Benefits Plan. In connection with the establishment of the

Prior Plan, the Company and KACC created and funded an irrevocable grantor trust for the purpose of paying the special awards to Messrs. La Duc and Bonn when due.

Kaiser Severance Plan and Agreements. Effective September 3, 2002, KACC adopted the Kaiser Aluminum & Chemical Corporation Severance Plan (the "Severance Plan") in order to provide selected executive officers, including Messrs. Hockema and Houff (and prior to his resignation, Mr. Perry), and other key employees of KACC with appropriate protection in the event of certain terminations of employment. The Severance Plan, along with the Kaiser Aluminum & Chemical Corporation Change in Control Severance Agreements described below, replaced for participants in such plans, the Enhanced Severance Protection and Change in Control Benefits Program implemented in 2000. The Severance Plan terminates on the first anniversary of the date KACC emerges from bankruptcy.

The Severance Plan provides for payment of a severance benefit and continuation of welfare benefits in the event of certain terminations of employment. Participants are eligible for the severance payment and continuation of benefits in the event the participant's employment is terminated without cause (as defined in the Severance Plan) or the participant terminates employment with good reason (as defined in the Severance Plan). The severance payment and continuation of benefits are not available if (i) the participant receives severance compensation or benefit continuation pursuant to a Kaiser Aluminum & Chemical Corporation Change in Control Severance Agreement (as described below), (ii) the participant's employment is terminated other than without cause or by the participant for good reason, or (iii) the participant declines to sign, or subsequently revokes, a designated form of release. In addition, in consideration for the severance payment and continuation of benefits, a participant will be subject to noncompetition, nonsolicitation and confidentiality restrictions following the participant's termination of employment with KACC.

The severance payment payable under the Severance Plan to each of Messrs. Hockema and Houff consists of a lump sum cash payment equal to two times his base salary. Each of Messrs. Hockema and Houff also will be entitled to continued medical, dental, vision, life insurance and disability benefits for a period of two years following termination of employment. Due to his resignation, Mr. Perry no longer participates in the Severance Plan and did not receive any benefits under it upon his resignation. Severance payments payable under the Severance Plan are in lieu of any severance or other termination payments provided for under any plan of KACC or any other agreement between the participant and KACC.

Kaiser Change in Control Severance Program. In 2002, KACC entered into Kaiser Aluminum & Chemical Corporation Change in Control Severance Agreements (the "Change in Control Agreements") with certain key executives, including Messrs. Hockema and Houff (and prior to his resignation, Mr. Perry), in order to provide them with appropriate protection in the event of a termination of employment in connection with a change in control (as defined in the Change in Control Agreements) of KACC. In connection with the Severance Plan, these Change in Control Agreements replaced the Enhanced Severance Protection and Change in Control Benefits Program implemented in 2000. The Change in Control Agreements terminate on the second anniversary of a change in control of KACC.

The Change in Control Agreements provide for severance payments and continuation of benefits in the event of certain terminations of employment. The participants are eligible for severance benefits if their employment terminates or constructively terminates due to a change in control during a period that commences ninety (90) days prior to the change in control and ends on the second anniversary of the change in control. These benefits are not available if (i) the participant voluntarily resigns or retires, other than for good reason (as defined in the Change in Control Agreements), (ii) the participant is discharged for cause (as defined in the Change in Control Agreements), (iii) the participant's employment terminates as the result of death or disability, (iv) the participant declines to sign, or subsequently revokes, a designated form of release, or (v) the participant receives severance compensation or benefit continuation pursuant to the Kaiser Aluminum & Chemical Corporation Severance Plan or any other prior agreement. In addition, in consideration for the severance payment and continuation of benefits, a participant will be subject to noncompetition, nonsolicitation and confidentiality restrictions following his or her termination of employment with KACC.

Upon a qualifying termination of employment, each of Messrs. Hockema and Houff are entitled to receive the following: (i) three times the sum of his base pay and most recent short-term incentive target, (ii) a pro-rated portion of his short-term incentive target for the year of termination, and (iii) a pro-rated portion of his long-term incentive target in effect for the year of his termination, provided that such target was achieved. Each of Messrs. Hockema and Houff also are entitled to continued medical, dental, life insurance, disability benefits and perquisites for a period of three years after termination of employment with KACC. Each of Messrs. Hockema and Houff are also entitled to a payment in an amount sufficient, after the payment of taxes, to pay any excise tax due by him under Section 4999 of the Tax Code or any similar state or local tax. Mr. Perry's Change in Control Agreement terminated immediately upon his resignation and no payments were made thereunder.

Severance payments payable under the Change in Control Agreements are in lieu of any severance or other termination payments provided for under any plan of KACC or any other agreement between the Named Executive Officer and KACC.

Except as otherwise noted, there are no employment contracts between the Company or any of its subsidiaries and any of the Company's Named Executive Officers. Similarly, except as otherwise noted, there are not any compensatory plans or arrangements that include payments from the Company or any of its subsidiaries to any of the Company's Named Executive Officers in the event of any such officer's resignation, retirement or any other termination of employment with the Company and its subsidiaries or from a change in control of the Company or a change in the Named Executive Officer's responsibilities following a change in control.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Policy Committee or the Section 162(m) Compensation Committee of the Board was, during the 2002 fiscal year, an officer or employee of the Company or any of its subsidiaries, or was formerly an officer of the Company or any of its subsidiaries or, other than Mr. Levin, had any relationships requiring disclosure by the Company under Item 404 of Regulation S-K. Mr. Levin served on the Company's Compensation Policy Committee and Board of Directors during 2002 and is also a member of the law firm of Kramer Levin Naftalis & Frankel LLP, which provided legal services to the Company and its subsidiaries during 2002.

During the Company's 2002 fiscal year, no executive officer of the Company served as (i) a member of the compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served on the Compensation Policy Committee or Section 162(m) Compensation Committee of the Company, (ii) a director of another entity, one of whose executive officers served on any of such committees, or (iii) a member of the compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served as a director of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

OWNERSHIP OF THE COMPANY

The following table sets forth, as of March 28, 2003, unless otherwise indicated, the beneficial ownership of the Company's Common Stock by (i) those persons known by the Company to own beneficially more than 5% of the shares of the Company's Common Stock then outstanding, (ii) each of the directors of the Company, (iii) each of the Named Executive Officers, and (iv) all directors and executive officers of the Company and KACC as a group.

NAME OF BENEFICIAL OWNER	TITLE OF CLASS	# OF SHARES
MAXXAM Inc.	Common Stock	50
Dimensional Fund Advisors Inc.	Common Stock	4
Joseph A. Bonn	Common Stock	
Robert J. Cruikshank	Common Stock	
James T. Hackett	Common Stock	
George T. Haymaker, Jr.	Common Stock	
Jack A. Hockema	Common Stock	
Edward F. Houff	Common Stock	
Charles E. Hurwitz	Common Stock	
John T. La Duc	Common Stock	
Ezra G. Levin	Common Stock	
Harvey L. Perry	Common Stock	
John D. Roach	Common Stock	
All directors and executive officers of the Company as a group (17 persons)	Common Stock	1

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* Less than 1%.

(1) Unless otherwise indicated, the beneficial owners have sole voting and investment power with respect to the shares listed in the table. Also includes options exercisable within 60 days of March 28, 2003, to acquire such shares.

(2) Includes 27,938,250 shares beneficially owned by MGHI. The address of MAXXAM is 5847 San Felipe, Suite 2600, Houston, Texas 77057.

(3) Information is based solely on a Schedule 13G filed with the SEC dated February 3, 2003, by Dimensional Fund Advisors Inc. ("DFA"), a registered investment advisor, reporting its ownership interest in the Company's shares at December 31, 2002. The Schedule 13G indicates that DFA has sole voting and sole dispositive value as to all of such shares, that all such shares are owned by advisory clients and that DFA disclaims beneficial ownership to all such shares. DFA's address is 1299 Ocean Avenue, 11th Floor, Santa Monica, California 90401.

(4) Includes 23,948 shares of Company Common Stock held in trust with respect to which Mr. Bonn possesses shared voting and investment power with his spouse.

(5) Includes restricted shares of Company Common Stock owned as follows: Mr. Bonn - 30,377; Mr. Cruikshank - 1,799; Mr. Hackett - 667; Mr. Haymaker - 47,374; Mr. Hockema - 179,140; Mr. Houff - 114,286; Mr. Hurwitz - 17,490; Mr. La Duc - 11,504, and Mr. Levin - 1,799.

(6) Includes options exercisable within 60 days of March 28, 2003 to acquire shares of Company Common Stock as follows: Mr. Cruikshank - 13,009; Mr. Hackett - 13,009; Mr. Haymaker - 7,143; Mr. Hockema - 148,473; Mr. Houff - 74,258; Mr. La Duc - 234,375; Mr. Levin - 13,009; and Mr. Perry - 10,603.

(7) Excludes shares owned by MAXXAM. Mr. Hurwitz may be deemed to hold beneficial ownership in the Company as a result of his beneficial ownership in MAXXAM.

(8) Excludes shares beneficially owned by Mr. Perry, who was not an executive officer of the Company or KACC as of March 28, 2003. Includes 450,155 restricted shares of Company Common Stock. Also includes options exercisable within 60 days of March 28, 2003, to acquire 584,469 shares of Company Common Stock.

OWNERSHIP OF MAXXAM

As of March 28, 2003, MAXXAM owned, directly and indirectly, approximately 62.4%

of the issued and outstanding Common Stock of the Company. The following table sets forth, as of March 28, 2003, unless otherwise indicated, the beneficial ownership of the common stock and Class A $.05 Non-Cumulative Participating Convertible Preferred Stock ("MAXXAM Preferred Stock") of MAXXAM by the directors of the Company, each of the Named Executive Officers, and by the directors and the executive officers of the Company and KACC as a group:

NAME OF BENEFICIAL OWNER	TITLE OF CLASS	# OF SHARES(1)	% OF CLASS
Charles E. Hurwitz	Common Stock	3,061,104(3)(4)	45.6
	Preferred Stock	752,441(4)(5)(6)	(99.2)
Robert J. Cruikshank	Common Stock	4,800(7)	*
Ezra G. Levin	Common Stock	4,800(7)	*
All directors and executive officers	Common Stock	3,074,144(3)(4)(8)	45.6
as a group (17 persons)	Preferred Stock	752,441(4)(5)(6)	99.2

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* Less than 1%.

(1) Unless otherwise indicated, beneficial owners have sole voting and investment power with respect to the shares listed in the table. Includes the number of shares such persons would have received on March 28, 2003, if any, for their exercisable SARs (excluding SARs payable in cash only) exercisable within 60 days of such date if such rights had been paid solely in shares of MAXXAM common stock.

(2) MAXXAM Preferred Stock is generally entitled to ten votes per share on matters presented to a vote of MAXXAM's stockholders.

(3) Includes 1,669,451 shares of MAXXAM common stock owned by Gilda Investments, LLC ("Gilda"), a wholly owned subsidiary of Giddeon Holdings, as to which Mr. Hurwitz indirectly possesses voting and investment power. Mr. Hurwitz serves as the sole director of Giddeon Holdings, and together with members of his immediate family and trusts for the benefit thereof, owns all of the voting shares of Giddeon Holdings. Also includes (a) 78,784 shares of MAXXAM common stock separately owned by Mr. Hurwitz's spouse and as to which Mr. Hurwitz disclaims beneficial ownership, (b) 46,500 shares of MAXXAM common stock owned by the Hurwitz Investment Partnership L.P., a limited partnership controlled by Mr. Hurwitz and his spouse, 23,250 of which shares were separately owned by Mr. Hurwitz's spouse prior to their transfer to such limited partnership and as to which Mr. Hurwitz disclaims beneficial ownership, (c) 4,049 shares of MAXXAM common stock owned by the 1992 Hurwitz Investment Partnership L.P., of which 2,025 shares are owned by Mr. Hurwitz's spouse as separate property and as to which Mr. Hurwitz disclaims beneficial ownership, (d) 1,001,391 shares of MAXXAM common stock held directly by Mr. Hurwitz, including 256,808 shares of MAXXAM common stock with respect to which Mr. Hurwitz possesses sole voting power and which have certain transfer and other restrictions that generally lapse in December 2014, (e) 60,000 shares of MAXXAM common stock owned by Giddeon Portfolio, LLC, which is owned 79% by Gilda and 21% by Mr. Hurwitz, and of which Gilda is the managing member ("Giddeon Portfolio"), (f) options to purchase 21,029 shares of MAXXAM common stock held by Gilda, and (g) options held by Mr. Hurwitz to purchase 179,900 shares of MAXXAM common stock exercisable within 60 days of March 28, 2003.

(4) Gilda, Giddeon Holdings, Giddeon Portfolio, the Hurwitz Investment Partnership L.P., the 1992 Hurwitz Investment Partnership L.P. and Mr. Hurwitz may be deemed a "group" (the "Stockholder Group") within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended. As of March 28, 2003, in the aggregate, the members of the Stockholder Group owned 3,061,104 shares of MAXXAM common stock and 752,441 shares of MAXXAM Preferred Stock, aggregating approximately 74.0% of the total voting power of MAXXAM. By reason of his relationship with

the members of the Stockholder Group, Mr. Hurwitz may be deemed to possess shared voting and investment power with respect to the shares held by the Stockholder Group. The address of Gilda is 5847 San Felipe, Suite 2600, Houston, Texas 77057. The address of the Stockholder Group is c/o Timothy J. Neumann, Esq., Giddeon Holdings, Inc., 5847 San Felipe, Suite 2600, Houston, Texas 77057.

(5) Includes 661,377 shares of MAXXAM Preferred Stock owned by Gilda as to which Mr. Hurwitz possesses voting and investment power and 1,064 shares of MAXXAM Preferred Stock held directly.

(6) Includes options exercisable by Mr. Hurwitz within 60 days of March 28, 2003, to acquire 90,000 shares of MAXXAM Preferred Stock.

(7) Includes options exercisable within 60 days of March 28, 2003, to acquire 3,800 shares of MAXXAM common stock.

(8) Includes options exercisable within 60 days of March 28, 2003, to acquire 9,040 shares of MAXXAM common stock, held by directors and executive officers not in the Stockholder Group.

EQUITY COMPENSATION PLAN INFORMATION

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS, RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTION WARRANTS AND RIGHTS
PLAN CATEGORY	(A)	(B)
EQUITY COMPENSATION PLANS APPROVED BY SECURITY HOLDERS	1,454,861(1)	$5.63
EQUITY COMPENSATION PLANS NOT APPROVED BY SECURITY HOLDERS	-	-
Total	1,454,861	$5.63

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(1) Represents shares of Company Common Stock underlying outstanding stock options.

(2) Shares are issuable under the 1997 Omnibus Plan. Stock-based awards made under the 1997 Omnibus Plan may be in the form of stock options, stock appreciation rights, restricted stock, performance shares or performance units.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the period from October 28, 1988 through June 30, 1993, the Company and its domestic subsidiaries were included in the federal consolidated income tax returns of MAXXAM. The tax allocation agreements of the Company and KACC with MAXXAM terminated pursuant to their terms, effective for taxable periods beginning after June 30, 1993. At December 31, 2001, the Company had a receivable from MAXXAM of $35,000,000 under the tax allocation agreements in respect of various tax contingencies in an equal amount. In March 2002, MAXXAM filed a declaratory action with the Court asking the Court to find that MAXXAM had no further obligations to the Company or the other Debtors under the tax allocation agreements. During the fourth quarter of 2002, the Company and MAXXAM resolved their dispute with respect to the receivable from MAXXAM, with no amounts coming due from MAXXAM, and agreed that no further payments or refunds are required under the tax allocation agreements. The Court approved such resolution in February 2003.

KACC and MAXXAM have an arrangement pursuant to which they reimburse each other for certain allocable costs associated with the performance of services by their respective employees. KACC paid MAXXAM $153,440 under the shared services arrangement during 2002. Additionally, as of December 31, 2002, KACC owed MAXXAM $376,660, and MAXXAM owed KACC $572,811 under the arrangement. KACC and MAXXAM generally have endeavored to minimize the need for reimbursement by ensuring that employees are employed by the entity to which the majority of their services are rendered. The vast majority of intercompany services between KACC and MAXXAM have now been terminated and therefore charges for such services in the future should be modest.

Mr. Levin, a director of the Company and KACC, is a member of the law firm of Kramer Levin Naftalis & Frankel LLP, which provides legal services to the Company and its subsidiaries, including KACC.

PART IV

ITEM 14. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was performed within 90 days of the filing of this Report under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

1. Financial Statements

Notes to Consolidated Financial Statements

Quarterly Financial Data (Unaudited)

Five-Year Financial Data

2. Financial Statement Schedules

Independent Auditors' Report

Copy of Report of Independent Public Accountants

Schedule I - Condensed Balance Sheets - Parent Company, Condensed Statements of Income - Parent Company, Condensed Statements of Cash Flows - Parent Company, and Notes to Condensed Financial Statements - Parent Company

All other schedules are inapplicable or the required information is included in the Consolidated Financial Statements or the Notes thereto.

3. Exhibits

Reference is made to the Index of Exhibits immediately preceding the exhibits hereto (beginning on page 97), which index is incorporated herein by reference.

(b) REPORTS ON FORM 8-K

On October 24, 2002, under Item 5. "Other Events" of Form 8-K, the Company filed a Current Report on Form 8-K reporting the Company intended to seek discussions with the Pension Benefit Guaranty Corporation regarding alternatives to minimum pension funding requirements.

On December 19, 2002, under Item 5, "Other Events" of Form 8-K, the Company filed a Current Report on Form 8-K reporting that the Company had determined that recent lump-sum distributions from the Kaiser Salaried Employee Retirement Plan had triggered a special provision under ERISA (Employee Retirement Income Security Act) that required the Company to make a pension contribution by January 15, 2003. However, since most of the payment would be classified as a pre-bankruptcy obligation, represented only a small percentage of KACC's legacy liabilities that must be addressed in the Company's reorganization, and since the Bankruptcy Code generally does not permit payment of pre-petition obligations without Court approval, the Company did not plan to seek such approval.

No other reports on Form 8-K were filed by the Company during the last quarter of the period covered by this Report, however, on January 14, 2003, under Item 5, "Other Events" of Form 8-K, the Company filed a Current Report on Form 8-K reporting that its

Mead, Washington, aluminum smelter had been indefinitely curtailed. Also, on January 14, 2003, under Item 5, "Other Events" of Form 8-K, the Company filed a Current Report on Form 8-K reporting that nine additional wholly owned subsidiaries of KACC had filed voluntary petitions with the U.S. Bankruptcy Court for the District of Delaware under Chapter 11 of the Federal Bankruptcy Code.

(c) EXHIBITS

Reference is made to the Index of Exhibits immediately preceding the exhibits hereto (beginning on page 97), which index is incorporated herein by reference.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Kaiser Aluminum Corporation:

We have audited the consolidated financial statements of Kaiser Aluminum Corporation (Debtor-in-Possession) and subsidiaries as of December 31, 2002 and for the year then ended, and have issued our report thereon dated March 28, 2003, which report includes an explanatory paragraph as to the bankruptcy proceedings and an explanatory paragraph as to the uncertainty about the Company's ability to continue as a going concern; such financial statements and report are included elsewhere in this 10-K. Our audit also included the 2002 financial statement schedule of Kaiser Aluminum Corporation. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, the 2002 financial statement schedule, when considered in relation to the 2002 basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. The financial statement schedule for the years ended December 31, 2001 and 2000 was audited by other auditors who have ceased operations. In their report, dated April 10, 2002, those auditors expressed an opinion that such 2001 and 2000 financial statement schedule, when considered in relation to the 2001 and 2000 basic consolidated financial statements taken as a whole, presented fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

Houston, Texas
March 28, 2003

COPY OF REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Kaiser Aluminum Corporation dismissed Arthur Andersen on April 30, 2002 and subsequently engaged Deloitte & Touche LLP as its independent auditors. The predecessor auditors' report appearing below is a copy of Arthur Andersen's previously issued opinion dated April 10, 2002. Since Kaiser Aluminum Corporation is unable to obtain a manually signed audit report, a copy of Arthur Andersen's most recent signed and dated report has been included to satisfy filing requirements, as permitted under Rule 2-02(e) of Regulation S-X.

To the Stockholders and Board of Directors of Kaiser Aluminum Corporation:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements included in Kaiser Aluminum Corporation and Subsidiary Companies' annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated April 10, 2002. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule I listed in the index at Item 14(a)2. above is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Schedule I has been prepared in accordance with generally accepted accounting principles applicable to a going concern which contemplate among other things, realization of assets and payment of liabilities in the normal course of business. As discussed in Note 1 to Schedule I, on February 12, 2002, the Company, its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC") and certain of KACC's subsidiaries filed for reorganization under Chapter 11 of the United States Bankruptcy Code. This action raises substantial doubt about the Company's ability to continue as a going concern. Schedule I does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or the effects on existing stockholders' equity that may result from any plans, arrangements or other actions arising from the aforementioned proceedings, or the possible inability of the Company to continue in existence.

ARTHUR ANDERSEN LLP

Houston, Texas
April 10, 2002

SCHEDULE I
CONDENSED BALANCE SHEETS - PARENT COMPANY

(In millions of dollars, except share amounts)

	Decem
	2002
ASSETS	
Investment in KACC	$ 1,106.1
Total	$ 1,106.1
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	
Current liabilities	$ -

Intercompany note payable to KACC, including accrued interest (Note 3)	2,191.7
Stockholders' equity (deficit):	
Common stock, par value $.01, authorized 125,000,000 shares; issued and outstanding 80,386,563 and 80,698,066 shares	.8
Additional capital	539.9
Accumulated deficit	(1,382.4)
Accumulated other comprehensive income (loss)	(243.9)
Total stockholders' equity	(1,085.6)
Total	$ 1,106.1

The accompanying notes to condensed financial statements are an integral part of these statements.

SCHEDULE I

CONDENSED STATEMENTS OF INCOME (LOSS) - PARENT COMPANY

(In millions of dollars)

	2002
Equity in (loss) income of KACC	$ (452.1)
Administrative and general expense	(.1)
Interest expense on intercompany note (excluding unrecorded contractual interest expense of $127.6 in 2002 - Note 3)	(16.5)
Net income (loss)	$ (468.7)

The accompanying notes to condensed financial statements are an integral part of these statements.

SCHEDULE I

CONDENSED STATEMENTS OF CASH FLOWS - PARENT COMPANY

(In millions of dollars)

	2002
Cash flows from operating activities:	
Net income (loss)	$ (468.7)
Adjustments to reconcile net income to net cash used for operating	

activities:	
Equity in loss (income) of KACC	452.1
Accrued interest on intercompany note payable to KACC	16.5
Net cash used by operating activities	(.1)
Cash flows from investing activities:	
Investment in KACC	-
Net cash used by investing activities	-
Cash flows from financing activities:	
Capital stock issued	
Operating cost advances from KACC	.1
Net cash provided by financing activities	.1
Net (decrease) increase in cash and cash equivalents during the year	-
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	$ -
Supplemental disclosure of non-cash investing activities:	
Non-cash (decrease) increase in investment in KACC	$ -

The accompanying notes to condensed financial statements are an integral part of these statements.

SCHEDULE I
NOTES TO CONDENSED FINANCIAL STATEMENTS - PARENT COMPANY

1. REORGANIZATION PROCEEDINGS

The Company and 25 of its subsidiaries have filed separate voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the "Court") for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Code"); the Company and 16 subsidiaries (the "Original Debtors") filed in the first quarter of 2002 and nine additional subsidiaries (the "Additional Debtors") filed in the first quarter of 2003. The Original Debtors and Additional Debtors are collectively referred to herein as the "Debtors" and the Chapter 11 proceedings of these entities are collectively referred to herein as the "Cases." For purposes of this Report, the term "Filing Date" shall mean, with respect to any particular Debtor, the date on which such Debtor filed its Case. None of KACC's non-U.S. joint ventures are included in the Cases. The Cases are being jointly administered. The Debtors are managing their businesses in the ordinary course as debtors-in-possession subject to the control and administration of the Court.

The necessity for filing the Cases by the Original Debtors was attributable to the liquidity and cash flow problems of the Company arising in late 2001 and early 2002. The Company was facing significant near-term debt maturities at a time of unusually weak aluminum industry business conditions, depressed aluminum prices and a broad economic slowdown that was further exacerbated by the events of September 11, 2001. In addition, the Company had become increasingly burdened by the asbestos litigation and growing legacy obligations for retiree medical and pension costs. The confluence of these factors has created the prospect of continuing operating losses and negative cash flow, resulting in lower credit ratings and an inability to access the capital markets.

The Cases filed by the Additional Debtors were commenced, among other reasons, to protect the assets held by these Debtors against possible statutory liens that may arise and be enforced by the PBGC as a result of the Company's failure to make an accelerated funding requirement to its salaried employee retirement plan in January 2003. From an operating perspective, the filing of the Cases by the additional Debtors was a non-event and had no impact on the Company's day-to-day operations.

The Debtors' objective is to achieve the highest possible recoveries for all creditors and stockholders, consistent with the Debtors' abilities to pay and the continuation of their businesses. However, there can be no assurance that the Debtors will be able to attain these objectives or achieve a successful reorganization. While valuation of the Debtors' assets and pre-Filing Date claims at this stage of the Cases is subject to inherent uncertainties, the Debtors currently believe that it is likely that their liabilities will be found in the Cases to exceed the fair value of their assets. Therefore, the Debtors currently believe that it is likely that pre-Filing Date claims will be paid at less than 100% of their face value and the equity of the Company's stockholders will be diluted or cancelled. Because of such possibility, the value of the Common Stock is speculative and any investment in the Common Stock would pose a high degree of risk.

For additional information on the reorganization proceedings, see Note 1 of Kaiser's Consolidated Financial Statements.

2. BASIS OF PRESENTATION

The Company is a holding company and conducts its operations through its wholly owned subsidiary, KACC, which is reported herein using the equity method of accounting. The accompanying parent company condensed financial statements of the Company should be read in conjunction with Kaiser's 2002 Consolidated Financial Statements.

The accompanying parent company condensed financial statements have been prepared on a "going concern" basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business; however, as a result of the commencement of the Cases, such realization of assets and liquidation of liabilities are subject to a significant number of uncertainties. Specifically, the condensed financial statements do not present: (a) the realizable value of assets on a liquidation basis or the availability of such assets to satisfy liability, (b) the amount which will ultimately be paid to settle liabilities and contingencies which may be allowed in the Cases, or (c) the effect of any changes which may be made in connection with the Debtors' capitalizations or operations as a result of a plan of reorganization. Because of the ongoing nature of the Cases, the parent company condensed financial statements are subject to material uncertainties.

3. INTERCOMPANY NOTE PAYABLE

The Intercompany Note to KACC, as amended, provides for a fixed interest rate of 6 5/8% and matures on December 21, 2020. However, since the Intercompany Note is unsecured, the accrual of interest was discontinued as of the Filing Date. The payment of the Intercompany Note and accrued interest, which are liabilities subject to compromise, will be resolved in connection with the Cases.

4. RESTRICTED NET ASSETS

The obligations of KACC in respect of the credit facilities under the DIP Facility are guaranteed by the Company and certain significant subsidiaries of KACC. See Note 7 of Notes to Kaiser's Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities

Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KAISER ALUMINUM CORPORATION

Date: March 28, 2003 By /s/ Jack A. Hockema
Jack A. Hockema
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 28, 2003 /s/ Jack A. Hockema
Jack A. Hockema
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: March 28, 2003 /s/ John T. La Duc
John T. La Duc
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: March 28, 2003 /s/ Daniel D. Maddox
Daniel D. Maddox
Vice President and Controller
(Principal Accounting Officer)

Date: March 28, 2003 /s/ George T. Haymaker, Jr.
George T. Haymaker, Jr.
Chairman of the Board and Director

Date: March 28, 2003 /s/ Robert J. Cruikshank
Robert J. Cruikshank
Director

Date: March 28, 2003 /s/ James T. Hackett
James T. Hackett
Director

Date: March 28, 2003 /s/ Charles E. Hurwitz
Charles E. Hurwitz
Director

Date: March 28, 2003 /s/ Ezra G. Levin
Ezra G. Levin
Director

Date: March 28, 2003 /s/ John D. Roach
John D. Roach
Director

CERTIFICATIONS

I, Jack A. Hockema, certify that:

1. I have reviewed this annual report on Form 10-K of Kaiser Aluminum

Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ Jack A. Hockema
Jack A. Hockema
Chief Executive Officer

I, John T. La Duc, certify that:

1. I have reviewed this annual report on Form 10-K of Kaiser Aluminum Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make

the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13 a- 14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ John T. La Duc
John T. La Duc
Chief Financial Officer

INDEX OF EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Kaiser Aluminum Corporation ("KAC"), dated February 18, 2000 (incorporated by

reference to Exhibit 3.1 to the Report on Form 10-K for the period ended December 31, 1999, filed by KAC, File No. 1-9447).

3.2	Certificate of Retirement of KAC, dated October 24, 1995 (incorporated by reference to Exhibit 3.2 to the Report on Form 10-K for the period ended December 31, 1995, filed by KAC, File No. 1-9447).
3.3	Certificate of Retirement of KAC, dated February 12, 1998 (incorporated by reference to Exhibit 3.3 to the Report on Form 10-K for the period ended December 31, 1997, filed by KAC, File No. 1-9447).
3.4	Certificate of Elimination of KAC, dated July 1, 1998 (incorporated by reference to Exhibit 3.4 to the Report on Form 10-Q for the quarterly period ended June 30, 1999, filed by KAC, File No. 1-9447).
3.5	Certificate of Amendment of the Restated Certificate of Incorporation of KAC, dated January 10, 2000 (incorporated by reference to Exhibit 3.5 to the Report on Form 10-K for the period ended December 31, 1999, filed by KAC, File No. 1-9447).
3.6	Amended and Restated By-Laws of KAC, dated October 1, 1997 (incorporated by reference to Exhibit 3.3 to the Report on Form 10-Q for the quarterly period ended September 30, 1997, filed by KAC, File No. 1-9447).
4.1	Indenture, dated as of February 1, 1993, among Kaiser Aluminum & Chemical Corporation ("KACC"), as Issuer, Kaiser Alumina Australia Corporation, Alpart Jamaica Inc., and Kaiser Jamaica Corporation, as Subsidiary Guarantors, and The First National Bank of Boston, as Trustee, regarding KACC's 12 3/4% Senior Subordinated Notes Due 2003 (incorporated by reference to Exhibit 4.1 to the Report on Form 10-K for the period ended December 31, 1992, filed by KACC, File No. 1-3605).
4.2	First Supplemental Indenture, dated as of May 1, 1993, to the Indenture, dated as of February 1, 1993 (incorporated by reference to Exhibit 4.2 to the Report on Form 10-Q for the quarterly period ended June 30, 1993, filed by KACC, File No. 1-3605).
4.3	Second Supplemental Indenture, dated as of February 1, 1996, to the Indenture, dated as of February 1, 1993 (incorporated by reference to Exhibit 4.3 to the Report on Form 10-K for the period ended December 31, 1995, filed by KAC, File No. 1-9447).
4.4	Third Supplemental Indenture, dated as of July 15, 1997, to the Indenture, dated as of February 1, 1993 (incorporated by reference to Exhibit 4.1 to the Report on Form 10-Q for the quarterly period ended June 30, 1997, filed by KAC, File No. 1-9447).
4.5	Fourth Supplemental Indenture, dated as of March 31, 1999, to the Indenture, dated as of February 1, 1993, (incorporated by reference to Exhibit 4.1 to the Report on Form 10-Q for the quarterly period ended March 31, 1999, filed by KAC, File No. 1-9447).
4.6	Indenture, dated as of February 17, 1994, among KACC, as Issuer, Kaiser Alumina Australia Corporation, Alpart Jamaica Inc., Kaiser Jamaica Corporation, and Kaiser Finance Corporation, as Subsidiary Guarantors, and First Trust National Association, as Trustee, regarding KACC's 9 7/8% Senior Notes Due 2002 (incorporated by reference to Exhibit 4.3 to the Report on Form

10-K for the period ended December 31, 1993, filed by KAC, File No. 1-9447).

4.7	First Supplemental Indenture, dated as of February 1, 1996, to the Indenture, dated as of February 17, 1994 (incorporated by reference to Exhibit 4.5 to the Report on Form 10-K for the period ended December 31, 1995, filed by KAC, File No. 1-9447).
4.8	Second Supplemental Indenture, dated as of July 15, 1997, to the Indenture, dated as of February 17, 1994 (incorporated by reference to Exhibit 4.2 to the Report on Form 10-Q for the quarterly period ended June 30, 1997, filed by KAC, File No. 1-9447).
4.9	Third Supplemental Indenture, dated as of March 31, 1999, to the Indenture, dated as of February 17, 1994 (incorporated by reference to Exhibit 4.2 to the Report on Form 10-Q for the quarterly period ended March 31, 1999, filed by KAC, File No. 1-9447).
4.10	Indenture, dated as of October 23, 1996, among KACC, as Issuer, Kaiser Alumina Australia Corporation, Alpart Jamaica Inc., Kaiser Jamaica Corporation, Kaiser Finance Corporation, Kaiser Micromill Holdings, LLC, Kaiser Sierra Micromills, LLC, Kaiser Texas Micromill Holdings, LLC and Kaiser Texas Sierra Micromills, LLC, as Subsidiary Guarantors, and First Trust National Association, as Trustee, regarding KACC's 10 7/8% Series B Senior Notes Due 2006 (incorporated by reference to Exhibit 4.2 to the Report on Form 10-Q for the quarterly period ended September 30, 1996, filed by KAC, File No. 1-9447).
4.11	First Supplemental Indenture, dated as of July 15, 1997, to the Indenture, dated as of October 23, 1996 (incorporated by reference to Exhibit 4.3 to the Report on Form 10-Q for the quarterly period ended June 30, 1997, filed by KAC, File No. 1-9447).
4.12	Second Supplemental Indenture, dated as of March 31, 1999, to the Indenture, dated as of October 23, 1996 (incorporated by reference to Exhibit 4.3 to the Report on Form 10-Q for the quarterly period ended March 31, 1999, filed by KAC, File No. 1-9447).
4.13	Indenture, dated as of December 23, 1996, among KACC, as Issuer, Kaiser Alumina Australia Corporation, Alpart Jamaica Inc., Kaiser Jamaica Corporation, Kaiser Finance Corporation, Kaiser Micromill Holdings, LLC, Kaiser Sierra Micromills, LLC, Kaiser Texas Micromill Holdings, LLC, and Kaiser Texas Sierra Micromills, LLC, as Subsidiary Guarantors, and First Trust National Association, as Trustee, regarding KACC's 10 7/8% Series D Senior Notes due 2006 (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-4, dated January 2, 1997, filed by KACC, Registration No. 333-19143).
4.14	First Supplemental Indenture, dated as of July 15, 1997, to the Indenture, dated as of December 23, 1996 (incorporated by reference to Exhibit 4.4 to the Report on Form 10-Q for the quarterly period ended June 30, 1997, filed by KAC, File No. 1-9447).
4.15	Second Supplemental Indenture, dated as of March 31, 1999, to the Indenture, dated as of December 23, 1996 (incorporated by reference to Exhibit 4.4 to the Report on Form 10-Q for the quarterly period ended March 31, 1999, filed by KAC, File No. 1-9447).

4.16	Post-Petition Credit Agreement, dated as of February 12, 2002, among KACC, KAC, certain financial institutions and Bank of America, N.A., as Agent (incorporated by reference to Exhibit 4.44 to the Report on Form 10-K for the year ended December 31, 2001, filed by KAC, File No. 1-9447).
4.17	First Amendment to Post-Petition Credit Agreement and Post-Petition Pledge and Security Agreement and Consent of Guarantors, dated as of March 21, 2002, amending the Post-Petition Credit Agreement dated as of February 12, 2002, among KACC, KAC, certain financial institutions and Bank of America, N.A., as Agent, and amending a Post-Petition Pledge and Security Agreement dated as of February 12, 2002, among KACC, KAC, certain subsidiaries of KAC and KACC, and Bank of America, N.A., as Agent (incorporated by reference to Exhibit 4.45 to the Report on Form 10-K for the year ended December 31, 2001, filed by KAC, File No. 1-9447).
4.18	Second Amendment to Post-Petition Credit Agreement and Consent of Guarantors, dated as of March 21, 2002, amending the Post-Petition Credit Agreement dated as of February 12, 2002, among KACC, KAC, certain financial institutions and Bank of America, N.A., as Agent (incorporated by reference to Exhibit 4.46 to the Report on Form 10-K for the year ended December 31, 2001, filed by KAC, File No. 1-9447).
*4.19	Third Amendment to Post-Petition Credit Agreement, Second Amendment to Post-Petition Pledge and Security Agreement and Consent of Guarantors, dated as of December 19, 2002, amending the Post-Petition Credit Agreement dated as of February 12, 2002, among KACC, KAC, certain financial institutions and Bank of America, N.A., as Agent.
*4.20	Fourth Amendment to Post-Petition Credit Agreement and Consent of Guarantors, dated as of March 17, 2003, amending the Post-Petition Credit Agreement dated as of February 12, 2002, among KACC, KAC, certain financial institutions and Bank of America, N.A., as Agent.
*4.21	Waiver and Consent with Respect to Post-Petition Credit Agreement, dated October 9, 2002, among KAC, KACC, the financial institutions party to the Post-Petition Credit Agreement, dated as of February 12, 2002, as amended, and Bank of America, N.A., as Agent.
*4.22	Second Waiver and Consent with respect to Post-Petition Credit Agreement, dated January 13, 2003, among KACC, KACC, the financial institutions party to the Post-Petition Credit Agreement, dated as of February 12, 2002, as amended, and Bank of America, N.A., as Agent.
4.23	Intercompany Note between KAC and KACC (incorporated by reference to Exhibit 10.10 to the Report on Form 10-K for the period ended December 31, 1996, filed by MAXXAM Inc. ("MAXXAM"), File No. 1-3924).
4.24	Confirmation of Amendment of Non-Negotiable Intercompany Note, dated as of October 6, 1993, between KAC and KACC (incorporated by reference to Exhibit 10.11 to the Report on Form 10-K for the period ended December 31, 1996, filed by MAXXAM, File No. 1-3924).
4.25	Amendment to Non-Negotiable Intercompany Note, dated as of December 11, 2000, between KAC and KACC (incorporated by reference to Exhibit 4.41 to the Report on Form 10-K for the period ended December 31, 2000, filed by KAC, File No. 1-9447).

4.26	Senior Subordinated Intercompany Note between KAC and KACC dated February 15, 1994 (incorporated by reference to Exhibit 4.22 to the Report on Form 10-K for the period ended December 31, 1993, filed by KAC, File No. 1-9447).
4.27	Senior Subordinated Intercompany Note between KAC and KACC dated March 17, 1994 (incorporated by reference to Exhibit 4.23 to the Report on Form 10-K for the period ended December 31, 1993, filed by KAC, File No. 1-9447).
	KAC has not filed certain long-term debt instruments not being registered with the Securities and Exchange Commission where the total amount of indebtedness authorized under any such instrument does not exceed 10% of the total assets of KAC and its subsidiaries on a consolidated basis. KAC agrees and undertakes to furnish a copy of any such instrument to the Securities and Exchange Commission upon its request.
10.1	Form of indemnification agreement with officers and directors (incorporated by reference to Exhibit (10)(b) to the Registration Statement of KAC on Form S-4, File No. 33-12836).
10.2	Tax Allocation Agreement, dated as of December 21, 1989, between MAXXAM and KACC (incorporated by reference to Exhibit 10.21 to Amendment No. 6 to the Registration Statement on Form S-1, dated December 14, 1989, filed by KACC, Registration No. 33-30645).
10.3	Amendment of Tax Allocation Agreement, dated as of March 12, 2001, between MAXXAM and KACC, amending the Tax Allocation Agreement dated as of December 21, 1989 (incorporated by reference to Exhibit 10.3 to the Report on Form 10-K for the period ended December 31, 2000, filed by KAC, File No. 1-9447).
10.4	Tax Allocation Agreement, dated as of February 26, 1991, between KAC and MAXXAM (incorporated by reference to Exhibit 10.23 to Amendment No. 2 to the Registration Statement on Form S-1, dated June 11, 1991, filed by KAC, Registration No. 33-37895).
10.5	Tax Allocation Agreement, dated as of June 30, 1993, between KACC and KAC (incorporated by reference to Exhibit 10.3 to the Report on Form 10-Q for the quarterly period ended June 30, 1993, filed by KACC, File No. 1-3605).
	Executive Compensation Plans and Arrangements [Exhibits 10.6 - 10.33, inclusive]
10.6	Kaiser 1993 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Report on Form 10-Q for the quarterly period ended June 30, 1993, filed by KACC, File No. 1-3605).
10.7	Kaiser 1997 Omnibus Stock Incentive Plan (incorporated by reference to Appendix A to the Proxy Statement, dated April 29, 1997, filed by KAC, File No. 1-9447).
10.8	Employment Agreement between KACC and John T. La Duc made effective for the period from January 1, 1998, to December 31, 2002 (incorporated by reference to Exhibit 10.5 to the Report on Form 10-Q for the quarterly period ended September 30, 1998, filed by KAC, File No. 1-9447).
10.9	Time-Based Stock Option Grant pursuant to the Kaiser 1997 Omnibus Stock Incentive Plan to John T. La Duc, effective July 10, 1998 (incorporated by reference to Exhibit 10.6 to the Report on Form 10-Q for the quarterly period ended September 30,

1998, filed by KAC, File No. 1-9447).

10.10	Chief Executive Officer Agreement made and entered into as of October 11, 2001, by and between KACC and Jack A. Hockema (incorporated by reference to Exhibit 10.24 to the Report on Form 10-K for the period ended December 31, 2001, filed by KAC, File No. 1-9447).
10.11	Non-Executive Chairman of the Boards Agreement, dated October 11, 2001, among KAC, KACC and George T. Haymaker, Jr. (incorporated by reference to Exhibit 10.25 to the Report on Form 10-K for the period ended December 31, 2001, filed by KAC, File No. 1-9447).
*10.12	Non-Executive Chairman of the Boards Agreement, dated November 4, 2002, among KAC, KACC and George T. Haymaker, Jr.
*10.13	Employment Agreement, dated October 1, 2001, between KACC and Edward F. Houff.
10.14	Description of compensation arrangements among KACC, KAC, and Jack A. Hockema (incorporated by reference to Exhibit 10.27 to the Report on Form 10-K for the period ended December 31, 1999, filed by KAC, File No. 1-9447).
10.15	Stock Option Grant pursuant to the Kaiser 1997 Omnibus Stock Incentive Plan to Jack A. Hockema (incorporated by reference to Exhibit 10.1 to the Report on Form 10-Q for the quarterly period ended September 30, 2000, filed by KAC, File No. 1-9447).
10.16	Form of letter agreement with persons granted stock options under the Kaiser 1993 Omnibus Stock Incentive Plan to acquire shares of KAC Common Stock (incorporated by reference to Exhibit 10.18 to the Report on Form 10-K for the period ended December 31, 1994, filed by KAC, File No. 1-9447).
10.17	Form of Enhanced Severance Agreement between KACC and key executive personnel (incorporated by reference to Exhibit 10.3 to the Report on Form 10-Q for the quarterly period ended September 30, 2000, filed by KAC, File No. 1-9447).
10.18	Form of Deferred Fee Agreement between KAC, KACC, and directors of KAC and KACC (incorporated by reference to Exhibit 10 to the Report on Form 10-Q for the quarterly period ended March 31, 1998, filed by KAC, File No. 1-9447).
10.19	Form of Non-Employee Director Stock Option Grant for options issued commencing January 1, 2001 under the 1997 Kaiser Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Report on Form 10-Q for the quarterly period ended June 30, 2001, filed by KAC, File No. 1-9447).
10.20	Form of Stock Option Grant for options issued commencing January 1, 2001 under the 1997 Kaiser Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Report on Form 10-Q for the quarterly period ended June 30, 2001, filed by KAC, File No. 1-9447).
10.21	Form of Restricted Stock Agreement for restricted shares issued commencing January 1, 2001 under the 1997 Kaiser Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Report on Form 10-Q for the quarterly period ended June 30, 2001, filed by KAC, File No. 1-9447).
10.22	The Kaiser Aluminum & Chemical Corporation Retention Plan, dated January 15, 2002 (the "January 2002 Retention Plan")

	(incorporated by reference to Exhibit 10.35 to the Report on Form 10-K for the year ended December 31, 2001, filed by KAC, File No. 1-9447).
10.23	Form of Retention Agreement for the Kaiser Aluminum & Chemical Corporation Retention Plan (incorporated by reference to Exhibit 10.36 to the Report on Form 10-K for the year ended December 31, 2001, filed by KAC, File No. 1-9447).
10.24	Retention Agreement for the January 2002 Retention Plan, dated January 15, 2002, between KACC and Joseph A. Bonn (incorporated by reference to Exhibit 10.37 to the Report on Form 10-K for the year ended December 31, 2001, filed by KAC, File No. 1-9447).
10.25	Retention Agreement for the January 2002 Retention Plan, dated January 15, 2002, between KACC and John T. La Duc (incorporated by reference to Exhibit 10.38 to the Report on Form 10-K for the year ended December 31, 2001, filed by KAC, File No. 1-9447).
*10.26	The Kaiser Aluminum & Chemical Corporation Key Employee Retention Plan (effective September 3, 2002).
*10.27	Form of Retention Agreement for the Kaiser Aluminum & Chemical Corporation Key Employee Retention Plan (effective September 3, 2002) for Jack A. Hockema, Edward F. Houff, Harvey L. Perry and one other Executive Officer.
*10.28	Form of Retention Agreement for the Kaiser Aluminum & Chemical Corporation Key Employee Retention Plan (effective September 3, 2002) for Joseph A. Bonn and John T. La Duc.
*10.29	Form of Retention Agreement for the Kaiser Aluminum & Chemical Corporation Key Employee Retention Plan (effective September 3, 2002) for Certain Executive Officers.
*10.30	Kaiser Aluminum & Chemical Corporation Severance Plan (effective September 3, 2002).
*10.31	Form of Severance Agreement for the Kaiser Aluminum & Chemical Corporation Severance Plan (effective September 3, 2002) for Jack A. Hockema, Edward F. Houff, Harvey L. Perry and Certain Other Executive Officers.
*10.32	Form of Kaiser Aluminum & Chemical Corporation Change in Control Severance Agreement for Jack A. Hockema, Edward F. Houff and one other Executive Officer.
*10.33	Form of Kaiser Aluminum & Chemical Corporation Change in Control Severance Agreement for Harvey L. Perry and Certain Other Executive Officers.
*21	Significant Subsidiaries of KAC.
*23.1	Independent Auditors' Consent.
*23.2	Consent of Wharton Levin Ehrmantraut & Klein, P.A.
*23.3	Consent of Heller Ehrman White & McAuliffe LLP.
*99.1	Confirmation of Jack A. Hockema pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*99.2	Confirmation of John T. La Duc pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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*   Filed herewith

Principal Domestic Operations and Administrative Offices (Partial List)	Arizona
	  Chandler
	    Engineered Products
	California
	---------- 	
	  Laguna Niguel
	    Administrative Offices
	  Los Angeles (City of Commerce)
	    Engineered Products
	Louisiana
	  Baton Rouge
	    Alumina Business Unit Offices
	  Gramercy
	    Alumina
	Michigan
	  Detroit (Southfield)
	    Automotive Product Development and Sales
	Ohio
	  Newark
	    Engineered Products
	Oklahoma
	  Tulsa
	    Engineered Products

South Carolina
  Greenwood
    Engineered Products
Tennessee
  Jackson
    Engineered Products
Texas
  Houston
    Corporate Headquarters
  Sherman
    Engineered Products
Virginia
  Richmond
    Engineered Products
Washington
  Mead
    Primary Aluminum
  Richland
    Engineered Products
  Trentwood
    Flat-Rolled Products

Principal Worldwide Operations (Partial List)	Australia
	  Queensland Alumina Limited (20%)
	    Alumina
	Canada
	  Kaiser Aluminum & Chemical of Canada Limited (100%)
	    Engineered Products
	Ghana

Volta Aluminium Company Limited (90%)
Primary Aluminum

Jamaica
Alumina Partners of Jamaica (65%)
Bauxite, Alumina
Kaiser Jamaica Bauxite Company (49%)
Bauxite
Wales, United Kingdom
Anglesey Aluminium Limited (49%)
Primary Aluminum

Exhibit 4.19

[EXECUTION COPY]

THIRD AMENDMENT TO POST-PETITION CREDIT AGREEMENT, SECOND AMENDMENT TO POST-PETITION PLEDGE AND SECURITY AGREEMENT AND CONSENT OF GUARANTORS

This THIRD AMENDMENT TO POST-PETITION CREDIT AGREEMENT, SECOND AMENDMENT TO POST-PETITION PLEDGE AND SECURITY AGREEMENT AND CONSENT OF GUARANTORS (this "Amendment") is dated as of December 19, 2002 and entered into by and among KAISER ALUMINUM CORPORATION, a Delaware corporation, as debtor and debtor-in-possession (the "Parent Guarantor"), KAISER ALUMINUM & CHEMICAL CORPORATION, a Delaware corporation, as debtor and debtor-in-possession (the "Company"), the banks and other financial institutions signatory hereto that are parties as Lenders to the Credit Agreement referred to below (the "Lenders"), BANK OF AMERICA, N.A., as administrative agent and collateral agent (in such capacity, the "Agent") for the Lenders, GENERAL ELECTRIC CAPITAL CORPORATION ("GE Capital") as Documentation Agent, THE CIT GROUP/BUSINESS CREDIT, INC. ("CIT"), as Co-Syndication Agent, and FOOTHILL CAPITAL CORPORATION ("Foothill"), as Co-Syndication Agent (GE Capital, CIT and Foothill, collectively, the "Co-Agents").

RECITALS

WHEREAS, the Parent Guarantor, the Company, the Lenders, and the Agent have entered into that certain Post-Petition Credit Agreement dated as of February 12, 2002, as amended by that certain First Amendment to Post-Petition Credit Agreement and Post-Petition Pledge and Security Agreement and Consent of Guarantors dated as of March 21, 2002 (the "First Amendment") and that certain Second Amendment to Post-Petition Credit Agreement and Consent of Guarantors dated as of March 21, 2002 and as further modified by that certain Waiver and Consent with Respect to Post-Petition Credit Agreement dated as of October 9, 2002 (as so amended and modified, the "Credit Agreement"; capitalized terms used in this Amendment without definition shall have the meanings given such terms in the Credit Agreement); and

WHEREAS, the Parent Guarantor, the Company, certain Subsidiaries of the Company and the Agent have entered into that certain Post-Petition Pledge and Security Agreement dated as of February 12, 2002, as amended by the First Amendment (as so amended, the "Security Agreement"); and

WHEREAS, the Company has requested that the Lenders agree to amend certain provisions of the Credit Agreement and the Security Agreement and the Lenders signatory to this Amendment are willing to agree to such amendments on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the premises and the mutual agreements set forth herein, the Parent Guarantor, the Company, the Lenders, and the Agent agree as follows:

1. AMENDMENTS TO CREDIT AGREEMENT. Subject to the conditions and upon the terms set forth in this Amendment, the Credit Agreement is hereby amended as follows:

1.1 AMENDMENTS TO SECTION 1.1 (DEFINITIONS).

(a) The definition of "Adjusted Net Earnings from Operations" is amended to (i) delete the word "and" preceding clause (i); (ii) change the period at the end of such definition to a semicolon; and (iii) add the following new clauses (j), (k) and (l):

> "(j) the Mead Charges; (k) non-cash LIFO inventory valuation charges in aggregate amounts not to exceed $20,000,000; and (l) non-cash charges incurred as a result of any Permitted Asset Disposition of the Kaiser Center Assets in aggregate amounts not to exceed $25,000,000."

(b) The definition of "Borrowing Base" is amended to delete clause (c) in its entirety and replace it with the following:

> "(c) the lesser of (i) $100,000,000, reducing each month commencing in February 2003 on a seven year straight line amortization; provided, that such amount shall be reduced by (x) an amount equal to 50% of the Net Disposition Proceeds of a Permitted Asset Disposition of the Kaiser Center Assets, (y) an amount equal to 50% of the Net Disposition Proceeds in excess of $20,000,000 of a Permitted Asset Disposition of the Tacoma Plant, and (z) an amount equal to 50% of the Net Disposition Proceeds in excess of $10,000,000 of a Permitted Asset Disposition of the Oxnard Plant, and following each such reduction, the remaining amount shall amortize on a straight line basis over the remaining portion of the seven-year amortization period; and (ii) 50% of the OLV In-Place Value of Eligible Fixed Assets (such lesser number, the "PPE Subcomponent");"

(c) The definition of "EBITDA" is amended by deleting the number "$10,000,000" clause (A)(ii) and replacing it with the number "$30,000,000."

(d) The definition of "Eligible Account" is amended to delete clause (h) in its entirety and to replace it with the following:

> "(h) if the aggregate dollar amount of all Accounts owed by the Account Debtor thereon exceeds 5% (15% in respect of (i) Accounts owed by the Account Debtors identified in Item 11 ("Major Account Debtors") of the Disclosure Schedule, as such Item may be amended from time to time by the Agent, in its commercially reasonable judgment, after consultation with the Company, to add or delete Account Debtors and (ii) Accounts owed by any other Account Debtor which are secured or payable by a letter of credit acceptable to the Agent and issued by a financial institution acceptable to the Agent) of the aggregate amount of all Accounts at such time, but only to the extent of such excess;"

(e) The following definitions of "Kaiser Center Assets," "Mead Charges," "Oxnard Plant," "Permitted Asset Dispositions," "Permitted QAL Investment Amount," and "Tacoma Plant," are added in proper alphabetical order:

> "Kaiser Center Assets" means the real property, building, leases, contracts, licenses, personal property, notes, security interests and other interests of the Company and its Subsidiaries with respect to that certain property located in Oakland, California known as the Kaiser Center, and more particularly described on Exhibit F attached hereto.

> "Mead Charges" means the following charges incurred by the Company in connection with the curtailment of operations or shutdown of the Company's facility in Mead, Washington: (i) a non-cash impairment charge of up to $145,000,000 associated with the fixed assets at such facility; (ii) accounting charges for future retiree medical, pension, and other benefits of up to $65,000,000 representing amounts that would be paid over an

extended period of time (primarily after the expiration of the term of this Agreement); and (iii) other accounting charges (e.g. inventory writedowns, salaried work force restructuring, etc.) which are non-cash or have limited cash impacts during the term of this Agreement of up to $20,000,000; provided that, for purposes of calculating Adjusted Net Earnings from Operations, the aggregate amount of Mead Charges which may be excluded shall not exceed $230,000,000; and the aggregate amount of cash charges, including cash charges for future retiree medical, pension and other benefits allocated by the Company in good faith to employees at the Mead facility, which may be excluded shall not exceed $10,000,000.

"Oxnard Plant" means the real property, buildings, equipment, inventory, leases, contracts, licenses and intangible assets used exclusively in the Company's fabricated products plant in Oxnard, California as more particularly described in that certain Asset Purchase and Sale Agreement dated as of September 12, 2002 between the Company and Aluminum Precision Products, Inc. and that certain Standard Offer, Agreement and Escrow Instructions for Purchase of Real Property dated September 12, 2002 between the Company and Aluminum Precision Products, Inc., copies of which agreements have been filed with the Bankruptcy Court.

"Permitted Asset Dispositions" means any Asset Disposition of (i) the Kaiser Center Assets for which the Company and/or any of its Subsidiaries receive Net Disposition Proceeds in an amount satisfactory to the Required Lenders; provided that 50% of such Net Disposition Proceeds are applied to the Obligations in accordance with Section 3.3.4 and to permanently reduce the PPE Subcomponent in accordance with the definition of such term; (ii) the Tacoma Plant; provided, that 50% of all Net Disposition Proceeds of such Asset Disposition in excess of $20,000,000 are applied to the Obligations in accordance with Section 3.3.4 and to permanently reduce the PPE Subcomponent in accordance with the definition of such term; and (iii) the Oxnard Plant; provided that 50% of all Net Disposition Proceeds of such Asset Disposition in excess of $10,000,000 are applied to the Obligations in accordance with Section 3.3.4 and to permanently reduce the PPE Subcomponent in accordance with the definition of such term. After application of the Net Disposition Proceeds to the Obligations as required by the foregoing, if no Event of Cash Dominion has occurred and is continuing and the provisions of Section 5.7 are not applicable, the remaining portion of such Net Disposition Proceeds after such application shall be disbursed to the Company.

"Permitted QAL Investment Amount" means an aggregate amount during the 2002 and 2003 Fiscal Years of $87,000,000, which may consist of any combination of cash Investments in, and/or Contingent Liabilities incurred in respect of Indebtedness of, QAL by the Company and/or any Guarantor; provided that all such cash Investments in, or Contingent Liabilities incurred in respect of Indebtedness of, QAL shall be made on a ratable basis with those of the other joint venture participants in QAL, based on the amount of such Persons' ownership interests in QAL.

"Tacoma Plant" means the real property, buildings and Equipment used exclusively in connection with the Company's primary aluminum smelter located at 3400 Taylor Way, Tacoma, Washington.

1.2 AMENDMENT TO SECTION 5.7 (MANDATORY PAYMENT TO AGENT OF LETTER OF CREDIT OUTSTANDINGS). Section 5.7 of the Credit Agreement is amended to add the following sentence immediately after the first sentence of that Section:

"In addition, the Company agrees that, on the Stated Maturity Date or any earlier date on which all Commitments are terminated, it will either pay to the Agent in Dollars and in immediately available funds for deposit in the L/C Collateral Account an amount equal to the then aggregate Letter of Credit Outstandings or provide to the Agent one or more letters of credit, in form and substance satisfactory to the Agent and from an issuer satisfactory to the Agent, in an aggregate amount equal to the then aggregate Letter of Credit Outstandings, which letters of credit may be drawn by the Agent and the proceeds applied to the Letter of Credit Outstandings to the extent that any Letter of Credit which is outstanding on such termination date is drawn.

1.3 AMENDMENT TO SECTION 7.4.1 (COMPLIANCE WITH WARRANTIES, NO DEFAULT, ETC.). Section 7.4.1 of the Credit Agreement is amended to add the following new, unlettered paragraph at the end thereof:

"For purposes of the conditions set forth in Sections 7.4.1(a), 7.4.1(b)(ii) and 7.4.1(c), and the representations and warranties set forth in Sections 8.6(b) and 8.7(b), the adverse decision of the Administrative Law Judge rendered in May 2002 in connection with allegations of unfair labor practices in connection with the United Steelworkers of America strike and subsequent lockout, and any affirmation of such decision on appeal, shall not be deemed to reasonably be expected to have a Materially Adverse Effect or have a reasonable possibility of having a Materially Adverse Effect so long as such decision is subject to further appeal, any judgment which has been entered is stayed and no amounts are paid by any Obligor during the term of this Agreement."

1.4 AMENDMENT TO SECTION 9.1.1 (FINANCIAL INFORMATION, REPORTS, NOTICES, ETC.) Section 9.1.1 of the Credit Agreement is amended to add the following new subsection (m):

"(m) No later than 5 Business Days prior to filing any application or motion with the Bankruptcy Court with respect to any Permitted Asset Disposition or any other proposed Asset Disposition not permitted under Section 9.2.11 of this Agreement, a written description of the proposed Asset Disposition, together with a copy of the purchase and sale agreements and all other material agreements related thereto."

1.5 AMENDMENT TO SECTION 9.2.4 (MINIMUM EBITDA). Section 9.2.4 of the Credit Agreement is deleted in its entirety and replaced with the following:

(a) The Company and its Subsidiaries, on a consolidated basis, shall have a minimum EBITDA of not less than the following amounts, measured as of the last day of each Fiscal Quarter for the periods specified below:

Period	EBITDA
Petition Date to 6/30/02	$(45,000,000)
Petition Date to 9/30/02	(48,000,000)
Petition Date to 12/31/02	(82,000,000)
4 Fiscal Quarters ending 3/31/03	(98,000,000)
4 Fiscal Quarters ending 6/30/03	(86,000,000)
4 Fiscal Quarters ending 9/30/03	(45,000,000)
4 Fiscal Quarters ending 12/31/03	10,000,000

(b) If at any time during any month for a period of three (3) consecutive Business Days (i) the Revolving Credit Outstandings exceed $100,000,000 or (ii) Revolving Commitment Availability is less than $75,000,000 (each condition in clause (i) and (ii), a "Trigger Event") then for that month and each month thereafter in which a Trigger Event occurs, the Company and its Subsidiaries, on a consolidated basis, shall have a minimum EBITDA of not less than the following amounts, measured as of the last day of each month for the period specified below:

Period	
Petition Date to 06/30/02	(45,000,000)
Petition Date to 07/31/02	(48,000,000)

Petition Date to 08/30/02	(48,000,000)
Petition Date to 09/30/02	(48,000,000)
Petition Date to 10/31/02	(82,000,000)
Petition Date to 11/30/02	(82,000,000)
Petition Date to 12/31/02	(82,000,000)
Petition Date to 01/31/03	(98,000,000)
Petition Date to 02/28/03	(98,000,000)
12 months ending 03/31/03	(98,000,000)
12 months ending 04/30/03	(94,000,000)
12 months ending 05/31/03	(90,000,000)
12 months ending 06/30/03	(86,000,000)
12 months ending 07/31/03	(72,000,000)
12 months ending 08/31/03	(58,000,000)
12 months ending 09/30/03	(45,000,000)
12 months ending 10/31/03	(27,000,000)
12 months ending 11/30/03	(9,000,000)
12 months ending 12/31/03	10,000,000
12 months ending 01/31/04	10,000,000
12 months ending 02/28/04	10,000,000

1.6 AMENDMENT TO SECTION 9.2.11 (ASSET DISPOSITIONS). Section 9.2.11 of the Credit Agreement is amended to (i) delete the parenthetical phrases "(or apply to the Bankruptcy Court to do so)" and "(or permit any of its Subsidiaries to apply to the Bankruptcy Court to)", (ii) delete the phrase "$25,000,000 in any Fiscal Year" in clause (i) and replace it with "$30,000,000 in the 2002 Fiscal Year or $25,000,000 in any other Fiscal Year;" and (iii) to add a new clause (j) to read as follows:

"(j) Permitted Asset Dispositions;"

1.7 AMENDMENT TO SECTION 9.2.20 (ADDITIONAL INVESTMENTS IN PERSONS OTHER THAN DEBTORS). Section 9.2.20 of the Credit Agreement is deleted in its entirety and replaced with the following:

> SECTION 9.2.20. ADDITIONAL INVESTMENTS IN PERSONS OTHER THAN DEBTORS. Notwithstanding anything to the contrary contained in Sections 9.2.2, 9.2.5 and 9.2.18 hereof, after the date hereof the Company and the Parent Guarantor shall not (or apply to the Bankruptcy Court to do so), and will not permit any Guarantor to (or permit any Guarantor to apply to the Bankruptcy Court to), make any cash Investments in, or incur any Contingent Liabilities to pay the Indebtedness of, any Person other than a Debtor except (i) Investments and Contingent Liabilities to the extent reflected in the Financial Forecast; provided that solely with respect to Investments in, or Contingent Liabilities with respect to the Indebtedness of, QAL the Financial Forecast shall be amended to permit the Company and KAAC to make cash Investments in, and to incur Contingent Liabilities in respect of the Indebtedness of, QAL in accordance with the definition of and in aggregate amount for all such cash Investments and Contingent Liabilities not to exceed the Permitted QAL Investment Amount, (ii) other Investments made in, or Contingent Liabilities incurred on behalf of, QAL, ALPART, Anglesey or VALCO in an amount not to exceed $10,000,000 per annum (so long as, after giving effect to any Investment made or Contingent Liability incurred pursuant to this clause (ii), an Event of Cash Dominion shall not have occurred and be continuing by reason thereof), and (iii) Investments in or Contingent Liabilities in respect of Kaiser Aluminum and Chemical of Canada Limited for the purpose of Capital Expenditures not to exceed $5,000,000 per annum, in each case to the extent permitted under Section 9.2.7.

1.8 AMENDMENT TO EXHIBIT D-2 (COMPLIANCE CERTIFICATE) The form of Compliance Certificate attached to the Credit Agreement as Exhibit D-2 is amended to delete the penultimate paragraph in its entirety and to replace it with the following:

"The Company hereby also represents and warrants to the Agent, for the benefit of the Agent and the Lenders, that, except as may have been previously disclosed to the Agent in writing pursuant to clause (d) of Section 9.1.1, no Default has occurred and is continuing."

1.9 ADDITION OF NEW EXHIBIT F (KAISER CENTER ASSETS). The Credit Agreement is amended to add Exhibit F in the form attached to this Amendment as Exhibit 1.

1.10 AMENDMENT TO SCHEDULE XI OF THE CREDIT AGREEMENT (SUBSIDIARIES HAVING TOTAL ASSETS GREATER THAN $1 MILLION). Schedule XI of the Credit Agreement is amended to delete the words "set forth on Schedule III, IV or VII" in the introductory text and to replace them with "that are Guarantors."

1.11 AMENDMENT TO ITEM 4 OF DISCLOSURE SCHEDULE (ONGOING INDEBTEDNESS). Item 4 of the Disclosure Schedule to the Credit Agreement is amended to add the following Indebtedness:

Holders of three promissory notes issued by Newkirk Kalan, LLP (formerly known as Kalan Associates Limited Partnership) in connection with the August 1983 sale and leaseback transaction of the Kaiser Center and certain related assets, which promissory notes are secured on a non-recourse basis by liens on certain assets of Kaiser Center, Inc. described in Item 5 of the Disclosure Schedule	$41,205,849 (as of 11/01/2002)

1.12 AMENDMENT TO ITEM 5 OF DISCLOSURE SCHEDULE (ONGOING LIENS). Item 5 of the Disclosure Schedule to the Credit Agreement is amended to add the following Liens:

"5. The Liens granted by Kaiser Center, Inc. to secure payment of three promissory notes (and certain related obligations) issued by Newkirk Kalan LLP (formerly known as Kalan Associates Limited Partnership) in connection with the August 1983 sale and leaseback transaction of the Kaiser Center and certain related assets. As of November 1, 2002, two of such promissory notes were held by MLP Holdings, LLC and had an aggregate outstanding principal balance of $10,929,977. As of November 1, 2002, the third of such promissory notes was held by the Company and had an outstanding principal balance of $30,275,872.

6. The Liens granted by Alwis of its rights, as lessor, under its sublease of the Kaiser Center and certain related assets to the Company. The Liens secure payment and performance by Alwis, as lessee, of its obligations under a master lease with Newkirk Kalan LLP for the Kaiser Center and certain related assets."

2. AMENDMENTS TO SECURITY AGREEMENT. Subject to the conditions and upon the terms set forth in this Amendment, the Security Agreement is hereby amended as follows:

2.1 AMENDMENT TO SECTION 5.(O). Section 5.(o) of the Security Agreement is amended to delete clause (i) in its entirety and replace it with the following:

"(i) 100% of the issued and outstanding shares of all classes of capital stock of each Obligor and each Significant Subsidiary which is a Domestic Subsidiary of the applicable Obligor, other than the capital stock of the Parent Guarantor, KAAC, AJI and KJC and the securities of the Company referred to in clause (i) to Section 9.2.6(a) of the Credit Agreement."

2.2 ADDITION OF SCHEDULES VIII (PLEDGED NOTES) AND IX (PLEDGED SHARES). The Security Agreement is amended to add Schedules VIII and IX in the forms attached hereto as Schedules VIII and IX.

3. REPRESENTATIONS AND WARRANTIES OF PARENT GUARANTOR AND THE COMPANY. Each of the Parent Guarantor and the Company represents and warrants to each Lender and the Agent that the following statements are true, correct and complete:

3.1 POWER AND AUTHORITY. Each of the Parent Guarantor, the Company and each other Obligor has all corporate or other organizational power and authority to enter into this Amendment and, as applicable, the Consent of Guarantors attached hereto (the "Consent"), and to carry out the transactions contemplated by, and to perform its obligations under or in respect of, the Credit Agreement, as amended hereby.

3.2 DUE AUTHORIZATION, NON-CONTRAVENTION. The execution, delivery and performance by the applicable Obligor of this Amendment and the Consent and the performance of the obligations of each Obligor under or in respect of the Credit Agreement as amended hereby have been duly authorized by all necessary corporate or other organizational action, and do not (a) contravene such Obligor's Organic Documents, (b) contravene any contractual restriction entered into after the Petition Date where such a contravention has a reasonable possibility of having a Materially Adverse Effect, or contravene any law or governmental regulation or court order binding on or affecting such Obligor, or (c) result in, or require the creation or imposition of, any Lien on any of such Obligor's properties.

3.3 EXECUTION, DELIVERY AND ENFORCEABILITY. This Amendment and the Consent have been duly executed and delivered by each Obligor which is a party thereto and constitute the legal, valid and binding obligations of such Obligor, enforceable in accordance with their terms.

3.4 NO DEFAULT OR EVENT OF DEFAULT. After giving effect to this Amendment, no event has occurred and is continuing or will result from the execution and delivery of this Amendment or the Consent that would constitute a Default or an Event of Default.

3.5 REPRESENTATIONS AND WARRANTIES, ETC. All of the conditions set forth in Section 7.4, giving effect to this Amendment, have been met on and as of the date hereof and as of the effective date of this Amendment.

4. CONDITIONS TO EFFECTIVENESS OF THIS AMENDMENT. This Amendment shall be effective only if and when (a) this Amendment has been signed by, and when counterparts hereof shall have been delivered to the Agent (by hand delivery, mail or telecopy) by, the Parent Guarantor, the Company and the Required Lenders, and counterparts of the Consent have been delivered to the Agent by the Parent Guarantor and each Subsidiary Guarantor; (b) this Amendment has been approved by the Bankruptcy Court in the Chapter 11 Cases and the Agent has received a copy of the order entered by the Bankruptcy Court; and (c) the Company has paid to the Agent, for the ratable benefit of the Lenders an amendment fee equal to $750,000.

5. EFFECT OF AMENDMENT; RATIFICATION. This Amendment is a Loan Document. From and after the date on which this Amendment becomes effective, all references in the Loan Documents to the Credit Agreement and the Security Agreement shall mean the Credit Agreement and the Security Agreement, as applicable, as amended hereby. Except as expressly amended hereby, the Credit Agreement and the other Loan Documents, including the Liens granted thereunder, shall remain in full force and effect, and all terms and provisions thereof are hereby ratified and confirmed. Each of the Parent Guarantor and the Company confirms that as amended hereby, each of the Loan Documents is in full force and effect.

6. APPLICABLE LAW. THE VALIDITY, INTERPRETATIONS AND ENFORCEMENT OF THIS AMENDMENT AND ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS AMENDMENT, WHETHER SOUNDING IN CONTRACT, TORT, EQUITY OR OTHERWISE, SHALL BE GOVERNED BY THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

7. COMPLETE AGREEMENT. This Amendment sets forth the complete agreement of the parties in respect of any amendment to any of the provisions of any Loan Document. The execution, delivery and effectiveness of this Amendment do not constitute a waiver of any Default or Event of Default, amend or modify any provision of any Loan Document except as expressly set forth herein or constitute a course of dealing or any other basis for altering the Obligations of any Obligor.

8. CAPTIONS; COUNTERPARTS. The catchlines and captions herein are intended solely for convenience of reference and shall not be used to interpret or construe the provisions hereof. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts (including by telecopy), all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the undersigned has duly executed this Third Amendment to Post-Petition Credit Agreement, Second Amendment to Post-Petition Pledge and Security Agreement and Consent of Guarantors as of the date set forth above.

"PARENT GUARANTOR" KAISER ALUMINUM CORPORATION

By: /s/ David A. Cheadle
Name: David A. Cheadle
Title: Assistant Treasurer

"THE COMPANY" KAISER ALUMINUM & CHEMICAL CORPORATION

By: /s/ David A. Cheadle
Name: David A. Cheadle
Title: Assistant Treasurer

[Signatures Continued on Next Page]

BANK OF AMERICA, N.A.,
as the Agent and a Lender

By: /s/ Robert M. Dalton
Name: Robert M. Dalton
Title: Vice President

GENERAL ELECTRIC CAPITAL
CORPORATION, as a Lender

By: /s/ John L. Dale
Name: John L. Dale
Title: Duly Authorized Signatory

FOOTHILL CAPITAL CORPORATION,
as a Lender

By: /s/ E. Kim
Name: Eunnie Kim
Title: Asst. Vice President

THE CIT GROUP/BUSINESS CREDIT, INC.,
as a Lender

By: /s/ Grant Weiss
Name: Grant Weiss
Title: Vice President

MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC., as a Lender

By: /s/ Michele Kovatchis
Name: Michele Kovatchis
Title: Director

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Sandra Sha Kenyon
Name: Sandra Sha Kenyon
Title: Vice President

GMAC BUSINESS CREDIT, LLC,
as a Lender

By: /s/ Joel Richards
Name: Joel Richards
Title: Director

THE PROVIDENT BANK,
as a Lender

By: /s/ Mary Sue Wolfer
Name: Mary Sue Wolfer
Title: Director

CONSENT OF GUARANTORS

Each of the undersigned is a Guarantor of the Obligations of the Company under the Credit Agreement and each other Loan Document and hereby (a) consents to the foregoing Amendment, (b) acknowledges that notwithstanding the execution and delivery of the foregoing Amendment, the obligations of each of the undersigned Guarantors are not impaired or affected and the Parent Guaranty and the Subsidiary Guaranty continue in full force and effect, and (c) ratifies the Parent Guaranty or the Subsidiary Guaranty, as applicable, and each of the Loan Documents to which it is a party and further ratifies the Security Interests granted by it to the Agent for its benefit and the benefit of the Secured Parties.

IN WITNESS WHEREOF, each of the undersigned has executed and delivered this CONSENT OF GUARANTORS as of the date first set forth above.

AKRON HOLDING CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

ALPART JAMAICA INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINA AUSTRALIA CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER BELLWOOD CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM & CHEMICAL INVESTMENT, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINIUM INTERNATIONAL, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM PROPERTIES, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM TECHNICAL
SERVICES, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER FINANCE CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER JAMAICA CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER MICROMILL HOLDINGS, LLC

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER SIERRA MICROMILLS, LLC

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER TEXAS SIERRA MICROMILLS, LLC

By /s/ David A. Cheadle

David A. Cheadle
Title: Assistant Treasurer

KAISER TEXAS MICROMILL HOLDINGS, LLC

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

OXNARD FORGE DIE COMPANY, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

EXHIBIT 1 TO THIRD AMENDMENT TO POST-PETITION CREDIT AGREEMENT, SECOND AMENDMENT TO POST-PETITION PLEDGE AND SECURITY AGREEMENT AND CONSENT OF GUARANTORS

EXHIBIT F

DESCRIPTION OF KAISER CENTER ASSETS

(a) The land (the "Land") lying beneath the Kaiser Center office building, garage and mall (the "Building") generally located at 300 Lakeside Drive, Webster Street and 21st Street, Oakland, California;

(b) The mall portion of the Building (the "Mall Building") generally located at Webster Street and 21st Street, Oakland, California;

(c) The real property used as a surface parking lot located at 21st Street and 22nd Street, Oakland, California (the "Parking Lot"), subject to a Parking Lease, dated December 30, 1983, as amended, between Kaiser Center Properties, a California partnership, as landlord, the Company and Prentiss Properties Acquisitions Partners, L.P., or, if elected by the buyer, a one hundred percent ownership interest in the entity that holds fee simple title to the Parking Lot;

(d) The rights of Kaiser Center, Inc. ("KCI") as landlord under that certain Ground Lease entered into by and between KCI and Kalan Associates Limited Partnership ("Kalan") as tenant, dated as of August 15, 1983 (the "Ground Lease");

(e) The rights of Alwis as tenant under that certain Master Lease, entered into by and between Kalan as landlord and Alwis Leasing Corp. (subsequently merged into Alwis) as tenant, dated as of August 15, 1983 and pertaining to the Land and the Building (the "Master Lease");

(f) All interests of the Company and Alwis under that certain Sublease Agreement entered into by and between Alwis as landlord and the Company as tenant, dated as of August 15, 1983, and pertaining to the Building (the "Sublease");

(g) All interests of the Company in and to leases of space in the Building and in any guaranties, security deposits, letters of credit or other security held by the Company in connection therewith;

(h) That certain Promissory Note made by Kalan in the original amount of three million two hundred thirty-seven thousand four hundred eighty-five dollars ($3,237,485), dated as of August 15, 1983 (the "Third Note") made to and for the benefit of Zenith Insurance Company ("Zenith"), the Third Note having been acquired by the Company from Zenith;

(i) The Deed of Trust made by Kalan and joined in by KCI to secure the Third Note;

(j) That certain Assignment of Leases and Agreement made by Kalan for the benefit of Zenith on August 15, 1983 as additional security for payment of the Third Note and other obligations of Kalan to Zenith (the "Third Lease Assignment"), all rights of Zenith thereunder having been assigned to the Company in connection with endorsement of the Third Note to the Company;

(k) UCC Financing Statement made by Kalan and KCI to Zenith to secure the Third Note;

(1) That certain agreement made by Kalan obligating itself to pay the original sum of seventeen million one hundred twenty thousand dollars ($17,120,000) dated as of August 15, 1983 for the benefit of Resources Property Development Corp. (referred to herein as the "Fourth Note"), the Fourth Note having been acquired by the Company by assignment;

(m) The Deed of Trust made by Kalan to secure the Fourth Note for the benefit of Resources Property Development Corp. (the "Fourth Deed of Trust"), the beneficial interest in the Fourth Deed of Trust having been assigned to the Company;

(n) All security interests, collateral assignments, pledges, guaranties and other security held by the Company, KCI or Alwis to secure or with respect to any of the interests referred to in (g) through (1) above and all certificates, resolutions and other proofs of authority with respect thereto;

(o) All permits, entitlements and other licenses and rights held by the Company, KCI or Alwis with respect to the real property and improvements that constitute the Kaiser Center (the "Property") or other property interests pertaining the Property;

(p) Various contracts, contract rights, warranties and service agreements held by the Company, KCI or Alwis with respect to any of the Property; and

(q) All personal property owned and used by the Company, KCI or Alwis exclusively in connection with the management and operation of the Building.

SCHEDULE VII

PLEDGED NOTES

1. Subordinated Note, dated April 30, 1985, as amended, for the original principal amount of $8,000,000, and a balance at October 31, 2002, of $4,275,000, payable to Kaiser Aluminum & Chemical Corporation, or order, by National Refractories & Minerals Corporation.

2. Standby Revolving Credit Note, dated September 20, 1990, for the original amount of $2,500,000, and a balance at October 31, 2002, of $2,500,000, payable to Kaiser Aluminum & Chemical Corporation, or order, by National Refractories & Minerals Corporation.

3. Non-Negotiable Intercompany Note, dated December 21, 1989, as amended effective as of July 1, 1993 and December 11, 2000, payable to Kaiser Aluminum & Chemical Corporation, or order, by KaiserTech Limited (now named Kaiser Aluminum Corporation)(the "KT Note").

4. Promissory Note, dated August 15, 1983, for the original principal amount of $3,237,485 and a balance at October 31, 2002, of $30,275,872, payable to Kaiser Aluminum & Chemical Corporation by Kalan Associates Limited Partnership)(now named Newkirk Kalan, LLP).

5. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Aluminum & Chemical Corporation and made payable to the order of Akron Holding Corporation.

6. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Aluminum & Chemical Corporation and made payable to the order of Kaiser Aluminum & Chemical Investment, Inc.

7. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Aluminum & Chemical Corporation and made payable to the order of Kaiser Aluminum Properties, Inc.

8. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Aluminum & Chemical Corporation and made payable to the order of Kaiser Aluminum Technical Services, Inc.

9. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Aluminum & Chemical Corporation and made payable to the order of Oxnard Forge Die Company, Inc.

10. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Aluminum & Chemical Corporation and made payable to the order of Kaiser Aluminum International, Inc.

11. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Aluminum & Chemical Corporation and made payable to the order of Kaiser Finance Corporation.

12. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Alumina Australia Corporation and made payable to the order of Kaiser Finance

Corporation.

13. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Jamaica Corporation and made payable to the order of Kaiser Finance Corporation.

14. Intercompany Demand Note, dated February 15, 1994, issued by Alpart Jamaica Inc. and made payable to the order of Kaiser Finance Corporation.

15. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Aluminum & Chemical Corporation and made payable to the order of Kaiser Alumina Australia Corporation.

16. Intercompany Demand Note, dated February 15, 1994, issued by Kaiser Finance Corporation and made payable to the order of Kaiser Alumina Australia Corporation.

17. Intercompany Demand Note, dated June 30, 1997, issued by Kaiser Bellwood Corporation and made payable to the order of Kaiser Finance Corporation.

SCHEDULE IX

PLEDGED SHARES

GRANTOR	ISSUER	JURISDICTION OF ORGANIZATION	CLASS	CERTIFIC NO.(S
Kaiser Aluminum & Chemical Corporation	Akron Holding Corporation	Ohio	common	2
Kaiser Aluminum & Chemical Corporation	Anglesey Aluminum Limited	United Kingdom		23
Kaiser Aluminum & Chemical Corporation	Kaiser Aluminum International, Inc.	Delaware	common	4
Kaiser Aluminum & Chemical Corporation	Kaiser Aluminum & Chemical Canada Investment Limited	Ontario	common	C-1
Kaiser Aluminum & Chemical Investment, Inc.	Kaiser Aluminum & Chemical Canada Investment Limited	Ontario	preferred	NP-6
Kaiser Aluminum & Chemical Corporation	Kaiser Aluminum & Chemical Investment, Inc.	Delaware	common	1
Kaiser Aluminum & Chemical Investment, Inc.	Kaiser Aluminum & Chemical of Canada Limited	Ontario	common	C-2
Kaiser Aluminum & Chemical Corporation	Kaiser Aluminum Properties, Inc.	Delaware	common	2
Kaiser Aluminum & Chemical Corporation	Kaiser Aluminum Technical Services, Inc.	California	common	1
Kaiser Aluminum & Chemical Corporation	Kaiser Bauxite Company	Nevada	common	1 2
Kaiser Aluminum & Chemical Corporation	Kaiser Bellwood Corporation	Delaware	common	1
Kaiser Alumina Australia Corporation	Kaiser Finance Corporation	Delaware	common	1
Kaiser Aluminum & Chemical Corporation	Oxnard Forge Die Company, Inc.	California	common	1
Kaiser Aluminum & Chemical Corporation	Trochus Insurance Company, Ltd.	Bermuda		32 42
Kaiser Aluminum & Chemical Corporation	Volta Aluminum Company Limited	Ghana		85
Kaiser Aluminum Corporation	Kaiser Aluminum & Chemical Corporation	Delaware	common	CNB 812 CNB 812 CNB 812

Exhibit 4.20

EXECUTION COPY

FOURTH AMENDMENT TO POST-PETITION CREDIT AGREEMENT AND CONSENT OF GUARANTORS

This FOURTH AMENDMENT TO POST-PETITION CREDIT AGREEMENT AND CONSENT OF GUARANTORS (this "Amendment") is dated as of March 17, 2003 and entered into by and among KAISER ALUMINUM CORPORATION, a Delaware corporation, as debtor and debtor-in-possession (the "Parent Guarantor"), KAISER ALUMINUM & CHEMICAL CORPORATION, a Delaware corporation, as debtor and debtor-in-possession (the "Company"), the banks and other financial institutions signatory hereto that are parties as Lenders to the Credit Agreement referred to below (the "Lenders"), BANK OF AMERICA, N.A., as administrative agent and collateral agent (in such capacity, the "Agent") for the Lenders, GENERAL ELECTRIC CAPITAL CORPORATION ("GE Capital") as Documentation Agent, THE CIT GROUP/BUSINESS CREDIT, INC. ("CIT"), as Co-Syndication Agent, and FOOTHILL CAPITAL CORPORATION ("Foothill"), as Co-Syndication Agent (GE Capital, CIT and Foothill, collectively, the "Co-Agents").

RECITALS

WHEREAS, the Parent Guarantor, the Company, the Lenders, and the Agent have entered into that certain Post-Petition Credit Agreement dated as of February 12, 2002, as amended by that certain First Amendment to Post-Petition Credit Agreement and Post-Petition Pledge and Security Agreement and Consent of Guarantors dated as of March 21, 2002, that certain Second Amendment to Post-Petition Credit Agreement and Consent of Guarantors dated as of March 21, 2002, that certain Third Amendment to Post-Petition Credit Agreement, Second Amendment to Post-Petition Pledge and Security Agreement and Consent of Guarantors dated as of December 19, 2002 and as further modified by that certain Waiver and Consent With Respect to Post-Petition Credit Agreement dated as of October 9, 2002 and that certain Second Waiver and Consent With Respect to Post-Petition Credit Agreement dated as of January 13, 2003 (the "Second Waiver") (as so amended and modified, the "Credit Agreement"; capitalized terms used in this Amendment without definition shall have the meanings given such terms in the Credit Agreement);

WHEREAS, the members of the Controlled Group had an obligation to make a special liquidity contribution to the trust established under the Kaiser Aluminum Salaried Employees Retirement Plan in the amount of approximately $17,000,000 on January 15, 2003 (the "January Liquidity Contribution") and failed to make such payment;

WHEREAS, as a result of the failure to make the January Liquidity Contribution when due, a Lien in favor of the PBGC would, unless stayed under the Bankruptcy Code or other applicable law, be imposed under ERISA and the Code on all of the assets of the members of the Controlled Group;

WHEREAS, on April 15, 2003, and on certain quarterly contribution dates thereafter, the members of the Controlled Group may have further obligations to make certain Future Minimum Funding and Liquidity Contributions (as hereinafter defined) and failure to make such Future Minimum Funding and Liquidity Contributions would also result in the imposition under ERISA and the Code of a Lien on all of the assets of the members of the Controlled Group, unless such Lien were stayed under the Bankruptcy Code or other applicable law;

WHEREAS, failure to make the January Liquidity Contribution and the Future Minimum Funding and Liquidity Contributions may result in the imposition of certain taxes, and failure to pay such taxes would also result in the creation of a Lien on the assets of the members of the Controlled Group, unless such Lien were stayed under the Bankruptcy Code or other applicable law;

WHEREAS, since February 12, 2002, and prior to the date the January Liquidity Contribution was due, certain additional Subsidiaries have become debtors in cases filed under Chapter 11 of the Bankruptcy Code, which have been administratively consolidated with the Chapter 11 cases of the Debtors (the "New Debtors");

WHEREAS, as a result of the automatic stay under section 362 of the Bankruptcy Code, the imposition and perfection of the Liens resulting from the failure to make the January Liquidity Contribution and the Future Minimum Funding and Liquidity Contributions and/or to pay the taxes associated therewith are stayed as to the Debtors and New Debtors;

WHEREAS, pursuant to that certain Stipulation and Order Extending Automatic Stay to Certain Nondebtor Subsidiaries entered in the Bankruptcy Cases on January 27, 2003 (the "Stipulation"), the imposition and perfection of such Liens are also stayed as to Trochus and VALCO through December 31, 2003;

WHEREAS, the imposition and perfection of such Liens are not stayed as to members of the Controlled Group that are not Debtors or New Debtors (with the exception of VALCO and Trochus); and

WHEREAS, as contemplated by the Second Waiver, the parties hereto wish to amend the Credit Agreement to incorporate certain modifications to the Credit Agreement contained in the Second Waiver and to make the other modifications contained herein;

NOW THEREFORE, in consideration of the premises and the mutual agreements set forth herein, the Parent Guarantor, the Company, the Lenders, and the Agent agree as follows:

1. AMENDMENTS TO CREDIT AGREEMENT. Subject to the conditions and upon the terms set forth in this Amendment, the Credit Agreement is hereby amended as follows:

1.1 AMENDMENTS TO SECTION 1.1 (DEFINITIONS).

(a) The definitions of "AJI", "Alwis", "KBC", "KEC", "KJC", and "Kaiser Canada" are amended to add the following at the end of each such definition: " as debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code."

(b) The definition of "Bankruptcy Case(s)" is amended to add at the end thereof "and the Chapter 11 cases filed by the New Domestic Debtors and the New Canadian Debtors."

(c) The definition of "Debtor" is deleted in its entirety and replaced with the following:

> "Debtor" means each of the Company, each Secured Guarantor, each New Domestic Debtor and each New Canadian Debtor, and "Debtors" means all of them collectively.

(d) The definition of "Petition Date" is deleted in its entirety and replaced with the following:

> "Petition Date" means as to any Debtor or any Bankruptcy Case, the date on which the applicable Bankruptcy Case was commenced with the Bankruptcy Court.

(e) The definition of "Subsidiary Guaranty" is deleted in its entirety and replaced with the following:

"Subsidiary Guaranty" means the guaranty executed and delivered by any Subsidiary of the Company on the Effective Date, or by the New Domestic Debtors pursuant to the Fourth Amendment, or by any other Subsidiary pursuant to Section 9.1.10, as amended, supplemented, restated, or otherwise modified from time to time in accordance with the provisions hereof or thereof.

(f) The definition of "Unsecured Guarantor" is deleted in its entirety and replaced with the following:

"Unsecured Guarantor" means each of the New Domestic Debtors and "Unsecured Guarantors" means all them collectively.

(g) The following definitions are added in the proper alphabetical order:

"Fourth Amendment" means the Fourth Amendment to Post-Petition Credit Agreement and Consent of Guarantors dated as of March 17, 2003 among the Parent Guarantor, the Company, the Lenders and the Agent.

"January Liquidity Contribution" means the special liquidity contribution required to be made by the members of the Controlled Group under the Salaried Pension Plan in the amount of approximately $17,000,000 on January 15, 2003.

"Future Minimum Funding and Liquidity Contributions" means the minimum funding and additional liquidity contributions which may be required to be made after January 15, 2003 by the members of the Controlled Group under ERISA to the trust established under the Salaried Pension Plan and other defined benefit plans of the Controlled Group.

"Kaiser Center Properties" means Kaiser Center Properties, a California partnership, as debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code.

"KAE Trading" means KAE Trading, Inc., a Delaware corporation, as debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code.

"Kaiser Canada Investment Limited" means Kaiser Aluminum & Chemical Canada Investment Limited, an Ontario corporation, as debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code.

"KCI" means Kaiser Center, Inc., a California corporation, as debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code.

"New Canadian Debtor" means each of Kaiser Canada, Kaiser Canada Investment Limited and Texada Mines, and "New Canadian Debtors" means all of them collectively.

"New Domestic Debtor" means, each of AJI, Alwis, KAE Trading, Kaiser Center Properties, KBC, KCI, KEC, and KJC and "New Domestic Debtors" means all of them collectively.

"Permitted PBGC Liens" means (a) unperfected Liens, if any, imposed under ERISA and the Code on assets of the Debtors, Trochus or VALCO as a result of (x) the failure to make the January Liquidity Contribution and the Future Minimum Funding and Liquidity Contributions on or before the dates when due or the failure to pay any taxes imposed in connection therewith or (y) the termination of any Pension Plan; and (b) perfected or unperfected Liens imposed under ERISA and the Code on assets of members of the Controlled Group other than any Debtor, Trochus or VALCO as a result of (x) the failure to make the January Liquidity Contribution and the Future Minimum Funding and Liquidity Contributions on or before the dates when due or the failure to pay any taxes imposed in connection therewith or (y) the termination of any Pension Plan.

"Salaried Pension Plan" means the Kaiser Aluminum Salaried Employees Retirement Plan.

"Second Waiver" means that certain Second Waiver and Consent with Respect to Post-Petition Credit Agreement dated as of January 13, 2003 among the Company, the Parent Guarantor, the Lenders and the Agent.

"Texada Mines" means Texada Mines Ltd., a British Columbia corporation, as debtor and debtor-in-possession under Chapter 11 of the Bankruptcy Code.

1.2 AMENDMENT TO SECTION 8.12 (PENSION AND WELFARE PLANS). Section 8.12 of the Credit Agreement is deleted in its entirety and replaced by the following:

"SECTION 8.12 PENSION AND WELFARE PLANS. During the twelve-consecutive-month period prior to the date of the execution and delivery of this Agreement and prior to the date of each Credit Extension hereunder, (a) no actions have been taken by the Parent Guarantor, the Company, any member of their Controlled Groups, or any other Person (with the requisite authority to act) to terminate any Pension Plan that has insufficient assets to satisfy all benefit liabilities thereunder (within the meaning of section 4001(a)(16) of ERISA), which termination is sufficient to give rise to a Lien on assets of any Controlled Group member under section 4068 of ERISA and (b) no contribution failure has occurred with respect to any Pension Plan sponsored or maintained by any Controlled Group member sufficient to give rise to a Lien on assets of any Controlled Group member under Section 302(f) of ERISA, other than, with respect to the foregoing clauses (a) and (b), Permitted PBGC Liens, which failure has not been cured within 30 days of the applicable due date. Item 7 ("Employee Benefit Plans") of the Disclosure Schedule lists all Welfare Plans of the Parent Guarantor, the Company, or any of their Domestic Subsidiaries."

1.3 AMENDMENT TO SECTION 9.2.3 (LIENS). Section 9.2.3 of the Credit Agreement is amended to (a) delete the reference in the first sentence thereof to "clauses (a), (b), (e) and (h)" and replace it with "clauses (a), (b), (e), (h) and (y)" and (b) add the following clause (y) at the end of such Section:

"(y) the Permitted PBGC Liens."

1.4 AMENDMENT TO SECTION 9.2.22 (CHAPTER 11 CLAIMS). Section 9.2.22 is amended to delete the two references to "Secured Guarantors" and to replace them with "other Debtors".

1.5 AMENDMENT TO SECTION 10.1.8 (PENSION PLANS). Section 10.1.8 is deleted in its entirety and replaced with the following:

SECTION 10.1.8. PENSION PLANS. A contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien (other than the Permitted PBGC Liens) against any assets of any Controlled Group member under section 302(f) of ERISA in an amount in excess of $1,000,000, which failure has not been completely cured within 30 days of the applicable due date.

1.5 AMENDMENT TO SECTION 12.9(C). Section 12.9(c) is amended to change the name of the agent for service of process to "Jones Day, 222 East 41st Street, New York, New York 10017 (Attention: Michael R. Bassett)".

2. REPRESENTATIONS AND WARRANTIES OF PARENT GUARANTOR AND THE COMPANY. Each of the Parent Guarantor and the Company represents and warrants to each Lender and the Agent that the following statements are true, correct and complete:

2.1 POWER AND AUTHORITY. Each of the Parent Guarantor, the Company and each other Obligor has all corporate or other organizational power and authority to enter into this Amendment and, as applicable, the Consent of Guarantors attached hereto (the "Consent"), and to carry out the transactions contemplated by, and to perform its obligations under or in respect of, the Credit Agreement, as amended hereby.

2.2 DUE AUTHORIZATION, NON-CONTRAVENTION. The execution, delivery and performance by the applicable Obligor of this Amendment and the Consent and the performance of the obligations of each Obligor under or in respect of the Credit Agreement as amended hereby have been duly authorized by all necessary corporate or other organizational action, and do not (a) contravene such Obligor's Organic Documents, (b) contravene any contractual restriction entered into after the Petition Date where such a contravention has a reasonable possibility of having a Materially Adverse Effect, or contravene any law or governmental regulation or court order binding on or affecting such Obligor, or (c) result in, or require the creation or imposition of, any Lien on any of such Obligor's properties.

2.3 EXECUTION, DELIVERY AND ENFORCEABILITY. This Amendment and the Consent have been duly executed and delivered by each Obligor which is a party thereto and constitute the legal, valid and binding obligations of such Obligor, enforceable in accordance with their terms.

2.4 NO DEFAULT OR EVENT OF DEFAULT. After giving effect to this Amendment, no event has occurred and is continuing or will result from the execution and delivery of this Amendment or the Consent that would constitute a Default or an Event of Default.

2.5 REPRESENTATIONS AND WARRANTIES, ETC. All of the conditions set forth in Section 7.4, giving effect to this Amendment, have been met on and as of the date hereof and as of the effective date of this Amendment.

3. CONDITIONS TO EFFECTIVENESS OF THIS AMENDMENT. This Amendment shall be effective only if and when (a) this Amendment has been signed by, and when counterparts hereof shall have been delivered to the Agent (by hand delivery, mail or telecopy) by, the Parent Guarantor, the Company and the Required Lenders, and counterparts of the Consent have been delivered to the Agent by the Guarantors (including each New Domestic Debtor); (b) each New Domestic Debtor shall have executed and delivered to the Agent, for its benefit and the benefit of the Lenders, a Subsidiary Guaranty, in form and substance satisfactory to the Agent (the "New Domestic Debtor Guaranties"); and (c) this Amendment and the New Domestic Debtor Guaranties, and the granting to the Agent and the Lenders, of Superpriority Claims against the New Domestic Debtors under section 364(c)(1) of the Bankruptcy Code, subject only to the Carve Out, shall have been approved by the Bankruptcy Court in the Chapter 11 Cases, pursuant to an order in form and substance satisfactory to the Agent and its counsel and on notice satisfactory to them, and the Agent shall have received a copy of that order entered by the Bankruptcy Court.

4. EFFECT OF AMENDMENT; RATIFICATION. This Amendment is a Loan Document. From and after the date on which this Amendment becomes effective, all references in the Loan Documents to the Credit Agreement shall mean the Credit

Agreement, as amended hereby. Except as expressly amended hereby, the Credit Agreement and the other Loan Documents, including the Liens granted thereunder, shall remain in full force and effect, and all terms and provisions thereof are hereby ratified and confirmed. Each of the Parent Guarantor and the Company confirms that as amended hereby, each of the Loan Documents is in full force and effect.

5. APPLICABLE LAW. THE VALIDITY, INTERPRETATIONS AND ENFORCEMENT OF THIS AMENDMENT AND ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS AMENDMENT, WHETHER SOUNDING IN CONTRACT, TORT, EQUITY OR OTHERWISE, SHALL BE GOVERNED BY THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

6. COMPLETE AGREEMENT. This Amendment sets forth the complete agreement of the parties in respect of any amendment to any of the provisions of any Loan Document. The execution, delivery and effectiveness of this Amendment do not constitute a waiver of any Default or Event of Default, amend or modify any provision of any Loan Document except as expressly set forth herein or constitute a course of dealing or any other basis for altering the Obligations of any Obligor.

7. CAPTIONS; COUNTERPARTS. The catchlines and captions herein are intended solely for convenience of reference and shall not be used to interpret or construe the provisions hereof. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts (including by telecopy), all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the undersigned has duly executed this Fourth Amendment to Post-Petition Credit Agreement and Consent of Guarantors as of the date set forth above.

"PARENT GUARANTOR" KAISER ALUMINUM CORPORATION

By: /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

"THE COMPANY" KAISER ALUMINUM & CHEMICAL CORPORATION

By: /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

BANK OF AMERICA, N.A., as the Agent and a Lender

By: /s/ Robert M. Dalton
Name: Robert M. Dalton
Title: Vice President

GENERAL ELECTRIC CAPITAL CORPORATION, as a Lender

By: /s/ John L. Dale
Name: John L. Dale
Title: Duly Authorized Signatory

FOOTHILL CAPITAL CORPORATION,
as a Lender

By: /s/ E Kim
Name: Eunnie Kim
Title: Asst. Vice President

THE CIT GROUP/BUSINESS CREDIT, INC.,
as a Lender

By: /s/ Grant Weiss
Name: Grant Weiss
Title: Vice President

MERRILL LYNCH BUSINESS FINANCIAL
SERVICES INC., as a Lender

By: /s/ Michele Kovatchis
Name: Michele Kovatchis
Title: Director

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Sandra Sha Kenyon
Name: Sandra Sha Kenyon
Title: Vice President

GMAC COMMERCIAL FINANCE LLC,
AS SUCCESSOR BY MERGER TO GMAC
BUSINESS CREDIT, LLC
as a Lender

By: /s/ Thomas Brent
Name: Thomas Brent
Title: Vice President

THE PROVIDENT BANK,
as a Lender

By: /s/ Mary Sue Wolfer
Name: Mary Sue Wolfer
Title: Credit Officer

CONSENT OF GUARANTORS

Each of the undersigned is a Guarantor of the Obligations of the Company under the Credit Agreement and each other Loan Document and hereby (a) consents to the foregoing Amendment, (b) acknowledges that notwithstanding the execution and delivery of the foregoing Amendment, the obligations of each of the undersigned Guarantors are not impaired or affected and the Parent Guaranty and the Subsidiary Guaranty continue in full force and effect, and (c) ratifies the Parent Guaranty or the Subsidiary Guaranty, as applicable, and each of the Loan Documents to which it is a party and further ratifies the Security Interests granted by it to the Agent for its benefit and the benefit of the Secured Parties.

IN WITNESS WHEREOF, each of the undersigned has executed and delivered this CONSENT OF GUARANTORS as of the date first set forth above.

AKRON HOLDING CORPORATION

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

ALPART JAMAICA INC.

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER ALUMINA AUSTRALIA CORPORATION

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER BELLWOOD CORPORATION

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER ALUMINUM & CHEMICAL INVESTMENT, INC.

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER ALUMINIUM INTERNATIONAL, INC.

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER ALUMINUM PROPERTIES, INC.

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER ALUMINUM TECHNICAL SERVICES, INC.

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER FINANCE CORPORATION

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER JAMAICA CORPORATION

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER MICROMILL HOLDINGS, LLC

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER SIERRA MICROMILLS, LLC

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER TEXAS SIERRA MICROMILLS, LLC

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER TEXAS MICROMILL HOLDINGS, LLC

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

OXNARD FORGE DIE COMPANY, INC.

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER ALUMINUM CORPORATION

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

ALWIS LEASING LLC

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER BAUXITE COMPANY

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER CENTER, INC.

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER CENTER PROPERTIES

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAE TRADING, INC.

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

KAISER EXPORT COMPANY

By /s/ Kerry A. Shiba
Name: Kerry A. Shiba
Title: Vice President and Treasurer

Exhibit 4.21

WAIVER AND CONSENT WITH RESPECT TO
POST-PETITION CREDIT AGREEMENT

This WAIVER AND CONSENT WITH RESPECT TO POST-PETITION CREDIT AGREEMENT (this "Waiver") is dated as of October 9, 2002 and entered into by and among KAISER ALUMINUM CORPORATION, a Delaware corporation, as debtor and debtor-in-possession (the "Parent Guarantor"), KAISER ALUMINUM & CHEMICAL CORPORATION, a Delaware corporation, as debtor and debtor-in-possession (the "Borrower"), the banks and other financial institutions signatory hereto that are parties as Lenders to the Credit Agreement referred to below (the "Lenders"), and BANK OF AMERICA, N.A., as administrative agent and collateral agent (in such capacity, the "Agent") for the Lenders.

RECITALS

WHEREAS, the Parent Guarantor, the Borrower, the Lenders, and the Agent have entered into that certain Post-Petition Credit Agreement dated as of February 12, 2002 (as amended to date, the "Credit Agreement"; capitalized terms used in this Waiver without definition shall have the meanings given such terms in the Credit Agreement); and

WHEREAS, pursuant to Section 9.2.4 of the Credit Agreement, the Borrower has covenanted that it and its Subsidiaries, on a consolidated basis, will maintain a minimum EBITDA of not less than a specified amount for each period specified therein during the term of the Credit Agreement (the "Minimum EBITDA Test"); and

WHEREAS, the Borrower is considering shutting down, or ceasing operations indefinitely at, its Mead, Washington facility (the "Mead Shutdown"); and

WHEREAS, as a result of the Mead Shutdown, the Borrower and its Subsidiaries could incur certain charges aggregating up to $230,000,000 as follows: (i) a non-cash impairment charge of up to $145,000,000 associated with the fixed assets at the Mead facility; (ii) a charge for retiree medical, pension, and other benefits of up to $65,000,000, representing amounts that would be paid over an extended period of time (primarily after the expiration of the term of the Credit Agreement); and (iii) other non-cash charges (e.g. LIFO charges) of up to $20,000,000 (collectively, the "Mead Shutdown Charges"); and

WHEREAS, the incurrence of the Mead Shutdown Charges would result in noncompliance by the Borrower and its Subsidiaries with the Minimum EBITDA Test for the test periods in which such charges would be included in EBITDA; and

WHEREAS, the Borrower has requested that the Agent and Lenders waive any noncompliance with the Minimum EBITDA Test for the test periods ending September 30, 2002 and December 31, 2002 and, if applicable, the test periods ending October 31, 2002 and November 30, 2002, but only to the extent that noncompliance therewith is attributable solely to the incurrence of the Mead Shutdown Charges; and

WHEREAS, the Borrower expects that QAL will either (i) make additional drawdowns under the existing Series X Bank Loan Agreements to which QAL is a party in an aggregate amount of up to $70,000,000 (the "Additional Series X Financing") and borrow under one or more proposed Series Z Bank Loan Agreements to which QAL may become a party in an aggregate amount of up to $145,000,000 (the "Proposed Series Z Financing") or (ii) if such Additional Series X Financing is not drawn and/or the Proposed Series Z Financing is not obtained, obtain additional cash Investments from each of the QAL joint venture participants, such cash Investments being on a pro rata basis based on each joint venture participant's ownership interest in QAL (such ratio being referred to as the "Pro Rata Share" or the "Pro Rata Basis," as appropriate), in an aggregate amount of up to $215,000,000, of which the Borrower's Pro Rata Share would be $43,000,000 (the "QAL Advances"), in lieu of the aforementioned third-party financings; and

WHEREAS, pursuant to Section 9.2.20 of the Credit Agreement, the Borrower, the Parent Guarantor and the Guarantors are prohibited from making cash Investments in, or incurring Contingent Liabilities on behalf of, QAL, except as reflected in the Financial Forecast or as otherwise permitted by the Credit Agreement; and

WHEREAS, the Credit Agreement and the Financial Forecast permit (i) cash Investments in QAL of $27,000,000 and $46,000,000 in fiscal years 2002 and 2003, respectively, (ii) Contingent Liabilities of $14,000,000 in fiscal year 2002 in respect of QAL's Additional Series X Financing and (iii) subject to certain limitations, $10,000,000 per annum in cash Investments or Contingent Liabilities permitted under Section 9.2.20(ii) of the Credit Agreement; and

WHEREAS, QAL has not yet made additional drawdowns under the Additional Series X Financing and, as a result, during the fiscal year 2002, the Borrower has made cash Investments in QAL in an amount equal to approximately $33,000,000, of which $14,000,000 constitutes QAL Advances made in lieu of a drawdown under the Additional Series X Financing, as assumed in the Financial Forecast; and

WHEREAS, the Borrower has informed the Agent and the Lenders that, after taking into consideration the $10,000,000 per annum in cash Investments permitted under Section 9.2.20(ii) of the Credit Agreement, the Borrower is in compliance with the Credit Agreement; and

WHEREAS, the Borrower has informed the Agent and the Lenders that (i) QAL may draw down the Additional Series X Financing and $75,000,000 of the Proposed Series Z Financing in fiscal year 2002 and (ii) any such draws will directly reduce the Borrower's and Guarantors' future cash Investments in QAL; and

WHEREAS, the Borrower has requested that, notwithstanding Section 9.2.20(i) of the Credit Agreement, the Agent and the Lenders consent to either (i) the Borrower's or any Guarantor's incurrence of Contingent Liabilities by guaranteeing the QAL Indebtedness proposed to be incurred pursuant to the Proposed Series Z Financing or (ii) if QAL does not draw down the Additional Series X Financing and/or obtain the Proposed Series Z Financing, the Borrower's or any Guarantor's making cash Investments in QAL pursuant to the QAL Advances; provided that, the Borrower's and Guarantors' cash Investments in, and Contingent Liabilities incurred on behalf of, QAL shall not exceed (a) $56,000,000 (excluding amounts permitted under Section 9.2.20(ii) of the Credit Agreement) made or incurred in fiscal year 2002, (b) $46,000,000 (excluding amounts permitted under Section 9.2.20(ii) of the Credit Agreement) made or incurred in fiscal year 2003 and (c) an aggregate of $87,000,000 (excluding amounts permitted under Section 9.2.20(ii) of the Credit Agreement) made or incurred in fiscal years 2002 and 2003; provided further that, any cash Investments in, or Contingent Liabilities incurred on behalf of, QAL shall be on a Pro Rata Basis; and

WHEREAS, the Agent and the Lenders have agreed to the aforementioned requested waiver and consent, subject to the terms and conditions herein; and

WHEREAS, the Borrower, the Agent and the Lenders contemplate that an amendment to the Credit Agreement will be entered into by the parties thereto in the near future in order to incorporate the modifications effected hereby on a more permanent basis in the Credit Agreement (provided, however, that nothing set forth herein shall in any way be deemed an agreement by the Agent or the Lenders to enter into any such amendment or waive any of Borrower's or any other Obligor's obligations, covenants or agreements under the Credit Agreement or any other Loan Document except for the period and on the terms and conditions expressly set forth herein);

NOW THEREFORE, in consideration of the mutual execution hereof and other good and valuable consideration, the parties hereto agree as follows:

Section 1 WAIVER OF NONCOMPLIANCE WITH MINIMUM EBITDA TEST. Noncompliance with the Minimum EBITDA Test for the test periods ending September 30, 2002 and December 31, 2002 and, if applicable, the test periods ending October 31, 2002 and November 30, 2002, is hereby waived to the extent such noncompliance is attributable solely to the incurrence of the Mead Shutdown Charges, provided that (i) the Mead Shutdown Charges shall not exceed $230,000,000 in the aggregate during the test periods ending September 30, 2002 and December 31, 2002, and, if applicable, the test periods ending October 31, 2002 and November 30, 2002, and (ii) the Borrower and its Subsidiaries shall maintain the minimum EBITDA set forth in Section 9.2.4 of the Credit Agreement for the test periods ending September 30, 2002 and December 31, 2002, and, if applicable, the test periods ending October 31, 2002 and November 30, 2002, after excluding all Mead Shutdown Charges for the respective test periods.

Section 2 CONSENT TO QAL CASH INVESTMENTS/CONTINGENT LIABILITIES. Notwithstanding Section 9.2.20(i) of the Credit Agreement, the Agent and the Lenders hereby consent to either (i) the Borrower's or any Guarantor's incurrence of Contingent Liabilities by guaranteeing the QAL Indebtedness proposed to be incurred pursuant to the Proposed Series Z Financing or (ii) if QAL does not draw down the Additional Series X Financing and/or obtain the Proposed Series Z Financing, the Borrower's or any Guarantor's making cash Investments in QAL pursuant to the QAL Advances; provided that, the Borrower's and Guarantors' cash Investments in, and Contingent Liabilities incurred on behalf of, QAL shall not exceed (a) $56,000,000 (excluding amounts permitted under Section 9.2.20(ii) of the Credit Agreement) made or incurred in fiscal year 2002, (b) $46,000,000 (excluding amounts permitted under Section 9.2.20(ii) of the Credit Agreement) made or incurred in fiscal year 2003 and (c) an aggregate of $87,000,000 (excluding amounts permitted under Section 9.2.20(ii) of the Credit Agreement) made or incurred in fiscal years 2002 and 2003; provided further that, any cash Investments in, or Contingent Liabilities incurred on behalf of, QAL shall be on a Pro Rata Basis.

Section 3 COSTS AND EXPENSES. As provided in Section 12.3 of the Credit Agreement, the Borrower agrees to reimburse the Agent for all fees, costs and expenses, including the reasonable fees and out-of-pocket expenses of counsel or other advisors for advice, assistance, or other representation incurred in connection with this Waiver and Consent.

Section 4 REPRESENTATIONS AND WARRANTIES OF PARENT GUARANTOR AND THE BORROWER. Each of the Parent Guarantor and the Borrower represents and warrants to each Lender and the Agent that the following statements are true, correct and complete:

A. POWER AND AUTHORITY. Each of the Parent Guarantor, Borrower and each other Obligor has all corporate or other organizational power and authority to enter into this Waiver and Consent and, as applicable, the Consent of Guarantors attached hereto (the "Guarantor Consent"), and to carry out the transactions contemplated by, and to perform its obligations under or in respect of, the Credit Agreement, after giving effect to this Waiver and Consent.

B. DUE AUTHORIZATION, NON-CONTRAVENTION. The execution, delivery and performance by the applicable Obligor of this Waiver and Consent and the Guarantor Consent and the performance of the obligations of each Obligor under or in respect of the Credit Agreement (after giving effect to this Waiver and Consent and the Guarantor Consent) have been duly authorized by all necessary corporate or other organizational action, and do not (a) contravene such Obligor's Organic Documents, (b) contravene any contractual restriction entered into after the Petition Date where such a contravention has a reasonable possibility of having a Materially Adverse Effect, or contravene any law or governmental regulation or court order binding on or affecting such Obligor, or (c) result in, or require the creation or imposition of, any Lien on any of such Obligor's properties.

C. EXECUTION, DELIVERY AND ENFORCEABILITY. This Waiver and Consent and the Guarantor Consent have been duly executed and delivered by each Obligor which is a party hereto or thereto and each constitutes the legal, valid and binding obligation of such Obligor, enforceable in accordance with its respective terms.

D. NO DEFAULT OR EVENT OF DEFAULT. After giving effect to this Waiver and Consent and the Guarantor Consent, no event has occurred and is continuing or will result from the execution and delivery of this Waiver and Consent and the Guarantor Consent that would constitute a Default or an Event of Default.

E. REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties contained in the Loan Documents is and will be true and correct in all material respects on and as of the date hereof and as of the effective date of this Waiver and Consent, except to the extent that such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects as of such earlier date.

Section 5 CONDITIONS TO EFFECTIVENESS OF THIS WAIVER AND CONSENT. This Waiver and Consent shall be effective only if and when signed by, and when counterparts hereof shall have been delivered to the Agent (by hand delivery, mail or telecopy) by, the Parent Guarantor, the Borrower and the Required Lenders, and counterparts of the Guarantor Consent have been delivered to the Agent by the Parent Guarantor and each Subsidiary Guarantor.

Section 6 EFFECT OF WAIVER; RATIFICATION. This Waiver and Consent is a Loan Document. From and after the date on which this Waiver and Consent becomes effective, all references in the Loan Documents to the Credit Agreement shall mean the Credit Agreement after giving effect to this Waiver and Consent. Failure of the Borrower to comply with the covenants and agreements in Sections 1, and 2 hereof shall constitute an Event of Default under the Credit Agreement. Except as expressly waived hereby, the Credit Agreement and the other Loan Documents, including the Liens granted thereunder, shall remain in full force and effect, and all terms and provisions thereof are hereby ratified and confirmed. Each of the Parent Guarantor and the Borrower confirms that, after giving effect to this Waiver and Consent, each of the Loan Documents is in full force and effect.

Section 7 APPLICABLE LAW. THE VALIDITY, INTERPRETATIONS AND ENFORCEMENT OF THIS WAIVER AND CONSENT AND ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS WAIVER, WHETHER SOUNDING IN CONTRACT, TORT, EQUITY OR OTHERWISE, SHALL BE GOVERNED BY THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

Section 8 COMPLETE AGREEMENT. This Waiver and Consent sets forth the complete agreement of the parties in respect of any waiver to any of the provisions of any Loan Document. Except as expressly set forth in Sections 1 and 2 above, the execution, delivery and effectiveness of this Waiver and Consent do not constitute a waiver of any Default or Event of Default, amend or modify any provision of any Loan Document or constitute a course of dealing or any other basis for altering the Obligations of any Obligor.

Section 9 CAPTIONS; COUNTERPARTS. The catchlines and captions herein are intended solely for convenience of reference and shall not be used to interpret or construe the provisions hereof. This Waiver and Consent may be executed by one or more of the parties to this Waiver and Consent on any number of separate counterparts (including by telecopy), all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the undersigned has duly executed this Waiver and Consent with Respect to Post-Petition Credit Agreement as of the date set forth above.

"PARENT GUARANTOR" KAISER ALUMINUM CORPORATION

By: /s/ David A. Cheadle
Name: David A. Cheadle
Title: Assistant Treasurer

"BORROWER" KAISER ALUMINUM & CHEMICAL CORPORATION

By: /s/ David A. Cheadle
Name: David A. Cheadle
Title: Assistant Treasurer

BANK OF AMERICA, N.A.,
as the Agent and a Lender

By: /s/ Robert M. Dalton
Name: Robert M. Dalton
Title: Vice President

GENERAL ELECTRIC CAPITAL
CORPORATION, as a Lender

By: /s/ John L. Dale
Name: John L. Dale
Title: Duly Authorized Signatory

FOOTHILL CAPITAL CORPORATION,
as a Lender

By: /s/ E Kim
Name: Eunnie Kim
Title: Assistant Vice President

THE CIT GROUP/BUSINESS CREDIT, INC.,
as a Lender

By: /s/ Grant Weiss
Name: Grant Weiss
Title: Vice President

MERRILL LYNCH BUSINESS FINANCIAL SERVICES
INC., as a Lender

By: /s/ Michele Kovatchis
Name: Michele Kovatchis
Title: Director

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Sandra Sha Kenyon
Name: Sandra Sha Kenyon
Title: Vice President

GMAC BUSINESS CREDIT, LLC,
as a Lender

By: /s/ Thomas Brent
Name: Thomas Brent
Title: Vice President

THE PROVIDENT BANK,
as a Lender

By: /s/ Mary Sue Wolfer
Name: Mary Sue Wolfer
Title: Credit Officer

CONSENT OF GUARANTORS

Each of the undersigned is a Guarantor of the Obligations of the Borrower under the Credit Agreement and each other Loan Document and hereby (a) consents to the foregoing Waiver and Consent, (b) acknowledges that notwithstanding the execution and delivery of the foregoing Waiver and Consent, the obligations of each of the undersigned Guarantors are not impaired or affected and the Parent Guaranty and the Subsidiary Guaranty continue in full force and effect, and (c) ratifies the Parent Guaranty or the Subsidiary Guaranty, as applicable, and each of the Loan Documents to which it is a party and further ratifies the Security Interests granted by it to the Agent for its benefit and the benefit of the Secured Parties.

IN WITNESS WHEREOF, each of the undersigned has executed and delivered this CONSENT OF GUARANTORS as of the date first set forth above.

AKRON HOLDING CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

ALPART JAMAICA INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINA AUSTRALIA CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER BELLWOOD CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM & CHEMICAL INVESTMENT, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINIUM INTERNATIONAL, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM PROPERTIES, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM TECHNICAL SERVICES, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER FINANCE CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER JAMAICA CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER MICROMILL HOLDINGS, LLC

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER SIERRA MICROMILLS, LLC

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER TEXAS SIERRA MICROMILLS, LLC

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER TEXAS MICROMILL HOLDINGS, LLC

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

OXNARD FORGE DIE COMPANY, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM CORPORATION

By /s/ David A. Cheadle

David A. Cheadle
Title: Assistant Treasurer

Exhibit 4.22

SECOND WAIVER AND CONSENT WITH RESPECT TO
POST-PETITION CREDIT AGREEMENT

This SECOND WAIVER AND CONSENT WITH RESPECT TO POST-PETITION CREDIT AGREEMENT (this "Waiver") is dated as of January 13, 2003 and entered into by and among KAISER ALUMINUM CORPORATION, a Delaware corporation, as debtor and debtor-in-possession (the "Parent Guarantor"), KAISER ALUMINUM & CHEMICAL CORPORATION, a Delaware corporation, as debtor and debtor-in-possession (the "Borrower"), the banks and other financial institutions signatory hereto that are parties as Lenders to the Credit Agreement referred to below (the "Lenders"), and BANK OF AMERICA, N.A., as administrative agent and collateral agent (in such capacity, the "Agent") for the Lenders.

RECITALS

WHEREAS, the Parent Guarantor, the Borrower, the Lenders, and the Agent have entered into that certain Post-Petition Credit Agreement dated as of February 12, 2002 (as amended to date, the "Credit Agreement"; capitalized terms used in this Waiver without definition shall have the meanings given such terms in the Credit Agreement); and

WHEREAS, the Borrower has an obligation to make a special liquidity contribution under the Kaiser Aluminum Salaried Retirement Plan in the amount of approximately $15,000,000 on January 15, 2003 (the "Liquidity Contribution");

WHEREAS, the Borrower has informed the Agent that the Borrower does not intend to pay the Liquidity Contribution when due, which non-payment will lead to the automatic imposition of an unperfected Lien on all of the Controlled

Group members' assets, unless such Lien is stayed or otherwise enjoined or is not enforceable pursuant to the laws of any jurisdiction (the "PBGC Lien");

WHEREAS, pursuant to Sections 7.4.1(a) and 8.12 of the Credit Agreement, the Borrower represents and warrants from time to time in connection with Credit Extensions that no contribution failure has occurred sufficient to give rise to a Lien on assets of any Controlled Group member under section 302(e) of ERISA;

WHEREAS, pursuant to Section 9.2.3 of the Credit Agreement, the Parent Guarantor, the Borrower and the Borrower's Subsidiaries are all prohibited from creating, incurring, assuming or suffering to exist any Lien upon their assets subject to certain exceptions;

WHEREAS, pursuant to Section 10.1.2 of the Credit Agreement, the failure of any representation or warranty to be correct in any material respect when made constitutes an Event of Default;

WHEREAS, pursuant to Section 10.1.4(a) of the Credit Agreement, a breach of Section 9.2.3 of the Credit Agreement constitutes an Event of Default;

WHEREAS, pursuant to Section 10.1.8 of the Credit Agreement, a contribution failure with respect to any Pension Plan sufficient to give rise to a Lien against assets of any Controlled Group member under Section 302(f) of ERISA in excess of $1,000,000 constitutes an Event of Default;

WHEREAS, the failure of the Borrower to make the Liquidity Contribution and the resulting PBGC Lien will constitute (a) an Event of Default under Section 10.1.2 as a result of the failure of the representation and warranty contained in Section 8.12 of the Credit Agreement to be true when deemed made in connection with any future Credit Extension, (b) after the applicable cure period, an Event of Default under Section 10.1.4(a) of the Credit Agreement as a result of the breach of Section 9.2.3 of the Credit Agreement and (c) after the applicable cure period, an Event of Default under Section 10.1.8 of the Credit Agreement (the "PBGC Events of Default");

WHEREAS, the Borrower has requested that the Agent and the Lenders waive the PBGC Events of Default;

WHEREAS, the Agent and the Lenders have agreed to the aforementioned requested waiver, subject to the terms and conditions herein; and

WHEREAS, the Borrower, the Agent and the Lenders contemplate that an amendment to the Credit Agreement will be entered into by the parties thereto in the near future in order to incorporate the modifications effected hereby on a more permanent basis in the Credit Agreement (provided, however, that nothing set forth herein shall in any way be deemed an agreement by the Agent or the Lenders to enter into any such amendment or waive any of Borrower's or any other Obligor's obligations, covenants or agreements under the Credit Agreement or any other Loan Document except for the period and on the terms and conditions expressly set forth herein);

NOW THEREFORE, in consideration of the mutual execution hereof and other good and valuable consideration, the parties hereto agree as follows:

Section 1 WAIVER. The Agent and the Lenders waive the PBGC Events of Default, but only with respect to the failure to make the Liquidity Contribution on January 15, 2003 and the PBGC Lien arising as a result of the failure to make such payment and not with respect to the failure to make any other contribution or any Lien on assets of any Controlled Group member under Section 302(f) of ERISA or otherwise arising from the failure of Borrower or any member of the Controlled Group to make any other contribution; provided, however, that (a) Kaiser Jamaica Corporation, Alpart Jamaica Inc., Kaiser Bauxite Corporation, Kaiser Center Properties, KAE Trading, Inc. and Kaiser Export Company (the "Proposed New Domestic Debtors"), and Kaiser Aluminum & Chemical of Canada Limited, Kaiser Aluminum & Chemical Canada Investment Limited and Texada

Mines, Ltd. (the "Proposed New Canadian Debtors") shall have all filed chapter 11 cases on or prior to January 14, 2003, (b) as of the Petition Date, there shall not have existed in favor of the PBGC or the IRS any perfected Liens or other Liens that may be perfected on or after the Petition Date against any of the assets of any of the Debtors, and (c) as of January 14, 2003, there shall not exist in favor of the PBGC or the IRS any perfected Liens or other Liens that may be perfected on or after January 14, 2003 against any of the assets of any of the Proposed New Domestic Debtors or Proposed New Canadian Debtors. The foregoing waiver shall be null and void and an Event of Default shall be deemed to immediately occur on March 31, 2003 unless, on or prior to such date, all of the Proposed New Domestic Debtors shall have become unsecured guarantors of the Obligations and, to the extent such superpriority claims do not already exist in favor of the Agent and the Lenders, the Bankruptcy Court shall have entered an order granting Agent and the Lenders superpriority claims against the Proposed New Domestic Debtors under section 364(c)(1) of the Bankruptcy Code, subject only to the Carve Out.

Section 2 COSTS AND EXPENSES. As provided in Section 12.3 of the Credit Agreement, the Borrower agrees to reimburse the Agent for all fees, costs and expenses, including the reasonable fees and out-of-pocket expenses of counsel or other advisors for advice, assistance, or other representation incurred in connection with this Waiver.

Section 3 REPRESENTATIONS AND WARRANTIES OF PARENT GUARANTOR AND THE BORROWER. Each of the Parent Guarantor and the Borrower represents and warrants to each Lender and the Agent that the following statements are true, correct and complete:

A. POWER AND AUTHORITY. Each of the Parent Guarantor, Borrower and each other Obligor has all corporate or other organizational power and authority to enter into this Waiver and, as applicable, the Consent of Guarantors attached hereto (the "Guarantor Consent"), and to carry out the transactions contemplated by, and to perform its obligations under or in respect of, the Credit Agreement, after giving effect to this Waiver.

B. DUE AUTHORIZATION, NON-CONTRAVENTION. The execution, delivery and performance by the applicable Obligor of this Waiver and the Guarantor Consent and the performance of the obligations of each Obligor under or in respect of the Credit Agreement (after giving effect to this Waiver and the Guarantor Consent) have been duly authorized by all necessary corporate or other organizational action, and do not (a) contravene such Obligor's Organic Documents, (b) contravene any contractual restriction entered into after the Petition Date where such a contravention has a reasonable possibility of having a Materially Adverse Effect, or contravene any law or governmental regulation or court order binding on or affecting such Obligor, or (c) result in, or require the creation or imposition of, any Lien on any of such Obligor's properties.

C. EXECUTION, DELIVERY AND ENFORCEABILITY. This Waiver and the Guarantor Consent have been duly executed and delivered by each Obligor which is a party hereto or thereto and each constitutes the legal, valid and binding obligation of such Obligor, enforceable in accordance with its respective terms.

D. NO DEFAULT OR EVENT OF DEFAULT. After giving effect to this Waiver and the Guarantor Consent, no event has occurred and is continuing or will result from the execution and delivery of this Waiver and the Guarantor Consent that would constitute a Default or an Event of Default.

E. REPRESENTATIONS AND WARRANTIES. After giving effect to this Waiver and the Guarantor Consent, each of the representations and warranties contained in the Loan Documents is and will be true and correct in all material respects on and as of the date hereof and as of the effective date of this Waiver, except to the extent that such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects as of such earlier date.

Section 4 CONDITIONS TO EFFECTIVENESS OF THIS WAIVER. This Waiver shall be effective only if and when signed by, and when counterparts hereof shall have been delivered to the Agent (by hand delivery, mail or telecopy) by, the Parent Guarantor, the Borrower and the Required Lenders, and counterparts of the Guarantor Consent have been delivered to the Agent by the Parent Guarantor and each Subsidiary Guarantor.

Section 5 EFFECT OF WAIVER; RATIFICATION. This Waiver is a Loan Document. From and after the date on which this Waiver becomes effective, all references in the Loan Documents to the Credit Agreement shall mean the Credit Agreement after giving effect to this Waiver. Failure of the Borrower to comply with the covenants and agreements in Section 1 hereof shall constitute an Event of Default under the Credit Agreement. Except as expressly waived hereby, the Credit Agreement and the other Loan Documents, including the Liens granted thereunder, shall remain in full force and effect, and all terms and provisions thereof are hereby ratified and confirmed. Each of the Parent Guarantor and the Borrower confirms that, after giving effect to this Waiver, each of the Loan Documents is in full force and effect.

Section 6 APPLICABLE LAW. THE VALIDITY, INTERPRETATIONS AND ENFORCEMENT OF THIS WAIVER AND ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS WAIVER, WHETHER SOUNDING IN CONTRACT, TORT, EQUITY OR OTHERWISE, SHALL BE GOVERNED BY THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

Section 7 COMPLETE AGREEMENT. This Waiver sets forth the complete agreement of the parties in respect of any waiver to any of the provisions of any Loan Document. Except as expressly set forth in Section 1 above, the execution, delivery and effectiveness of this Waiver does not constitute a waiver of any Default or Event of Default, amend or modify any provision of any Loan Document or constitute a course of dealing or any other basis for altering the Obligations of any Obligor.

Section 8 CAPTIONS; COUNTERPARTS. The catchlines and captions herein are intended solely for convenience of reference and shall not be used to interpret or construe the provisions hereof. This Waiver may be executed by one or more of the parties to this Waiver on any number of separate counterparts (including by telecopy), all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the undersigned has duly executed this Second Waiver with Respect to Post-Petition Credit Agreement as of the date set forth above.

"PARENT GUARANTOR" KAISER ALUMINUM CORPORATION

By: /s/ David A. Cheadle
Name: David A. Cheadle
Title: Assistant Treasurer

"BORROWER" KAISER ALUMINUM & CHEMICAL CORPORATION

By: /s/ David A. Cheadle
Name: David A. Cheadle
Title: Assistant Treasurer

BANK OF AMERICA, N.A.,
as the Agent and a Lender

By: /s/ Robert M. Dalton
Name: Robert M. Dalton
Title: Vice President

GENERAL ELECTRIC CAPITAL
CORPORATION, as a Lender

By: /s/ John L. Dale
Name: John L. Dale
Title: Duly Authorized Signatory

FOOTHILL CAPITAL CORPORATION,
as a Lender

By: /s/ E Kim
Name: Eunnie Kim
Title: Assistant Vice President

THE CIT GROUP/BUSINESS CREDIT, INC.,
as a Lender

By: /s/ Grant Weiss
Name: Grant Weiss
Title: Vice President

MERRILL LYNCH BUSINESS FINANCIAL SERVICES
INC., as a Lender

By: /s/ Michele Kovatchis
Name: Michele Kovatchis
Title: Director

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Sandra Sha Kenyon
Name: Sandra Sha Kenyon
Title: Vice President

GMAC BUSINESS CREDIT, LLC,
as a Lender

By: /s/ Thomas Brent
Name: Thomas Brent
Title: Vice President

THE PROVIDENT BANK,
as a Lender

By: /s/ Mary Sue Wolfer
Name: Mary Sue Wolfer
Title: Credit Officer

CONSENT OF GUARANTORS

Each of the undersigned is a Guarantor of the Obligations of the Borrower under the Credit Agreement and each other Loan Document and hereby (a) consents to the foregoing Waiver, (b) acknowledges that notwithstanding the execution and delivery of the foregoing Waiver, the obligations of each of the undersigned Guarantors are not impaired or affected and the Parent Guaranty and the Subsidiary Guaranty continue in full force and effect, and (c) ratifies the Parent Guaranty or the Subsidiary Guaranty, as applicable, and each of the Loan Documents to which it is a party and further ratifies the Security Interests granted by it to the Agent for its benefit and the benefit of the Secured Parties.

IN WITNESS WHEREOF, each of the undersigned has executed and delivered this CONSENT OF GUARANTORS as of the date first set forth above.

AKRON HOLDING CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

ALPART JAMAICA INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINA AUSTRALIA CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER BELLWOOD CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM & CHEMICAL INVESTMENT, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINIUM INTERNATIONAL, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM PROPERTIES, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM TECHNICAL SERVICES, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER FINANCE CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER JAMAICA CORPORATION

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER MICROMILL HOLDINGS, LLC

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER SIERRA MICROMILLS, LLC

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER TEXAS SIERRA MICROMILLS, LLC

By /s/ David A. Cheadle

David A. Cheadle
Title: Assistant Treasurer

KAISER TEXAS MICROMILL HOLDINGS, LLC

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

OXNARD FORGE DIE COMPANY, INC.

By /s/ David A. Cheadle
David A. Cheadle
Title: Assistant Treasurer

KAISER ALUMINUM CORPORATION

By /s/ David A. Cheadle

David A. Cheadle
Title: Assistant Treasurer

Exhibit 10.12

November 4, 2002

Mr. George T. Haymaker, Jr.
Kaiser Aluminum & Chemical Corporation
5847 San Felipe, Suite 3000
Houston, Texas 77057

Re: Non-Executive Chairman of the Boards Agreement

Dear George:

On behalf of the Boards of Directors (the "Boards") of Kaiser Aluminum Corporation ("KAC") and Kaiser Aluminum & Chemical Corporation ("KACC") this letter agreement confirms the terms of our offer to you to continue as the non-executive Chairman of the Boards of KAC and KACC.

The terms of our offer are as follows:

1. POSITION: The Boards offer to, and upon your acceptance of this agreement do hereby, continue your engagement in the position of non-executive Chairman of the Boards of KAC and KACC. Including your duties as a Director of the Boards, you are committed to make available up to an average of sixteen (16) hours each calendar month for devotion to the affairs of KAC and KACC as directed by the Chief Executive Officer or by the Boards, with particular focus on assisting with development and implementation of the strategic plan and plan of reorganization for KAC and KACC.

2. TERM: The term of this agreement is for the period January 1, 2003, through December 31, 2003. The parties have no obligation to renew this agreement at the end of the term. This agreement may be terminated earlier (i) at the sole discretion of the Boards, (ii) by your death or disability (as defined in KAC's Long Term Disability Plan that covers executives and directors of KAC, (iii) for cause (as defined below), (iv) the mutual agreement of the

parties hereto, or (v) by you, with sixty days notice to the Boards unless shorter notice is agreed in the sole discretion of the Boards.

For purposes of this letter agreement, the term "cause" shall mean:

(a) Your conviction for, or plea of nolo contendere to, a felony; or

(b) Your commission of an act involving fraud or intentional dishonesty, which act is intended to result in substantial personal enrichment at the expense of KAC or any of its subsidiaries; or

(c) Your breach of any material provision of this letter agreement which remains uncorrected for 30 days after written notice from the Boards or the Chief Executive Officer and an opportunity to correct; or

(d) Your knowing and willful misconduct in the performance of your duties, which continues for 30 days after written notice from the Boards or the Chief Executive Officer and which results in material injury to the reputation, business or operation of KAC or any of its subsidiaries.

The existence of "cause" shall be determined by an affirmative vote of not less than two-thirds of the members of each of the Boards. If the requisite affirmative vote by two-thirds of the members of each of the Boards is not obtained, this letter agreement may not be terminated for cause.

3. COMPENSATION:

(a) Your annual base compensation as a Director of $50,000 shall continue unmodified. Some or all of such compensation may be deferred at your option into a "phantom stock" and/or interest-bearing account to the same extent as other Directors of KAC and KACC are permitted an election to do so pursuant to the Deferred Fee Agreement. Amounts which otherwise would be payable to you during the term of this letter agreement under KAC's and KACC's Directors' compensation policies for attendance at meetings of the Boards and committees thereof and for service as Chairman or a member of such committees shall be deemed to be included in the compensation payable under Paragraph 3.(b) of this letter agreement.

(b) Your base compensation for services as non-executive Chairman of both Boards will be computed at the rate of $73,000 per year, which shall be payable in cash, quarterly in arrears, in the first week of the first month following the completion of each calendar quarter in which such compensation is earned. The amount earned each quarter is $18,250.00.

You shall be solely liable and responsible for complying with all laws, rules and regulations regarding timely payment of applicable taxes including, without limitation, federal and state income, self-employment and/or disability taxes that may apply to such compensation.

4. INDEPENDENT CONTRACTOR: The relationship between the parties shall be that of independent contracting parties and shall not constitute or be deemed for any purpose to be that of employer and employee. The Boards and KAC and KACC expressly acknowledge and agree that neither shall have the right to direct you with respect to the means or manner in which you fulfill your obligations and responsibilities under his letter agreement. The Boards and KAC and KACC are solely interested in the results obtained by you in connection with your performance of services required hereunder.

5. TERMINATION: Although your engagement as non-executive Chairman of

the Boards is terminable at the sole discretion of the Boards, if your engagement as non-executive Chairman of the Boards is terminated by KAC and KACC without cause (as defined above), you will continue to receive the compensation specified under Paragraph 3.(b) of this agreement for the balance of the term of the agreement. However, if your engagement as non-executive Chairman of the Boards is terminated for cause (as defined above) then you will have no right to any compensation under Paragraph 3.(b) of this agreement with respect to any period of time after the date of such termination. You will continue to receive the fees paid for service as a Director of KAC and KACC so long as you remain such a Director.

6. AMENDMENT; BENEFIT: This letter agreement may not be amended, modified, or supplemented in any respect except by a subsequent written agreement between all of the parties hereto. This letter agreement shall be binding upon, and shall inure to the benefit of, KAC and its successors and assigns, KACC and its successors and assigns, and you and your heirs, executors, administrators, and personal representatives.

7. GOVERNING LAW: This letter agreement shall be governed and construed in accordance with the laws of the State of Texas, without regard to principles of choice of law.

George, the Boards are very pleased that you are willing to continue the duties of non-executive Chairman of the Boards. We look forward to continuing to work with you.

If the terms of this offer are acceptable, please sign in the space provided below and return this letter agreement to me.

Very truly yours,

/s/ John Barneson
John Barneson
Senior Vice President and
Chief Administrative Officer

The foregoing is agreed to and accepted
effective as of November 4, 2002

/s/ George T. Haymaker, Jr.
George T. Haymaker, Jr.

Exhibit 10.13

EMPLOYMENT AGREEMENT

This Agreement (the "Agreement") is made effective for the period from October 1, 2001 to September 30, 2004 (such term being hereinafter referred to as the "Employment Period") between Kaiser Aluminum & Chemical Corporation, a Delaware corporation ("Company"), and Edward F. Houff ("Executive").

WHEREAS, the Company desires to secure the services of Executive as Deputy General Counsel, and Executive desires to perform such services for the Company, on the terms and conditions as set forth herein;

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements set forth below, it is mutually agreed as follows:

1. Effective Date, Term and Duties. The term of employment of Executive by the Company hereunder shall be deemed to have commenced on October 1, 2001 and end on September 30, 2004, (the "Employment Period") unless earlier

terminated pursuant to Section 4.

Executive shall have such duties as the Company may from time to time prescribe consistent with his position as Deputy General Counsel of the Company (the "Services"). Executive shall report directly to the Senior Vice President and General Counsel. Executive shall devote his full time, attention, energies and best efforts to the business of the Company. The Company shall maintain an office for Executive in Houston, Texas.

2. Compensation. The Company shall pay and Executive shall accept as full consideration for the Services compensation consisting of the following:

2.1 Base Salary. Effective October 1, 2001, $400,000 per year base salary, payable in installments in accordance with the Company's normal payroll practices, less such deductions or withholdings required by law.

2.2 Annual Bonus. A guaranteed annual cash bonus of $125,000, plus an annual incentive bonus of up to $125,000 shall be payable for each year during the term of employment. Each of the two components (guarantee and annual incentive) will be pro-rated for partial years in 2001 and 2004. The guaranteed bonus is paid quarterly, and the fourth quarter 2001 amount will be paid on or before December 31, 2001. The annual incentive bonus will be paid at the same time that all executive annual incentive bonus amounts are paid and will be based 50% on a formula resulting from Company performance similar to other executive incentives, and 50% based on management discretion, for each such year.

2.3 Long-Term Compensation. Effective on October 1, 2001 (date of grant), Executive shall receive a stock option grant valued at $450,000 and a restricted stock grant valued at $450,000 under the Kaiser 1997 Omnibus Stock Incentive Plan. The number of options and the number of restricted shares will be determined based on assumptions as described in Schedule A. The options will have an exercise period of ten years from date of grant. The options and the restricted shares shall vest at the rate of one third on October 1, 2002, one third on October 1, 2003 and one third on September 30, 2004. Refer to Schedule A for other stock option and restricted stock agreement provisions.

3. Benefits and other Perquisites during Employment Period. Executive will be eligible to participate in the Company's employee benefit plans of general application, including, without limitation, those plans covering pension, 401(k) savings, medical, disability, sick leave and life insurance in accordance with the rules established for individual participation in any such plan and under applicable law. Executive will be eligible for vacation as follows: 7 days in 2001, 15 days in 2002, 20 days in 2003 and thereafter unless company vacation policy is greater. Executive will receive the following other perquisites: Company car or equivalent cash allowance; wireless telephone and PDA equipment and service; laptop computer for business and personal use; business class accommodations for overseas flights; reimbursement of monthly club membership dues; reserved parking space and payment of parking costs. Executive will receive such other benefits as the Company generally provides to its other employees of comparable position and experience.

4. Benefits Upon Termination. If Executive's employment is terminated during the Employment Period for any reason other than termination by the Company for "Cause" (as defined in Subsection 4.1) or "Death or Disability" (as defined in Subsection 4.2), then Executive will be entitled to receive all remaining base salary and guaranteed bonus from date of termination to the end of the term of this agreement, but in no event less than six (6) months base salary. If Executive's employment is not retained beyond the expiration of the Employment Period Kaiser will pay Executive six (6) months' base salary as severance and up to $25,000.00 in relocation expenses. These severance payments will be in lieu of any other severance or termination payments provided in Company's policies.

If Executive terminates his employment due to Company's breach of contractual duties or material and unilateral alteration of duties, the parties agree Executive will be paid his base salary and guaranteed bonus to the end of the Employment Period.

4.1 Circumstances Under Which Termination Benefits Would Not Be Paid. The Company shall not be obligated to pay Executive the termination benefits pursuant to Section 4 if the Executive's employment is terminated for Cause. For purposes of this Agreement, "Cause" shall be limited to Executive's dereliction of duties, malfeasance, abuse of authority or conviction of a crime of moral turpitude.

4.3 Termination by Reason of Death or Disability. The Executive's employment shall terminate automatically upon Executive's death during the Employment Period. In the event of Executive's death or disability (see below) during the Employment Period, the Company shall pay to Executive or Executive's estate any base salary, pro-rated guaranteed bonus and unpaid vacation accrued as of the date of Executive's death or disability and any other benefits payable under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of death or disability and in accordance with applicable law. In the event that during the term of this Agreement, Executive is unable to perform his job due to disability (as determined under the Company's long-term disability insurance program) for 6 months in any 12 month period, the Company may, at its discretion, terminate Executive's employment with the Company and Executive shall be entitled to receive the benefits set forth in this Section 4.3.

5. Change in Control.

Company and MAXXAM agree that regardless of changes in management or sale of Company to a third party, the terms of this Agreement will survive and that both Company and MAXXAM will take steps necessary to ensure payment of the base salary and guaranteed bonus for the period of the Employment Term.

6. Dispute Resolution. The Company and Executive agree that any dispute regarding the interpretation or enforcement of this Agreement shall be decided by confidential, final and binding arbitration conducted by Judicial Arbitration and Mediation Services ("JAMS") under the then-existing JAMS rules, rather than by litigation in court, trial by jury, administrative proceeding, or in any other forum.

7. Cooperation with the Company After Termination of the Employment Period. Following termination of the Employment Period by Executive, Executive shall fully cooperate with the Company in all matters relating to the winding up of his pending work on behalf of the Company and the orderly transfer of any such pending work to other employees of the Company as may be designated by the Company.

8. Confidentiality, Return of Property. Executive acknowledges that the Employee Invention and Confidential Information Agreement executed by Executive attached hereto as Exhibit A shall continue in effect.

9. General.

9.1 Waiver. Neither party shall, by mere lapse of time, without giving notice or taking action hereunder, be deemed to have waived any breach by the other party of any of the provisions of this Agreement. Further, the waiver by either party of a particular breach of this Agreement by the other shall neither be construed as, nor constitute a, continuing waiver of such breach or of other breaches by the same or any other provision of this Agreement.

9.2 Severability. If for any reason a court of competent jurisdiction or arbitrator finds any provision of this Agreement to be unenforceable, the provision shall be deemed amended as necessary to conform to applicable laws or regulations, or if it cannot be so amended without materially altering the intention of the parties, the remainder of the Agreement shall continue in full force and effect as if the offending provision were not contained herein.

9.3 No Mitigation. Executive shall have no duty to mitigate the Company's obligation with respect to the termination payments set forth in Sections 4 or 5 by seeking other employment following termination of his employment, nor shall such termination payments be subject to offset or reductions by reason of any compensation received by Executive from such other employment. The Company's obligations to make payments under Sections 4 or 5 shall not terminate in the event Executive accepts other full time employment.

9.4 Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be considered effective upon personal service or upon depositing such notice in the U.S. Mail, postage prepaid, return receipt requested and addressed to the Chairman of the Board of the Company as its principal corporate address, and to Executive at his most recent address shown on the Company's corporate records, or at any other address which he may specify in any appropriate notice to the Company.

9.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together constitutes one and the same instrument and in making proof hereof it shall not be necessary to produce or account for more than one such counterpart.

9.6 Entire Agreement. The parties hereto acknowledge that each has read this Agreement, understands it, and agrees to be bound by its terms. The parties further agree that this Agreement (combined with the stock option and restricted stock agreement) constitute the complete and exclusive statement of the agreement between the parties and supersedes all proposals (oral or written), understandings, representations, conditions, covenants, and all other communications between the parties relating to the subject matter hereof.

9.7 Governing Law. This Agreement shall be governed by the law of the State of Texas.

9.8 Assignment and Successors. The Company shall have the right to assign its rights and obligations under this Agreement to an entity which acquires substantially all of the assets of the Company. The rights and obligation of the Company under this Agreement shall inure to the benefit and shall be binding upon the successors and assigns of the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

KAISER ALUMINUM & CHEMICAL CORPORATION	EXECUTIVE
By: /s/ J. Kent Friedman J. Kent Friedman Senior Vice President and General Counsel	By: /s/ Edward F. Houff Edward F. Houff

SCHEDULE A - AGREEMENT BETWEEN COMPANY AND EDWARD F. HOUFF
ASSUMPTIONS FOR DETERMINATION OF NUMBER OF STOCK OPTIONS AND
RESTRICTED SHARES (SECTION 2.3)

Value of Stock Option Grant:	$450,000
Value of Restricted Stock Grant:	$450,000

Determination of Stock option shares:	Based on Black-Scholes methodology
Stock Option Exercise Price:	Fair market value date of grant (average high and low price)
Risk free rate (Black-Scholes valuation):	10 year Treasury strip rate
Volatility (Black-Scholes valuation):	Based on 3 years of weekly closing prices of KAC stock
Annual dividend:	$0.00
Determination of # of restricted shares:	Based on fair market value date of grant

TERMINATION PROVISIONS - STOCK OPTION AGREEMENT

1. Termination for cause: All options terminate immediately upon termination of employment.
2. Involuntary termination by Company other than for cause: All options remain in effect and continue to vest until the earlier of the expiration of the original option term or one year from the date employment terminates. Any options that either remain unexercised or that have not vested at the end of that period terminate at that time.
3. Death: All options vested at the time of death remain in effect until the earlier of the expiration of the original option term or three years from the date of death; all unvested options terminate immediately upon death. In all cases, any options that remain unexercised at the expiration of the earlier of the original option term or three years from the date of death terminate at that time.
4. Retirement: All options remain in effect and continue to vest until the earlier of the expiration of the original option term or three years from the date of retirement. Any options that remain unexercised or that have not vested at the end of that period terminate at that time.
5. Termination other than by the Company, death or retirement: All vested options remain in effect until the earlier of the expiration of the original option period or three months from the date employment terminates; all unvested options terminate immediately upon termination of employment. Any options that remain unexercised at the end of the earlier of the expiration of the original option period or three months from termination of employment terminate at that time.
6. Change in Control: All options immediately vest and remain in effect until the earlier of the expiration of the original option period or one year from the date of the Change in Control. Any options that remain unexercised at the end of that period terminate at that time.

TERMINATION PROVISIONS - RESTRICTED SHARES

1. Death, disability, or Change in Control: All restricted shares immediately vest and restrictions lapse.
2. Termination for any reason other than death, disability or Change in Control: All unvested restricted shares terminate immediately.

Other terms - refer to stock option and restricted stock agreement.

Exhibit 10.26

KAISER ALUMINUM & CHEMICAL CORPORATION
KEY EMPLOYEE RETENTION PLAN
(EFFECTIVE SEPTEMBER 3, 2002)

I. Purpose

The purpose of the Plan is to establish a retention program for designated key employees of the Company. The Plan provides retention incentives to certain key salaried employees who are expected to make substantial contributions to the success of the ongoing business and/or the restructuring effort and thereby provides for stability and continuity of operations. The Plan has been approved by the Compensation Committee of the Company and the Boards of Directors of the Company and the Corporation. The Plan shall supercede and replace the Prior Plan in its entirety.

II. Definitions

"Award" means a retention award granted to a Participant pursuant to a related Retention Agreement. Awards made under the Plan shall be limited to those Awards pursuant to the budget for the Plan approved by the Bankruptcy Court on September 3, 2002 and any Awards made pursuant to Section VII.

"Bankruptcy Committees" means the committees consisting of a statutory committee of unsecured creditors ("UCC") and a statutory committee of asbestos claimants ("ACC") , each appointed by the United States trustee for the District of Delaware on February 25, 2002, pursuant to section 1102 of the Bankruptcy Code, 11 U.S.C. ss.ss. 101-1330.

"Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware presiding over the Company's proceeding commenced on February 12, 2002 under Chapter 11 of the Bankruptcy Code (11 U.S.C. ss. 1101, et seq.).

"Base Salary" means, as of the date of grant of any Award under this Plan, a Participant's annual base salary at a rate not less than his or her annual fixed or base compensation as in effect immediately prior to such date.

"Board" means the Board of Directors of the Company and/or the Corporation.

"Cause" shall have the meaning set forth in a Retention Agreement.

"CEO" means the Chief Executive Officer of the Company.

"Committee" means the Compensation Committee of the Board of the Company. The Committee may delegate any of its powers, duties and responsibilities and any of its discretionary authorities under the Plan to any Officer.

"Company" means Kaiser Aluminum & Chemical Corporation.

"Corporation" means Kaiser Aluminum Corporation.

"Designated Beneficiary" means the beneficiary or beneficiaries designated in accordance with Section XII hereof to receive the amount, if any, payable under the Plan upon the Participant's death.

"Disability" or "Disabled" means permanent and total disability as a result of bodily injury, disease or mental disorder which results in the Participant's entitlement to long term disability benefits under the Kaiser Aluminum Self-Insured Welfare Plan or the Kaiser Aluminum Salaried Employees Retirement Plan.

"Officer" means an officer of the Company.

"Participant" means any key employee of the Company designated by the Committee or the CEO to participate in the Plan.

"Plan" means the Kaiser Aluminum & Chemical Corporation Key Employee Retention Plan.

"Prior Plan" means the Kaiser Aluminum & Chemical Corporation Employee Retention Program (Effective January 15, 2002) and any other agreement, policy or program of the Corporation, the Company or otherwise providing the same or the similar type of benefits available hereunder.

"Prorating Event" means, except as otherwise set forth in a Retention Agreement, a Participant's termination of employment due to the Participant's death, Disability or retirement on or after age 62, or the Company's termination of the Participant's employment without Cause.

"Retention Agreement" means an agreement entered into between the Company and a Participant providing for participation in the Plan.

"Vesting Date" means each of September 30, 2002, March 31, 2003, September 30, 2003 and March 31, 2004, which dates constitute the date or dates on which a Participant will become vested in all or a portion of his or her Award, except as otherwise provided in a Retention Agreement.

III. Eligibility

Subject to Section VII, Participants in the Plan will be selected from those key employees of the Company whose efforts are expected to contribute materially to the efforts and success of the Company. No employee will be a Participant until he or she has executed a Retention Agreement. No employee will at any time have the right to be selected as a Participant. Awards made under the Plan are not in lieu of any other benefits a Participant may be entitled to receive from the Company; provided, however, that the Plan supercedes and replaces the Prior Plan in its entirety; and provided, further, that any Retention Agreement may provide for other offsets under the Plan or any other plan, program or agreement of or with the Corporation or the Company in which a Participant participates or to which he or she is a party.

IV. Administration

The Plan will be administered by the Committee. Subject to Section VII, and except as otherwise expressly provided herein, full power and authority to construe, interpret, and administer the Plan will be vested in the Committee, including the power to amend or terminate the Plan with the Bankruptcy Court's approval as further described in Section XV.

V. Awards; Vesting

The Company and each Participant will execute a Retention Agreement that sets forth the terms and timing of the grant, vesting and payment of an Award. Subject to the terms of the Retention Agreement, an Award will be earned by and vested in a Participant based upon continued employment on each Vesting Date. Awards will not be considered compensation for purposes of the Company's pension and welfare benefit plans, programs and arrangements.

VI. Payment of Awards

Awards earned and vested will become payable as provided in the Retention Agreement.

VII. Discretionary Fund

In addition to the payments of the Awards reflected in the budget approved by the Bankruptcy Court on September 3, 2002, a Discretionary Fund in the amount of $1,000,000 is established under the Plan to be available to provide, if the CEO so decides, additional Awards hereunder, on a case-by-case basis, to employees of the Company under circumstances that may arise and that are not otherwise addressed herein. Such payments shall be made in the sole discretion of the CEO to address specific retention issues and may be used for new employees, employees not otherwise covered under the Plan and Participants viewed by the CEO as having a high departure risk. Notwithstanding the foregoing provisions of this Section, if the CEO proposes to use more than $50,000 from the Discretionary Fund to provide an Award to an employee who is a Participant, such Award shall not be made without first obtaining approval of such Award from the Bankruptcy Committees.

VIII. Termination of Employment

(a) Except as otherwise set forth in a Retention Agreement with respect to a Prorating Event, a Participant will be eligible to receive payment of his or her Award only if the Participant is employed by the Company on the Vesting Date. In the event of a Participant's termination of employment with the Company for any reason other than a Prorating Event, any Award or portion thereof not yet vested will be immediately forfeited.

(b) If within ninety (90) days following the payment of any Award, a Participant's employment with the Company is terminated for any reason other than as a result of a Prorating Event, the Participant must immediately return such payment to the Company.

IX. Non-Alienation of Benefits

A Participant may not assign, sell, encumber, transfer or otherwise dispose of any rights or interests under the Plan except by will or the laws of descent and distribution. Any attempted disposition in contravention of the preceding sentence will be null and void.

X. No Claim or Right to Plan Participation

No employee or other person will have any claim or right to be selected as a Participant under the Plan. Neither the Plan nor any action taken pursuant to the Plan will be construed as giving any employee any right to be retained in the employ of the Company.

XI. Taxes

The Company will deduct from all amounts paid under the Plan all federal, state, local and other taxes required by law to be withheld with respect to such payments.

XII. Designation and Change of Beneficiary

Each Participant may designate one or more persons as the Designated Beneficiary who will be entitled to receive the amount, if any, payable under the Plan upon the death of the Participant. Such designation will be in writing to the Committee. A Participant may, from time to time, revoke or change his or her Designated Beneficiary without the consent of any prior Designated Beneficiary by filing a written designation with the Committee. The last such designation received by the Committee will be controlling; provided, however, that no designation, or change or revocation thereof, will be effective unless received by the Committee prior to the Participant's death, and in no event will it be effective as of a date prior to such receipt.

XIII. Payments to Persons Other Than the Participant

If the Committee finds that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee, in its sole discretion, to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment will be a complete discharge of the liability of the Company therefor.

XIV. No Liability of Board or Committee Members or Officers

No member of the Board or the Committee, any Officer, any employee or the CEO will be personally liable by reason of any contract or other instrument related to the Plan executed by such Officer, such employee, the CEO or by such member or on his or her behalf in his or her capacity as a member of the Board or the Committee, nor for any mistake of judgment made in good faith, and the Company will indemnify and hold harmless each employee, Officer, the CEO or a director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including legal fees, disbursements and other related charges) or liability (including any sum paid in settlement of a claim with the approval of the Board of Directors) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or bad faith.

XV. Termination or Amendment of the Plan

The Plan may only be amended, suspended or terminated upon approval of the Bankruptcy Court. Without limiting the preceding sentence, the Plan may not be amended in any way to reduce the benefits payable hereunder to a Participant or otherwise to impair his or her ability to receive any amount due hereunder, without the prior written consent of the Participant. The Plan will automatically terminate when all benefits payable hereunder have been paid. Notwithstanding any other provision of this Plan, no new Awards shall be granted after March 31, 2004, including, without limitation, pursuant to Section VII of this Plan.

XVI. Establishment of Trust

A portion of the Company's obligations under the Plan has been secured by the establishment of a trust for the benefit of two Participants, Messrs. LaDuc and Bonn. Such Participants may be paid the Awards from the trust, but if the trust has insufficient funds, then the balance of the Awards will be paid by the Company.

The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

XVII. Governing Law

The terms of the Plan and all rights thereunder will be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws.

XVIII. Effective Date

The effective date of the Plan is September 3, 2002.

Kaiser Aluminum & Chemical Corporation

By: /s/ James E. McAuliffe, Jr.

Name: James E. McAuliffe, Jr.
Title: Vice President, Human Resources

Exhibit 10.27

RETENTION AGREEMENT FOR THE KAISER ALUMINUM &
CHEMICAL CORPORATION KEY EMPLOYEE RETENTION PLAN
(EFFECTIVE SEPTEMBER 3, 2002)

THIS AGREEMENT (the "Agreement") is made, effective as of the ____ day of _____________, 2002, between Kaiser Aluminum & Chemical Corporation, a Delaware corporation (the "Company"), and _______________________________ (hereinafter called the "Participant").

R E C I T A L S:

WHEREAS, the Company has adopted the Kaiser Aluminum & Chemical Corporation Key Employee Retention Plan (Effective September 3, 2002) (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein will have the same meanings as in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company to grant the retention award provided for herein (the "Award") to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Grant of the Award. Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Agreement, the Company hereby grants to the Participant an Award. Pursuant to the terms of the Award, the Participant shall earn the right to receive a payment (a "Retention Payment") on each Vesting Date (as defined below), except as provided below. Each Retention Payment shall be equal to 62.5% of the Participant's Base Salary, and shall be payable as described below such that the aggregate Retention Payments that could be payable to the Participant are equal to 250% of his/her Base Salary. Upon execution of this Agreement, the Participant hereby waives the right to receive any payments or awards under the Prior Plan and the Prior Plan shall be superseded by this Agreement and shall be of no further force or effect.

2. Vesting. Subject to the Participant's continued employment with the Company, the Participant will earn the right to receive a Retention Payment on each of September 30, 2002, March 31, 2003, September 30, 2003 and March 31, 2004 (each, a "Vesting Date"), except as provided below.

3. Payment. Retention Payments that vest in accordance with Section 2 shall be paid to the Participant as follows:

(a) 40% of each Retention Payment (i.e., 25% of the Participant's Base Salary) will be paid in a lump sum on each applicable Vesting Date; and

(b) The remaining 60% of each Retention Payment (i.e., 37.5% of the Participant's Base Salary) (with respect to each Retention Payment, a "Withheld Amount") will be paid to the Participant as follows:

(i) 33-1/3% of each Withheld Amount shall be paid to the Participant in a lump sum on the date of the Company's emergence from bankruptcy (the "Emergence Date"); provided, that, the Participant is then employed by the Company or the Corporation, as the case may be (other than as a result of a Prorating Event as described in Section 4);

(ii) 33-1/3% of each Withheld Amount shall be paid to the Participant in a lump sum on the first anniversary of the Emergence Date"); provided, that, the Participant is then employed by the Company or the Corporation, as the case may be (other than as a result of a Prorating Event as described in Section 4); and

(iii) 33-1/3% of the remaining portion of each Withheld Amount (the "Emergence Amount") shall only be payable as follows and provided that the Participant is still employed by the Company or the Corporation, as the case may be, as of the relevant date:

(A) 100% of each Emergence Amount shall be payable if the Emergence Date is on or prior to the 30 month anniversary of February 12, 2002.

(B) 50% of each Emergence Amount shall be payable if the Emergence Date is on or prior to the 42 month anniversary of February 12, 2002, but after the 30 month anniversary of February 12, 2002 and the remaining 50% of each Emergence Amount shall be forfeited by the Participant to the Company.

(C) 100% of the Emergence Amount shall be forfeited by the Participant to the Company if the Emergence Date occurs after the

42 month anniversary of February 12, 2002.

(D) The Emergence Amount, if any, shall be paid in a lump sum on the Emergence Date.

(c) Amounts that become payable on any date that is not a date on which banks are generally open shall be paid on the next succeeding date on which banks are generally open.

4. Termination.

(a) If the Participant's employment with the Company is terminated prior to any Vesting Date for any reason, other than as a result of (i) the Participant's death, (ii) the Participant's Disability, (iii) the Participant's retirement from the Company on or after the Participant attains age 62 or (iv) the Company's termination of the Participant's employment without "Cause" (as defined below) (each, a "Prorating Event"), the portion of the Award that would have become vested and payable on such Vesting Date and all subsequent portions of the Award, if any, that would have become payable following such Vesting Date, along with any Withheld Amount, will be forfeited by the Participant without consideration.

(b) If the Participant's employment with the Company is terminated on account of a Prorating Event:

(i) the Participant shall be entitled to receive a payment on the earlier of (A) 30 days following the Prorating Event or (B) the Vesting Date immediately following the Prorating Event, in an amount equal to the product of (x) the amount that would have been payable to the Participant on the Vesting Date immediately following the Prorating Event, multiplied by (y) a fraction, the numerator of which is the number of days which have elapsed between the Vesting Date immediately preceding such Prorating Event (or, if no Vesting Date has occurred at the time of such Prorating Event, April 1, 2002) (the "Measurement Date") and the date of such Prorating Event, and the denominator of which is the number of total days in the period from the Measurement Date to the Vesting Date immediately following the Prorating Event;

(ii) the Participant shall be entitled to receive, as soon as practicable (but in no event later than 30 days) after the Prorating Event, the Withheld Amounts described in Sections 3(b)(i) and 3(b)(ii) above; and

(iii) the Participant shall be entitled to receive the Emergence Amount at such times as provided in Section 3(b)(iii) above for payment of such Emergence Amount; provided, that, the Emergence Amount shall be subject to the same conditions to payment as provided above in Section 3(b)(iii) other than that the Participant remain employed as of the Emergence Date.

No further retention payments shall be made to the Participant.

(c) For purposes of this Agreement, "Cause" means (1) the Participant's engaging in fraud, embezzlement, gross misconduct or any act of gross dishonesty with respect to the Company or its affiliates, (2) the Participant's habitual drug or alcohol use which impairs the ability of the Participant to perform his duties with the Company or its affiliates, (3) the Participant's indictment with respect to, conviction of, or plea of guilty or no contest to, any felony, or other comparable crime under applicable local law (except, in any event, for motor vehicle violations not involving personal injuries to third parties or driving while intoxicated), or the Participant's incarceration with respect to any of the foregoing that, in each case, impairs the Participant's ability to continue to perform his duties with the Company and its affiliates, or (4) the Participant's material breach of any written employment agreement or other agreement between the Company and the Participant, or of the Kaiser Aluminum & Chemical Corporation Code of Business Conduct, or failure by the Participant to substantially perform his or her duties for the Company which remains uncorrected or reoccurs after written notice has been delivered to the Participant demanding substantial performance and the Participant has had a reasonable opportunity to correct such breach or failure to perform.

5. Repayment of Award. If within ninety (90) days following the payment of any Award in accordance with Section 3 above, a Participant's employment with the Company is terminated for any reason other than as a result of a Prorating Event, the Participant must immediately return such payment to the Company.

6. No Right to Continued Employment. Neither the Plan nor this Agreement will be construed as giving the Participant the right to be retained in the employ of the Company. Further, the Company may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided therein or herein.

7. Transferability. The Award may not, at any time, be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against the Company; provided that the designation of a beneficiary will not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer to heirs or legatees of the Participant will be effective to bind the Company unless the Committee will have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof.

8. Withholding. The Company will deduct from each payment all applicable federal, state, local and other taxes required by law to be withheld with respect to such payments.

9. Choice of Law. The interpretation, performance and enforcement of this Agreement will be governed by the laws of the State of Texas, without regard to principles of conflicts of law.

10. Award Subject to Plan. By entering into this Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Award is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

11. Confidentiality. Except as otherwise required by law or in connection with tax and personal planning and family matters, the Participant agrees to keep his participation in the Plan and the amount of the Award confidential.

12. Signature in Counterparts. This Agreement may be signed in counterparts, each of which will be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. Complete Agreement. This Agreement embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and effective as of its date supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral (including, without limitation, any award or agreement granted under the Kaiser Aluminum & Chemical Corporation Employee Retention Program (Effective January 15, 2002)), which may have related to the subject matter hereof in any way. The Company and the Participant hereby agree that upon execution of this Agreement, any such prior agreements and the Prior Plan shall be superseded by this Agreement and such prior agreements and the Prior Plan shall be of no further force or effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the ____ day of ____________, 2002.

Kaiser Aluminum & Chemical Corporation

By:
Name:
Title:

Participant

Exhibit 10.28

RETENTION AGREEMENT FOR THE KAISER ALUMINUM & CHEMICAL CORPORATION KEY EMPLOYEE RETENTION PLAN (EFFECTIVE SEPTEMBER 3, 2002)

THIS AGREEMENT (the "Agreement") is made, effective as of the ____ day of ____________, 2002, between Kaiser Aluminum & Chemical Corporation, a Delaware corporation (the "Company"), and _______________________________ (hereinafter called the "Participant").

R E C I T A L S:

WHEREAS, the Company has adopted the Kaiser Aluminum & Chemical Corporation Key Employee Retention Plan (Effective September 3, 2002) (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein will have the same meanings as in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company to grant the retention award provided for herein (the "Award") to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Grant of the Award. Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Agreement, the Company hereby grants to the Participant an Award. Pursuant to the terms of the Award, the Participant shall earn the right to receive a payment (a "Retention Payment") on each Vesting Date (as defined below), except as provided below. Each Retention Payment shall be equal to 62.5% of the Participant's Base Salary, and shall be payable as described below such that the aggregate Retention Payments that could be payable to the Participant are equal to 250% of his/her Base Salary. Upon execution of this Agreement, the Participant hereby waives the right to receive any payments or awards under the Prior Plan and the Prior Plan shall be superseded by this Agreement and shall be of no further force or effect.

2. Vesting. Subject to the Participant's continued employment with the Company, the Participant will earn the right to receive a Retention Payment on each of September 30, 2002, March 31, 2003, September 30, 2003 and March 31, 2004 (each, a "Vesting Date"), except as provided below.

3. Payment. Retention Payments that vest in accordance with Section 2 shall be paid to the Participant as follows:

(a) 40% of each Retention Payment (i.e., 25% of the Participant's Base Salary) will be paid in a lump sum on each applicable Vesting Date; and

(b) The remaining 60% of each Retention Payment (i.e., 37.5% of the Participant's Base Salary) (with respect to each Retention Payment, a "Withheld Amount") will be paid to the Participant as follows:

(i) 33-1/3% of each Withheld Amount shall be paid to the Participant in a lump sum on the date of the Company's emergence from bankruptcy (the "Emergence Date"); provided, that, the Participant is then employed by the Company or the Corporation, as the case may be (other than as a result of a Prorating Event as described in Section 4);

(ii) 33-1/3% of each Withheld Amount shall be paid to the Participant in a lump sum on the first anniversary of the Emergence Date"); provided, that, the Participant is then employed by the Company or the Corporation, as the case may be (other than as a result of a Prorating Event as described in Section 4); and

(iii) 33-1/3% of the remaining portion of each Withheld Amount (the "Emergence Amount") shall only be payable as follows and provided that the Participant is still employed by the Company or the Corporation, as the case may be, as of the relevant date:

(A) 100% of each Emergence Amount shall be payable if the Emergence Date is on or prior to the 30 month anniversary of February 12, 2002 after the Emergence Date).

(B) 50% of each Emergence Amount shall be payable if the Emergence Date is on or prior to the 42 month anniversary of February 12, 2002, but after the 30 month anniversary of February 12, 2002 and the remaining 50% of each Emergence Amount shall be forfeited by the Participant to the Company.

(C) 100% of the Emergence Amount shall be forfeited by the Participant to the Company if the Emergence Date occurs after the 42 month anniversary of February 12, 2002.

(D) The Emergence Amount, if any, shall be paid in a lump sum on the Emergence Date.

(c) Amounts that become payable on any date that is not a date on which banks are generally open shall be paid on the next succeeding date on which banks are generally open.

4. Termination.

(a) If the Participant's employment with the Company is terminated prior to any Vesting Date for any reason, other than as a result of (i) the Participant's death, (ii) the Participant's Disability, (iii) the Participant's retirement from the Company on or after February 12, 2004 or (iv) the Company's termination of the Participant's employment without "Cause" (as defined below) (each, a "Prorating Event"), the portion of the Award that would have become vested and payable on such Vesting Date and all subsequent portions of the Award, if any, that would have become payable following such Vesting Date, along with any Withheld Amount, will be forfeited by the Participant without consideration.

(b) If the Participant's employment with the Company is terminated on account of a Prorating Event:

(i) the Participant shall be entitled to receive a payment on the earlier of (A) 30 days following the Prorating Event or (B) the Vesting Date immediately following the Prorating Event, in an amount equal to the product of (x) the amount that would have been payable to the Participant on the Vesting Date immediately following the Prorating Event, multiplied by (y) a fraction, the numerator of which is the number of days which have elapsed between the Vesting Date immediately preceding such Prorating Event (or, if no Vesting Date has occurred at the time of such Prorating Event, April 1, 2002) (the "Measurement Date") and the date of such Prorating Event, and the denominator of which is the number of total days in the period from the Measurement Date to the Vesting Date immediately following the Prorating Event;

(ii) the Participant shall be entitled to receive, as soon as practicable (but in no event later than 30 days) after the Prorating Event, the Withheld Amounts described in Sections 3(b)(i) and 3(b)(ii) above; and

(iii) the Participant shall be entitled to receive the Emergence Amount at such times as provided in Section 3(b)(iii) above for payment of such Emergence Amount; provided, that, the Emergence Amount shall be subject to the same conditions to payment as provided above in Section 3(b)(iii) other than that the Participant remain employed as of the Emergence Date.

No further retention payments shall be made to the Participant.

(c) For purposes of this Agreement, "Cause" means (1) the Participant's engaging in fraud, embezzlement, gross misconduct or any act of gross dishonesty with respect to the Company or its affiliates, (2) the Participant's habitual drug or alcohol use which impairs the ability of the Participant to perform his duties with the Company or its affiliates, (3) the Participant's indictment with respect to, conviction of, or plea of guilty or no contest to, any felony, or other comparable crime under applicable local law (except, in any event, for motor vehicle violations not involving personal injuries to third parties or driving while intoxicated), or the Participant's incarceration with respect to any of the foregoing that, in each case, impairs the Participant's ability to continue to perform his duties with the Company and its affiliates, or (4) the Participant's material breach of any written employment agreement or other agreement between the Company and the Participant, or of the Kaiser Aluminum & Chemical Corporation Code of Business Conduct, or failure by the Participant to substantially perform his or her duties for the Company which remains uncorrected or reoccurs after written notice has been delivered to the Participant demanding substantial performance and the Participant has had a reasonable opportunity to correct such breach or failure to perform.

5. Repayment of Award. If within ninety (90) days following the payment of any Award in accordance with Section 3 above, a Participant's employment with the Company is terminated for any reason other than as a result of a Prorating Event, the Participant must immediately return such payment to the Company.

6. Supplemental Benefits Plan ("SERP").

(a) If Participant's employment with the Company is terminated prior to February 12, 2004 for any reason other than as a result of a Prorating Event, (i) the Participant will forfeit any benefit available under the SERP without consideration and (ii) the Participant will waive the right to receive any amounts under the Grantor Trust Agreement made the __ day of February, by and among the Corporation, the Company and Wachovia Bank, N.A., as trustee.

(b) If the Participant's employment with the Company is terminated as a result of a Prorating Event, including retirement on or after February 12, 2004, the Participant will be entitled to receive the benefit payable under the SERP in a lump sum payment as soon as practicable, but in no event later than 30 days following such termination.

(c) Any payment due under subsection 6(b) above will be offset by any payment made from the Grantor Trust established February 11, 2002 by and among the Corporation, the Company, and Wachovia Bank, N.A. to pay the benefits due under the SERP.

7. No Right to Continued Employment. Neither the Plan nor this Agreement will be construed as giving the Participant the right to be retained in the employ of the Company. Further, the Company may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided therein or herein.

8. Transferability. The Award may not, at any time, be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against the Company; provided that the designation of a beneficiary will not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer to heirs or legatees of the Participant will be effective to bind the Company unless the Committee will have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof.

9. Withholding. The Company will deduct from each payment all applicable federal, state, local and other taxes required by law to be withheld with respect to such payments.

10. Choice of Law. The interpretation, performance and enforcement of this Agreement will be governed by the laws of the State of Texas, without regard to principles of conflicts of law.

11. Award Subject to Plan. By entering into this Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Award is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

12. Confidentiality. Except as otherwise required by law or in connection with tax and personal planning and family matters, the Participant agrees to keep his participation in the Plan and the amount of the Award confidential.

13. Signature in Counterparts. This Agreement may be signed in counterparts, each of which will be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

14. Complete Agreement. This Agreement embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and effective as of its date supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral (including, without limitation, any award or agreement granted under the Kaiser Aluminum & Chemical Corporation Employee Retention Program (Effective January 15, 2002)), which may have related to the subject matter hereof in any way. The Company and the Participant hereby agree that upon execution of this Agreement, any such prior agreements and the Prior Plan shall be superseded by this Agreement and such prior agreements and the Prior Plan shall be of no further force or effect.

15. Waiver. In consideration of the Participant's agreement to delay his retirement until February 12, 2004 or beyond, the Bankruptcy Committees hereby waive any claims under the Bankruptcy Code to assets in the Grantor Trust Agreement made February 11, 2002 by and among the Corporation, the Company and Wachovia Bank, N.A. to pay benefits under the SERP.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the ____ day of ____________, 2002.

Kaiser Aluminum & Chemical Corporation

By:_____________________________
Name:
Title:

Participant

Agreed this _____ day of ____________, 2002.	Agreed this _______ day of ____________, 2002.
Statutory Committee of Unsecured Creditors appointed by the Bankruptcy Court on February 25, 2002	Statutory Committee of Asbestos Claimants appointed by the Bankruptcy Court on February 25, 2002
By: ______________________________	By: ______________________________________

Exhibit 10.29

RETENTION AGREEMENT FOR THE KAISER ALUMINUM &
CHEMICAL CORPORATION KEY EMPLOYEE RETENTION PLAN
(EFFECTIVE SEPTEMBER 3, 2002) (A)

THIS AGREEMENT (the "Agreement") is made, effective as of the ____ day of ____________, 2002, between Kaiser Aluminum & Chemical Corporation, a Delaware corporation (the "Company"), and _______________________________ (hereinafter called the "Participant").

R E C I T A L S:

WHEREAS, the Company has adopted the Kaiser Aluminum & Chemical Corporation Key Employee Retention Plan (Effective September 3, 2002) (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein will have the same meanings as in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company to grant the retention award provided for herein (the "Award") to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Grant of the Award. Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Agreement, the Company hereby grants to the Participant an Award. Pursuant to the terms of the Award, the Participant shall earn the right to receive a payment (a "Retention Payment") on each Vesting Date (as defined below). Each Retention Payment shall be equal to the product of one-half of the Participant's Base Salary, multiplied by ____, payable as described below. Upon execution of this Agreement, the Participant hereby waives the right to receive any payments or awards under the Prior Plan and the Prior Plan shall be superseded by this Agreement and shall be of no further force or effect.

2. Vesting. Subject to the Participant's continued employment with the Company, the Participant will earn the right to receive a Retention Payment on each of September 30, 2002, March 31, 2003, September 30, 2003 and March 31, 2004 (each, a "Vesting Date").

3. Payment. Retention Payments that vest in accordance with Section 2 shall be paid to the Participant in a lump sum on the applicable Vesting Date.

4. Termination.

(a) If the Participant's employment with the Company is terminated prior to any Vesting Date for any reason, other than as a result of (i) the

Participant's death, (ii) the Participant's Disability, (iii) the Participant's retirement from the Company on or after the Participant attains age 62 or (iv) the Company's termination of the Participant's employment without "Cause" (as defined below) (each, a "Prorating Event"), the portion of the Award that would have become vested and payable on such Vesting Date and all subsequent portions of the Award, if any, that would have become payable following such Vesting Date will be forfeited by the Participant without consideration.

(b) If the Participant's employment with the Company is terminated on account of a Prorating Event, the Participant shall be entitled to receive a payment on the earlier of (i) 30 days following the Prorating Event or (ii) the Vesting Date immediately following the Prorating Event, in an amount equal to the product of (A) the amount that would have been payable to the Participant on the Vesting Date immediately following the Prorating Event, multiplied by (B) a fraction, the numerator of which is the number of days which have elapsed between the Vesting Date immediately preceding such Prorating Event (or, if no Vesting Date has occurred at the time of such Prorating Event, April 1, 2002) (the "Measurement Date") and the date of such Prorating Event, and the denominator of which is the number of total days in the period from the Measurement Date to the Vesting Date immediately following the Prorating Event. No further retention payments shall be made to the Participant.

(c) For purposes of this Agreement, "Cause" means (1) the Participant's engaging in fraud, embezzlement, misconduct or any act of dishonesty with respect to the Company or its affiliates, (2) the Participant's habitual drug or alcohol use which impairs the ability of the Participant to perform his duties with the Company or its affiliates, (3) the Participant's indictment with respect to, conviction of, or plea of guilty or no contest to, any felony, or other comparable crime under applicable local law (except, in any event, for motor vehicle violations not involving personal injuries to third parties or driving while intoxicated), or the Participant's incarceration with respect to any of the foregoing that, in each case, impairs the Participant's ability to continue to perform his duties with the Company and its affiliates, or (4) the Participant's material breach of any written employment agreement or other agreement between the Company and the Participant, or of the Kaiser Aluminum & Chemical Corporation Code of Business Conduct, or failure by the Participant to substantially perform his or her duties for the Company which remains uncorrected or reoccurs after written notice has been delivered to the Participant demanding substantial performance and the Participant has had a reasonable opportunity to correct such breach or failure to perform.

5. Repayment of Award. If within ninety (90) days following the payment of any Award in accordance with Section 3 or Section 4 above, a Participant's employment with the Company is terminated for any reason other than as a result of a Prorating Event, the Participant must immediately return such payment to the Company.

6. No Right to Continued Employment. Neither the Plan nor this Agreement will be construed as giving the Participant the right to be retained in the employ of the Company. Further, the Company may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided therein or herein.

7. Transferability. The Award may not, at any time, be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against the Company; provided that the designation of a beneficiary will not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer to heirs or legatees of the Participant will be effective to bind the Company unless the Committee will have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof.

8. Withholding. The Company will deduct from each payment all

applicable federal, state, local and other taxes required by law to be withheld with respect to such payments.

9. Choice of Law. The interpretation, performance and enforcement of this Agreement will be governed by the laws of the State of Texas, without regard to principles of conflicts of law.

10. Award Subject to Plan. By entering into this Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Award is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

11. Confidentiality. Except as otherwise required by law or in connection with tax and personal planning and family matters, the Participant agrees to keep his participation in the Plan and the amount of the Award confidential.

12. Signature in Counterparts. This Agreement may be signed in counterparts, each of which will be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. Complete Agreement. This Agreement embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and effective as of its date supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral (including, without limitation, any award or agreement granted under the Kaiser Aluminum & Chemical Corporation Employee Retention Program (Effective January 15, 2002)), which may have related to the subject matter hereof in any way. The Company and the Participant hereby agree that upon execution of this Agreement, any such prior agreements and the Prior Plan shall be superseded by this Agreement and such prior agreements and the Prior Plan shall be of no further force or effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the ____ day of ____________, 2002.

Kaiser Aluminum & Chemical Corporation

By:
Name:
Title:

Participant

(A) Form of Retention Agreement entered into as of September 3, 2002 with executive officers of KAC and KACC other than Joseph A. Bonn, Jack A.

Hockema, Edward F. Houff, John T. La Duc, Harvey L. Perry and one other executive officer.

Exhibit 10.30

KAISER ALUMINUM & CHEMICAL CORPORATION
SEVERANCE PLAN
(EFFECTIVE SEPTEMBER 3, 2002)

I. Purpose

The purpose of the Plan is to provide severance protection to certain key salaried employees who are expected to make substantial contributions to the success of the ongoing business and/or the restructuring effort and thereby provides for stability and continuity of operations. The Plan has been approved by the Bankruptcy Court and the Boards of Directors of the Company and the Corporation and will remain in effect until the date that is one year after the Emergence Date. The Plan shall supercede and replace the Prior Plan in its entirety.

II. Definitions

"Bankruptcy Committees" means the committees consisting of a statutory committee of unsecured creditors and a statutory committee of asbestos claimants, each appointed by the United States trustee for the District of Delaware on February 25, 2002, pursuant to section 1102 of the Bankruptcy Code, 11 U.S.C. ss.ss. 101-1330.

"Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware presiding over the Company's proceeding commenced on February 12, 2002 under Chapter 11 of the Bankruptcy Code (11 U.S.C. ss. 1101, et seq.).

"Base Salary" means a Participant's annual base salary at a rate not less than his or her annual fixed or base compensation as in effect immediately prior to a termination of employment or, if higher, the Participant's annual fixed or base compensation in effect within the six month period preceding the date on which a Good Reason event occurred, without reductions for contributions to any qualified or non-qualified employee benefit plan or fringe benefit plan to the extent authorized by the documents governing such plans.

"Board" means the Board of Directors of the Company and/or the Corporation.

"Cause" shall have the meaning set forth in a Severance Agreement.

"Committee" means the Compensation Committee of the Board of the Company. The Committee may delegate any of its powers, duties and responsibilities and any of its discretionary authorities under the Plan to any Officer.

"Company" means Kaiser Aluminum & Chemical Corporation.

"Corporation" means Kaiser Aluminum Corporation.

"Emergence Date" means the date that the Company emerges from bankruptcy.

"Good Reason" means, without the Participant's consent, the occurrence of any of the following events which is not cured by the Company within ten (10) business days following the Participant's written notice to the Company of the event constituting Good Reason; provided, however, that any such written notice received by the Company following the thirty (30) day period after the date on which the Participant first had knowledge of the occurrence of such event giving rise to Good Reason (or, in the case of multiple events, the latest to occur of such events) shall not be effective and the Participant shall be deemed to have waived his/her right to terminate employment for Good Reason with respect to such event:

(1) Demotion, reduction in title, reduction in position or responsibilities, or change in reporting responsibilities or reporting level that is materially and adversely inconsistent with the Participant's position immediately prior to the Effective Date or the assignment of duties and/or responsibilities materially and adversely inconsistent with such position; provided, however, that the Company no longer being a publicly traded entity or having filed bankruptcy shall not by itself be Good Reason; or

(2) Reduction of greater than 10% in the Participant's Base Salary from the level existing prior to the Effective Date or reduction of greater than 10% in the Executive's target incentive compensation opportunity as provided for in the KERP approved by the Bankruptcy Court on September 3, 2002 or a reduction in the Participant's eligibility for participation in the Company's benefit plans that is not commensurate with a similar reduction among similarly situated employees.

"Officer" means an officer of the Company.

"Participant" means any key employee of the Company designated by the Committee or the CEO to participate in the Plan.

"Plan" means the Kaiser Aluminum & Chemical Corporation Severance Plan.

"Prior Plan" means any prior severance plan, agreement, or severance benefit program of the Company or the Corporation in which the Participant participated or to which he or she was a party or any other similar agreement or employment agreement existing on or prior to the Effective Date; provided, however, that the term "Prior Plan" shall not include a Change in Control Severance Agreement, if any, entered into between the Company and any Participant (a "CIC Agreement").

"Release Agreement" means an agreement pursuant to which the Participant releases all current or future claims, known or unknown, arising on or before the date of the release against the Company, its subsidiaries and its Officers, substantially in a form approved by the Company.

"Severance Agreement" means an agreement entered into between the Company and a Participant providing for participation in the Plan.

"Severance Payment" means the payment made or benefits provided to a Participant in accordance with the terms of a Severance Agreement. Severance Payments made under the Plan shall be limited to those payments reflected in the applicable Severance Agreement.

III. Eligibility

Participants in the Plan will be selected from those key employees of the Company whose efforts are expected to contribute materially to the efforts and success of the Company. No employee will be a Participant until he or she has executed a Severance Agreement. No employee will at any time have the right to be selected as a Participant. Notwithstanding any other provision of this Agreement, no Severance Payments will be made and no benefits will be provided to a Participant under this Plan if the Participant receives any payments or benefits under a CIC Agreement. Any Severance Payments made to a Participant under this Plan shall be first used to satisfy any obligations the Company or the Corporation may have to such Participant under the Worker Adjustment and Retraining Act of 1988 or similar statutes or regulation of any jurisdiction relating to any plant closing or mass lay-off or as otherwise required by law.

IV. Administration

The Plan will be administered by the Committee. Except as otherwise expressly provided herein, full power and authority to construe, interpret, and administer the Plan will be vested in the Committee, including the power to amend or terminate the Plan with the Bankruptcy Court's approval as further described in Section XIV.

V. Severance Payments

The Company and each Participant will execute a Severance Agreement that sets forth the terms and timing of the Severance Payment. Subject to the terms of the Severance Agreement, the Severance Payment will be made to a Participant who has executed a Release Agreement and whose employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason. Severance Payments will not be considered compensation for purposes of the Company's pension and welfare benefit plans, programs and arrangements.

VI. Payment of Severance Payments

Severance Payments will become payable as provided in the Severance Agreement.

VII. Non-Alienation of Benefits

A Participant may not assign, sell, encumber, transfer or otherwise dispose of any rights or interests under the Plan except by will or the laws of descent and distribution. Any attempted disposition in contravention of the preceding sentence will be null and void.

VIII. No Claim or Right to Plan Participation

No employee or other person will have any claim or right to be selected as a Participant under the Plan. Neither the Plan nor any action taken pursuant to the Plan will be construed as giving any employee any right to be retained in the employ of the Company.

IX. Taxes

The Company will deduct from all amounts paid under the Plan all federal, state, local and other taxes required by law to be withheld with respect to such payments.

X. Payments to Persons Other Than the Participant

If the Committee finds that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee, in its sole discretion, to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment will be a complete discharge of the liability of the Company therefor.

XI. No Liability of Board or Committee Members or Officers

No member of the Board or the Committee or any Officer will be personally liable by reason of any contract or other instrument related to the Plan executed by such Officer or by such member or on his or her behalf in his or her capacity as a member of the Board or the Committee, nor for any mistake of judgment made in good faith, and the Company will indemnify and hold harmless each employee, Officer, or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including legal fees, disbursements and other related charges) or liability (including any sum paid in settlement of a claim with the approval of the Board of Directors) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or bad faith.

XII. Termination or Amendment of the Plan

On or prior to the Emergence Date, the Plan may only be amended, suspended or terminated upon approval of the Bankruptcy Court and after such date, by the Board. Without limiting the preceding sentence, the Plan may not be amended in any way to reduce the benefits that become payable hereunder to a Participant or otherwise to impair his or her ability to receive any amount due hereunder, without the prior written consent of the Participant. Unless terminated by the Board after the Emergence Date, in which case the Plan and all Severance Agreements entered into thereunder shall cease to have any effect and the Company shall have no liability to any Participant under the Plan or any such Severance Agreements following the date of termination, the Plan will automatically terminate on the earlier of (a) the date on which all benefits payable hereunder have been paid or (b) the first anniversary of the Emergence Date.

XIII. Governing Law

The terms of the Plan and all rights thereunder will be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws.

XIV. Effective Date

The effective date of the Plan is September 3, 2002.

Kaiser Aluminum & Chemical Corporation

By: /s/ James E. McAuliffe, Jr.

Name: James E. McAuliffe, Jr.
Title: Vice President, Human Resources

Exhibit 10.31

SEVERANCE AGREEMENT FOR THE KAISER
ALUMINUM & CHEMICAL CORPORATION SEVERANCE PLAN
(EFFECTIVE SEPTEMBER 3, 2002) (A)

THIS AGREEMENT (the "Agreement") is made, effective as of the ____ day of ____________, 2002, between Kaiser Aluminum & Chemical Corporation, a Delaware corporation (the "Company"), and _______________________________ (hereinafter called the "Participant").

R E C I T A L S:

WHEREAS, the Company has adopted the Kaiser Aluminum & Chemical Corporation Severance Plan (Effective September 3, 2002) (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein will have the same meanings as in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company to grant the severance benefits provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Severance Benefits. If the Company terminates the Participant's employment without "Cause" (as defined below) (and other than as a result of the Participant's death or disability) or the Participant terminates employment with Good Reason (each, a "Qualifying Termination"), the Company or its successor shall:

(a) make a payment to the Participant in an amount equal to the product of the Participant's Base Salary, multiplied by ___________________(B) (the "Severance Amount"), payable as a lump sum as soon as practicable (but in no event later than 30 days) after the Qualifying Termination; and

(b) continue to provide welfare benefits to the Participant under the Company's medical, dental, vision, life insurance and disability benefit plans for a period of ____________ (B) following the Participant's Qualifying Termination; provided, however, that the Participant must continue to pay the monthly medical and life insurance contributions (if any) paid by active employees of the Company for this coverage to remain in effect. If the Participant is unable to continue participating in the Company's benefit plans due to the provisions of the documents governing such plans or any other reason, the Company will reimburse the Participant for his expenses in obtaining comparable benefit coverage. Notwithstanding the foregoing, coverage under any qualified retirement plan and (except as otherwise required by law) coverage under any cafeteria plan, dependant care spending account or health care spending account will cease upon any termination of employment, whether or not a Qualifying Termination. The Company may satisfy a portion of its obligations by reimbursing and/or paying the Participant's applicable COBRA premium with respect to any such plans. The Company may require the health benefit continuation period required under the continuation coverage requirements of Section 4980B of the Internal Revenue Code of 1986, as amended, and Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended, to run concurrently with the benefit continuation period hereunder. The Company's obligations under this clause (b) shall cease once the Participant is eligible for comparable coverage from a subsequent employer.

(c) For purposes of this Agreement, "Cause" means (1) the Participant's engaging in fraud, embezzlement, misconduct or any act of dishonesty with respect to the Company or its affiliates, (2) the Participant's habitual drug or alcohol use which impairs the ability of the Participant to perform his duties with the Company or its affiliates, (3) the Participant's indictment with respect to, conviction of, or plea of guilty or no contest to, any felony, or other comparable crime under applicable local law (except, in any event, for motor vehicle violations not involving personal injuries to third parties or driving while intoxicated), or the Participant's incarceration with respect to any of the foregoing that, in each case, impairs the Participant's ability to continue to perform his duties with the Company and its affiliates, or (4) the Participant's material breach of any written employment agreement or other agreement between the Company and the Participant, or of the Kaiser Aluminum & Chemical Corporation Code of Business Conduct, or failure by the Participant to substantially perform his or her duties for the Company which remains uncorrected or reoccurs after written notice has been delivered to the Participant demanding substantial performance and the Participant has had a reasonable opportunity to correct such breach or failure to perform.

2. Conditions to Receipt of Benefits. Notwithstanding any other provision of this Agreement:

(a) The Company shall not be obligated to make any payment or provide any benefit under Section 1 hereof if either:

(i) the Participant receives severance compensation or benefit continuation pursuant to the Kaiser Aluminum & Chemical Corporation Change in Control Severance Plan; or

(ii) the Participant's employment with the Company is terminated for any reason other than a Qualifying Termination.

(b) The Company shall not be obligated to make any payment or provide any benefit under Section 1 hereof unless the Participant executes a Release Agreement, and thereby releases all current or future claims, known or unknown, arising on or before the date of the release against the Company, its subsidiaries and its officers, substantially in a form approved by the Company.

(c) Upon execution of this Agreement, the Participant hereby waives the right to receive any payments under the Prior Plan and the Prior Plan shall be superceded by this Agreement and shall be of no further force or effect.

3. No Right to Continued Employment. Neither the Plan nor this

Agreement will be construed as giving the Participant the right to be retained in the employ of the Company. Further, the Company may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided therein or herein.

4. Transferability. The rights of the Participant hereunder may not, at any time, be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against the Company; provided that the designation of a beneficiary will not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer to heirs or legatees of the Participant will be effective to bind the Company unless the Committee will have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof.

5. Withholding. The Company will deduct from each payment all applicable federal, state, local and other taxes required by law to be withheld with respect to such payments.

6. Choice of Law. The interpretation, performance and enforcement of this Agreement will be governed by the laws of the State of Texas, without regard to principles of conflicts of law.

7. Subject to Plan. By entering into this Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. This Agreement is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

8. Confidentiality. Except as otherwise required by law or in connection with tax and personal planning and family matters, the Participant agrees to keep his participation in the Plan and the amount of any payments or benefits hereunder confidential.

9. Signature in Counterparts. This Agreement may be signed in counterparts, each of which will be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

10. Complete Agreement. This Agreement embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and effective as of its date supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral (including, without limitation, any award or agreement granted under the Prior Plan), which may have related to the subject matter hereof in any way. The Company and the Participant hereby agree that upon execution of this Agreement, any such prior agreements shall be superseded by this Agreement and such prior agreements shall be of no further force or effect.

11. Restrictive Covenants.

(a) Noncompetition; Nonsolicitation. For the ____(B) period following the termination of employment with the Company, the Participant agrees that he will not, without the prior written consent of the Company, which shall not unreasonably be withheld, directly or indirectly, whether as a principal, agent, employee, consultant, contractor, advisor, representative, stockholder (other than as a holder of an interest of five percent (5%) or less in the equity of any corporation whose stock is traded on a public stock exchange), or in any other capacity:

(i) provide services, advice or assistance to any business, person or entity which competes with the Company directly, as a primary focus of its business, in the United States or in any other location in which the Company operates, in the manufacture, sale or delivery of any materials, products or services which constitute more than twenty percent (20%) of the Company's revenues in the prior twelve month period; or

(ii) intentionally entice, induce or solicit, or attempt to entice, induce or solicit, any individual or entity having a business relationship with the Company, whether as an employee, consultant, customer or otherwise, to terminate or cease such relationship.

By entering into this Agreement, the Participant acknowledges that these prohibitions are reasonable as to time, geographical area and scope of activity and do not impose a restriction greater than is necessary to protect the Company's good will, proprietary information and business interests.

(b) Confidentiality. The Participant shall keep secret and confidential and shall not disclose to any third party, in any fashion or for any purpose whatsoever, any information regarding the Company which is (i) not available to the general public, and/or (ii) not generally known outside the Company, to which the Participant has or will have had access at any time during the course of his or her employment by the Company, including, without limitation, any information relating to: the Company's business or operations; its plans, strategies, prospects or objectives; its products, technology, Intellectual Property described in Subsection (g), processes or specifications; its research and development operations or plans; its customers and customer lists; its manufacturing, distribution, sales, service, support and marketing practices and operations; its financial condition and results of operations; its operational strengths and weaknesses; and, its personnel and compensation policies and procedures. However, this provision shall not preclude the Participant from providing truthful information to the extent required by subpoena, court order, search warrant or other legal process, provided that the Participant immediately notifies the Company of such request in order to provide the Company an opportunity to object to such request in the appropriate forum and to obtain a ruling on such objection.

(c) Cooperation. Upon termination of employment for any reason, the Participant shall fully cooperate with the Company in all matters relating to the winding up of his or her pending work on behalf of the Company and the orderly transfer of any such pending work to other employees of the Company as may be designated by the Company.

(d) Enforcement. Any claim arising out of or relating to this Agreement or the Participant's employment with the Company or the termination thereof, other than an action for injunctive relief as provided below, shall be resolved by confidential, final and binding arbitration conducted by Judicial Arbitration and Mediation Services ("JAMS") to be held in Houston, Texas, under the then-existing JAMS rules, rather than by litigation in court, trial by jury, administrative proceeding, or in any other forum. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company shall promptly pay all costs and expenses, including without limitation reasonable attorneys' fees, incurred by the Participant or his/her beneficiaries in resolving any claim hereunder in which the Participant or his/her beneficiaries shall prevail. In all other cases the parties shall bear their own costs and expenses, except that the Participant shall pay all costs and expenses, including, without limitation, reasonable attorney's fees incurred by the Company in resolving such claim if the arbitrator(s) determine such claim to have been brought by the Participant (i) in bad faith or (ii) without any reasonable basis. Notwithstanding the foregoing, the parties agree that any breach of Subsection (a) or (b) above is likely to cause irreparable injury to the Company and that damages for any breach of Subsections (a), (b) or (g) are difficult to calculate. Therefore, upon breach of Subsections (a), (b) or (g) hereof, the Company shall, at its election, be entitled to injunctive and other equitable relief from a court or such other relief or remedies, including damages, to which it may be entitled, and shall not be required to submit the matter to arbitration.

(e) Return of Property. Upon termination of the Participant's employment for any reason, the Participant will return to the Company all property belonging to it, including without limitation, computer equipment, computer programs, cellular telephones, beepers or other property belonging to the Company, and documents, property and data of any nature and in any form, including electronic or magnetic form, reflecting any confidential information described in Subsection (b) above.

(f) Disparagement. The Participant agrees not to make any derogatory, unfavorable, negative or disparaging statements concerning the Company and its affiliates, officers, directors, managers, employees or agents, or its and their business affairs or performance. This provision shall not be construed to limit the Participant's ability to give non-malicious and truthful testimony should the Participant be subpoenaed to do so by competent authority having jurisdiction.

(g) Intellectual Property. For purposes of this Subsection (g), the term "Intellectual Property" means all inventions, creations, trade secrets, patents (utility or design) and other intellectual property relating to any programming, documentation, technology, material, product, service, idea, process, plan or strategy concerning the business or interests of the Company that the Participant conceives, develops or delivers to the Company, in whole or in part, at any time during his or her employment with the Company including, without limitation, all copyrights, inventions, discoveries and improvements, trademarks, designs and all other intellectual property rights. All such Intellectual Property shall be considered work made for hire by the Participant and owned by the Company. The Participant agrees to perform, upon the request of the Company, during or after his or her employment, such acts as may be necessary or desirable to transfer, perfect and defend the Company's ownership and any resulting registrations of the Intellectual Property.

(h) Blue Pencil. If, at any time, the provisions of this Section 11 shall be determined to be invalid or unenforceable under any applicable law, by reason of being vague or unreasonable as to area, duration or scope of activity, this Agreement shall be considered divisible and shall become and be immediately amended to only such area, duration and scope of activity as shall be determined to be reasonable and enforceable by the court or other body having jurisdiction over the matter and the Participant and the Company agree that this Agreement as so amended shall be valid and binding as though any invalid or unenforceable provision had not been included herein.

(i) Acknowledgement. PARTICIPANT ACKNOWLEDGES THAT HE HAS CAREFULLY READ THIS SECTION 11 AND HAS HAD THE OPPORTUNITY TO REVIEW ITS PROVISIONS WITH ANY ADVISORS AS HE CONSIDERED NECESSARY AND THAT PARTICIPANT UNDERSTANDS THIS AGREEMENT'S CONTENTS AND SIGNIFIES SUCH UNDERSTANDING AND AGREEMENT BY SIGNING BELOW.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the ____ day of ____________, 2002.

Kaiser Aluminum & Chemical Corporation

By:
Name:
Title:

Participant

(A) Form of Severance Agreement entered into as of September 3, 2002 with executive officers of KAC and KACC, other than Joseph A. Bonn and John T. La Duc.

(B) For Jack A. Hockema, Edward F. Houff and Harvey L. Perry, the multiplier in Section 1(a) is two, the period of continued coverage in Section

1(b) is two years, and the non-solicitation/non-competition period in Section 11(a) is one year.

Exhibit 10.32

KAISER ALUMINUM & CHEMICAL CORPORATION
CHANGE IN CONTROL SEVERANCE AGREEMENT
(EFFECTIVE ____________, 2002)

This Change in Control Severance Agreement (the "Agreement") is entered into by and between Kaiser Aluminum & Chemical Corporation, a Delaware corporation (the "Corporation"), and Jack A. Hockema ("Executive"), effective _____________, 2002 (the "Effective Date").

WHEREAS, Executive has made, and is expected to continue to make, major contributions to the short- and long-term profitability, growth and financial strength of the Corporation;

WHEREAS, the Corporation continues to pursue strategies that will result in a stronger and more profitable Corporation going forward and may lead to acquisitions, divestitures or other forms of corporate restructuring;

WHEREAS, the Corporation previously made available to key managers of the Corporation, including Executive, an Enhanced Severance Agreement (together with any other employment or similar agreements which provide for the payment of severance upon a termination of employment, collectively referred to as the "Prior Agreement"), in order to ensure that such managers have appropriate protection in the event of a "Change in Control" of the Corporation, and to permit them to maintain their focus on key goals related to the Corporation's initiatives;

WHEREAS, the Corporation now desires to supercede and replace the Prior Agreement by entering into Change in Control Severance Agreements with certain key managers, including Executive, and Executive also desires to enter into this Agreement and to be bound by the terms thereof:

NOW, THEREFORE, the Corporation and Executive agree as follows:

1. TERM OF AGREEMENT. This Agreement shall be effective as of the Effective Date and, subject to the provisions of Section 3, shall terminate on the second anniversary of a Change in Control. Upon execution of this Agreement, the Executive hereby waives the right to receive any payments or awards under the Prior Agreement and the Prior Agreement shall be superseded by this Agreement and shall be of no further force or effect. Any payments made to Executive under this Agreement shall be first used to satisfy any obligations the Company or the Corporation may have to the Executive under the Worker Adjustment and Retraining Act of 1988 or similar statutes or regulation of any jurisdiction relating to any plant closing or mass lay-off or as otherwise required by law.

2. DEFINED TERMS. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Base Pay" means the Executive's annual base salary rate at a rate not less than his or her annual fixed or base compensation as in effect immediately prior to termination of employment or, if higher, the Executive's annual fixed or base compensation in effect within the six month period preceding a Change in Control, without reduction for contributions to any qualified or non-qualified employee benefit plan or fringe benefit plan.

(b) "Bankruptcy Committees" means the committees consisting of a statutory committee of unsecured creditors and a statutory committee of asbestos claimants, each appointed by the United States trustee for the District of Delaware on February 25, 2002, pursuant to section 1102 of the Bankruptcy Code, 11 U.S.C. ss.ss. 101-1330.

(c) "Cause" means (1) the Executive's engaging in fraud, embezzlement, gross misconduct or any act of gross dishonesty with respect to the Corporation or its affiliates, (2) the Executive's habitual drug or alcohol use which impairs the ability of the Executive to perform his duties with the Corporation or its affiliates, (3) the Executive's indictment with respect to, conviction of, or plea of guilty or no contest to, any felony, or other comparable crime under applicable local law (except, in any event, for motor vehicle violations not involving personal injuries to third parties or driving while intoxicated), or the Executive's incarceration with respect to any of the foregoing that, in each case, impairs the Executive's ability to continue to perform his duties with the Corporation and its affiliates, or (4) the Executive's material breach of any written employment agreement or other agreement between the Corporation and the Executive, or of the Kaiser Aluminum & Chemical Corporation Code of Business Conduct, or failure by the Executive to substantially perform his or her duties for the Corporation which remains uncorrected or reoccurs after written notice has been delivered to the Executive demanding substantial performance and the Executive has had a reasonable opportunity to correct such breach or failure to perform.

(d) "Change in Control" means (at any time on or after the Effective Date):

(1) The sale, lease, conveyance or other disposition of all or substantially all of the Corporation's assets (including the assets and stock of the Corporation's direct and indirect subsidiaries and affiliates) as an entirety or substantially as an entirety to any person, entity or group of persons acting in concert other than in the ordinary course of business; provided, however, that a Change in Control shall not occur (A) upon any such sale, lease, conveyance or other disposition to a direct or indirect subsidiary of the Corporation or (B) if the voting common equity interests of the ongoing entity are beneficially owned, directly or indirectly, by the Corporation's shareholders in substantially the same proportions as such shareholders owned the Corporation's outstanding voting common equity interests immediately prior to such event.

(2) Any transaction or series of related transactions (as a result of a tender offer, merger, consolidation or otherwise) that results in any "person" (as defined in Section 13(h)(8)(E) under the Securities Exchange Act of 1934) becoming the beneficial owner (as defined in Rule l3d-3 under the Securities Exchange Act of 1934), directly or indirectly, of more than 50% of the aggregate voting power of all classes of common equity of the Corporation, except if such person is (A) a subsidiary of the Corporation, (B) an employee stock ownership plan or any other tax-qualified benefit plan maintained by the Corporation or any affiliate thereof , (C) a corporation or other entity formed to hold the Corporation's common equity securities and whose shareholders or owners constituted, at the time such corporation became such holding company, substantially all the shareholders of the Corporation, (D) the surviving entity in any transaction if the shareholders of the Corporation immediately prior to such

transaction continue to own at least 50% of the voting common equity of such surviving entity immediately following such transaction, (E) any underwriter temporarily holding securities pursuant to an offering of such securities, or (F) Executive or any group of persons including Executive (or any entity controlled by Executive or any group of persons including Executive). Notwithstanding the provisions of this paragraph (2), a Change in Control shall not be deemed to have occurred solely by virtue of (i) the consummation of a plan of reorganization of the Corporation under its bankruptcy proceeding commenced February 12, 2002 under the United States Bankruptcy Code (11 U.S.C.ss.1101, et seq.) ("Bankruptcy Code") where the ownership of more than 50% of the common stock of the Corporation is transferred to the creditors of the Corporation or a channeling trust (the "Emergence Date"), or (ii) a plan of liquidation or a plan of asset protection is approved by the Bankruptcy Court in a proceeding under Chapter 7 or Chapter 11 of the Bankruptcy Code; provided, however, that if pursuant to such reorganization, restructuring, liquidation or asset protection plan, any person (other than a channeling trust or those set forth in clauses (A) through (F) above) is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing more than 50% of the combined voting power of the Corporation's then outstanding securities, a Change in Control will be deemed to have occurred. Notwithstanding the foregoing, a Change in Control of the Corporation shall not be deemed to occur solely because any person acquires beneficial ownership of more than 50% of the Corporation's voting common equity as a result of the acquisition of such equity by the Corporation which reduces the number of such equity outstanding.

(3) A change in the composition of the Corporation's Board of Directors over a period of thirty-six (36) consecutive months or less such that a majority of the then current Board members ceases to be comprised of individuals who either (a) have been Board members continuously since the beginning of such period, or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (a) who were still in office at the time such election or nomination was approved by the Board; provided, however, that this paragraph (3) shall not apply solely by virtue of a change in the individuals constituting a majority of the Board members (a) as implemented pursuant to the consummation of a plan of reorganization of the Corporation in a proceeding under Chapter 11 of the Bankruptcy Code, or (b) prior to the Emergence Date as a result of any such change caused by Maxxam Inc.

Notwithstanding the foregoing, prior to the Emergence Date (a) any event described in paragraphs (1) and (2) above shall only constitute a Change in Control if such event is approved by the Bankruptcy Court unless the Unsecured Creditors Committee and the Asbestos Claimants Committee both object to the approval of such event in its entirety and neither committee withdraws its objection, and (b) no transaction involving the disposition by Maxxam Inc. of its voting securities in the Corporation to any person shall constitute a Change in Control.

For purposes of the definition of a Change in Control, the term "Corporation" shall mean Kaiser Aluminum Corporation ("KAC") and shall include Kaiser Aluminum & Chemical Corporation ("KACC") at any time that the voting securities of KACC are held by any person other than KAC.

(e) "Code" means the Internal Revenue Code of 1986, as amended from time to time. All references to the Code shall be deemed also to refer to any successor provisions to such sections.

(f) "Disability" means total and permanent disability as a result of bodily injury, disease or mental disorder which results in the Executive's entitlement to long term disability benefits under the Kaiser Aluminum Self-Insured Welfare Plan or the Kaiser Aluminum Salaried Employees Retirement Plan.

(g) "Good Reason" means, without Executive's consent, the occurrence of any of the following events which is not cured by the Corporation within ten (10) business days following Executive's written notice to the Corporation of the event constituting Good Reason; provided, however, that any such written notice received by the Corporation following the thirty (30) day period after the date on which Executive first had knowledge of the occurrence of such event giving rise to Good Reason (or, in the case of multiple events, the latest to occur of such events) shall not be effective and Executive shall be deemed to have waived his/her right to terminate employment for Good Reason with respect to such event:

(1) Demotion, reduction in title, reduction in position or responsibilities, or change in reporting responsibilities or reporting level that is materially and adversely inconsistent with the Executive's position immediately prior to the Effective Date or the assignment of duties and/or responsibilities materially and adversely inconsistent with such position; provided, however, that the Corporation no longer being a publicly traded entity or having filed bankruptcy shall not by itself be Good Reason; or

(2) Relocation of the Executive's primary office location more than fifty (50) miles from the Executive's current office location; or

(3) Reduction of greater than 10% in the Executive's Base Pay from the level existing prior to the Effective Date or reduction of greater than 10% in the Executive's long term or short term Incentive compensation opportunity as provided for in the KERP approved by the Bankruptcy Court on September 3, 2002 or a reduction in the Executive's eligibility for participation in the Corporation's benefit plans that is not commensurate with a similar reduction among similarly situated employees.

(h) "Incentive" means Executive's target bonus.

(i) "Release Agreement" means an agreement pursuant to which the Executive releases all current or future claims, known or unknown, arising on or before the date of the release against the Corporation, its subsidiaries and its officers, substantially in a form approved by the Corporation.

3. SEVERANCE UPON CHANGE IN CONTROL. If the Executive's employment is terminated by the Corporation, or any successor to the Corporation, or the Executive terminates his or her employment due to Good Reason, within the period beginning ninety (90) days prior to a Change in Control and ending on the second anniversary of such Change in Control, the Executive will be entitled to receive the severance payments and benefits set forth in Sections 4 and 5 below; provided, however, that no severance payments shall be made, or continuing benefits provided, under

the Agreement (and the Agreement shall terminate immediately), if any of the following apply:

(a) The Executive voluntarily resigns or retires from employment other than for Good Reason;

(b) The Executive is terminated for Cause;

(c) The Executive's employment terminates as a result of death or Disability;

(d) The Executive declines to sign and return a Release Agreement or revokes such Release Agreement within the time provided therein; or

(e) The Executive receives severance compensation or benefit continuation pursuant to the Kaiser Aluminum & Chemical Corporation Severance Plan or any other Prior Agreement.

4. AMOUNT OF SEVERANCE PAYMENTS. If the Executive's employment terminates as described in Section 3 above, and he or she becomes entitled to severance benefits under this Agreement, the Corporation, or any successor to the Corporation, shall pay to the Executive the following:

(a) Three (3) times the sum of the Executive's Base Pay plus the Executive's most recent short term Incentive target shall be paid to the Executive in a single sum cash payment as soon as practicable following the Executive's termination (but in no event later than 30 days after such termination);

(b) The prorated short term Incentive program in effect for the year in which the Executive's termination of employment occurs shall be paid to the Executive in a single sum cash payment as soon as practicable following the Executive's termination (but in no event later than 30 days after such termination). The amount of the prorated short term Incentive program shall be determined by multiplying the Executive's short term Incentive target for the full current year by a fraction, the numerator of which is the number of days from January 1 until the Executive's termination of employment and the denominator of which is 365. Notwithstanding the foregoing, if the Executive is terminated on December 31 of any year, he or she will participate in the actual short term Incentive program for the year, based on applicable performance measure(s), and no proration shall apply; and

(c) The prorated long term Incentive program in effect for the year in which the Executive's termination of employment occurs shall be paid to the Executive at the time such long term Incentive program terminates (but in no event later than 30 days after such termination) if the Corporation is determined at that time to have achieved the long term Incentive target under such program. The amount of the prorated long term Incentive program shall be determined by multiplying the Executive's long term Incentive target for such long term period by a fraction, the numerator of which is the number of days from the inception of the long term program until the Executive's termination of employment and the denominator of which is 365.

5. CONTINUATION OF BENEFITS. If the Executive's employment

terminates as described in Section 3 above, and he or she becomes entitled to severance benefits under this Agreement, the Corporation, or any successor to the Corporation, shall provide to the Executive the following:

(a) Continuation of his or her coverage under the Corporation's medical, dental, vision, life insurance and disability benefit plans, as if the Executive had continued in employment with the Corporation uninterrupted for a period of three (3) years following the Executive's termination of employment as described in Section 3 above; provided, however, that the Participant must continue to pay the monthly medical and life insurance contributions (if any) paid by active employees of the Company for this coverage to remain in effect. If the Executive is unable to continue participating in the Company's benefit plans due to the provisions of the documents governing such plans or any other reason, the Company will reimburse the Executive for his or her expenses in obtaining comparable benefit coverage. Notwithstanding the foregoing, coverage under any qualified retirement plan and (except as otherwise required by law) coverage under any cafeteria plan, dependant care spending account or health care spending account will cease. The Corporation may satisfy a portion of its obligations by reimbursing and/or paying the Participant's applicable COBRA premium with respect to any such plans. The Company's obligations under this clause (a) shall cease once the Participant is eligible for comparable coverage from a subsequent employer. The Corporation may require the health benefit continuation period required under the continuation coverage requirements of Section 4980B of the Internal Revenue Code of 1986, as amended, and Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended, to run concurrently with the benefit continuation period hereunder; and

(b) Continuation of all other existing perquisites, including, without limitation, the continuation of his or her company car benefit, for a period of three (3) years following the Executive's termination of employment as described in Section 3 above, with the exception of gas reimbursement. The company reserves the right to offer a reasonable cash buy-out of the company car benefit.

6. GROSS-UP FOR TAX PAYMENTS. If any payment or distribution by the Corporation or any of its affiliates to or for the benefit of Executive, whether paid or payable or distributed or distributable under this Agreement or under any other agreement, policy, plan, program or arrangement, or the lapse or termination of any restriction under any agreement, policy, plan, program or arrangement (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code by reason of being considered contingent on a change in ownership or control of the Corporation, within the meaning of Section 280G of the Code, or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Executive will be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"). The Gross-Up Payment will be in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed on the Payment. Notwithstanding the foregoing, if no Excise Tax would apply if the aggregate Payments were reduced by five percent (5%), then the aggregate Payments shall be reduced by the amount necessary to avoid application of the Excise Tax, in such manner as the Executive shall direct, and no Gross-Up Payment will be made. The

following provisions shall apply in determining whether a Gross-Up Payment shall apply:

(a) Unless the Corporation and Executive otherwise agree in writing, any determination required under this Section 6 shall be made in writing by nationally recognized independent public accountants (the "Accounting Firm"), whose determination shall be conclusive and binding upon Executive and the Corporation for all purposes. For purposes of making the calculations required by this Section 6, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Corporation and Executive shall furnish to the Accounting Firm such information and documents as the Accounting Firm may reasonably request in order to make a determination hereunder. The Corporation shall bear all costs the Accounting Firm may reasonably incur in connection with any calculations contemplated hereunder. The Accounting Firm shall be required to provide its determination within sixty (60) days after the date of the Executive's termination, and the Corporation shall be responsible for any income tax, penalty or interest liability incurred as a result of delay by the Accounting Firm.

(b) If the Accounting Firm determines that no Excise Tax is payable by Executive, it will, at the same time as it makes such determination, furnish the Corporation and Executive an opinion that Executive has substantial authority not to report any Excise Tax on his or her federal, state or local income or other tax return. If the Accounting Firm determines that an Excise Tax will (or would, but for reduction in the Payment) be payable by Executive, it will, at the same time as it makes such determination, furnish the Corporation and Executive the detailed basis for such opinion. The Corporation will make the Gross-Up payment within five (5) business days thereafter.

(c) If the federal, state and local income or other tax returns filed by Executive are consistent with the determination of the Accounting Firm under paragraph (b) above, and the Internal Revenue Service or any other taxing authority asserts a claim or notice of deficiency (referred to in this Section 6 as a "claim") against the Executive that, if successful, would require the payment by the Corporation of a Gross-Up Payment, the following shall apply. Executive will not pay such claim prior to the earlier of (1) the expiration of the thirty (30) calendar day period following the date on which he or she gives such notice to the Corporation and (2) the date that any payment of amount with respect to such claim is due. If the Corporation notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive will:

(i) Provide the Corporation with any written records or documents in his or her possession relating to such claim reasonably requested by the Corporation;

(ii) Take such action in connection with contesting such claim as the Corporation shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Corporation;

(iii) Cooperate with the Corporation in good faith in order effectively to contest such claim, which may include the payment of an amount advanced by the Corporation and assertion of a claim for refund; and

(iv) Permit the Corporation to participate in any proceedings relating to such claim;

provided, however, that the Corporation will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such contest and any such payments. If the Corporation directs Executive to pay the tax claimed, or otherwise fails to contest the claim as described above, the Corporation will immediately pay to Executive the amount of the required deficiency payment, including any Excise Tax or income tax, and interest and penalties with respect thereto.

(d) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the determination, it is possible that Gross-Up Payments which will not have been made by the Corporation should have been made ("Underpayment") or Gross-Up Payments are made by the Corporation which should not have been made ("Overpayment"), consistent with the calculations required to be made hereunder. In the event that Executive thereafter is required to make payment of any Excise Tax or additional Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Corporation to or for the benefit of Executive. In the event the amount of the Gross-Up Payment exceeds the amount necessary to reimburse Executive for his Excise Tax, the Accounting Firm shall determine the amount of the Overpayment that has been made and any such Overpayment shall be promptly paid by Executive to or for the benefit of the Corporation.

7. Restrictive Covenants.

(a) Noncompetition; Nonsolicitation. For the one year period following the termination of employment with the Corporation, Executive agrees that he will not, without the prior written consent of the Corporation, which shall not unreasonably be withheld, directly or indirectly, whether as a principal, agent, employee, consultant, contractor, advisor, representative, stockholder (other than as a holder of an interest of five percent (5%) or less in the equity of any corporation whose stock is traded on a public stock exchange), or in any other capacity:

(i) provide services, advice or assistance to any business, person or entity which competes with the Corporation directly, as a primary focus of its business, in the United States or in any other location in which the Corporation operates, in the manufacture, sale or delivery of any materials, products or services which constitute more than twenty percent (20%) of the Corporation's revenues in the prior twelve month period; or

(ii) intentionally entice, induce or solicit, or attempt to entice, induce or solicit, any individual or entity having a business relationship with the Corporation, whether as an employee, consultant, customer or otherwise, to terminate or cease such relationship.

By entering into this Agreement, Executive acknowledges that these prohibitions are reasonable as to time, geographical area and scope of activity and do not impose a restriction greater than is necessary to protect the Corporation's good will, proprietary information and business interests.

(b) Confidentiality. Executive shall keep secret and confidential and shall not disclose to any third party, in any fashion or for any purpose whatsoever, any information regarding the Corporation which is (i) not available to the general public, and/or (ii) not generally known outside the Corporation, to which Executive has or will have had access at any time during the course of his or her employment by the Corporation, including, without limitation, any information relating to: the Corporation's business or operations; its plans, strategies, prospects or objectives; its products, technology, Intellectual Property described in Subsection (g), processes or specifications; its research and development operations or plans; its customers and customer lists; its manufacturing, distribution, sales, service, support and marketing practices and operations; its financial condition and results of operations; its operational strengths and weaknesses; and, its personnel and compensation policies and procedures. However, this provision shall not preclude Executive from providing truthful information to the extent required by subpoena, court order, search warrant or other legal process, provided that Executive immediately notifies the Corporation of such request in order to provide the Corporation an opportunity to object to such request in the appropriate forum and to obtain a ruling on such objection.

(c) Cooperation. Upon termination of employment for any reason, Executive shall fully cooperate with the Corporation in all matters relating to the winding up of his or her pending work on behalf of the Corporation and the orderly transfer of any such pending work to other employees of the Corporation as may be designated by the Corporation.

(d) Enforcement. Any claim arising out of or relating to this Agreement or Executive's employment with the Corporation or the termination thereof, other than an action for injunctive relief as provided below, shall be resolved by confidential, final and binding arbitration conducted by Judicial Arbitration and Mediation Services ("JAMS") to be held in Houston, Texas, under the then-existing JAMS rules, rather than by litigation in court, trial by jury, administrative proceeding, or in any other forum. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Corporation shall promptly pay all costs and expenses, including without limitation reasonable attorneys' fees, incurred by Executive or his/her beneficiaries in resolving any claim hereunder in which Executive or his/her beneficiaries shall prevail. In all other cases the parties shall bear their own costs and expenses, except that Executive shall pay all costs and expenses, including, without limitation, reasonable attorney's fees incurred by the Corporation in resolving such claim if the arbitrator(s) determine such claim to have been brought by Executive (i) in bad faith or (ii) without any reasonable basis. Notwithstanding the foregoing, the parties agree that any breach of Subsection (a) or (b) above is likely to cause irreparable injury to the Corporation and that damages for any breach of Subsections (a), (b) or (g) are difficult to calculate. Therefore, upon breach of Subsections (a), (b) or (g) hereof, the Corporation shall, at its election, be entitled to injunctive and other equitable relief from a court or such other relief or remedies, including damages, to which it may be entitled, and shall not be required to submit the matter to arbitration.

(e) Return of Property. Upon termination of Executive's employment for any reason, Executive will return to the Corporation all property belonging to it, including without limitation, computer equipment, computer programs, cellular telephones, beepers or other property belonging to the Corporation, and documents, property and data of any nature and in any form, including electronic or magnetic form, reflecting any confidential information described in Subsection (b) above.

(f) Disparagement. Executive agrees not to make any derogatory, unfavorable, negative or disparaging statements concerning the Corporation and its affiliates, officers, directors, managers, employees or agents, or its and their business affairs or performance. This provision shall not be construed to limit Executive's ability to give non-malicious and truthful testimony should Executive be subpoenaed to do so by competent authority having jurisdiction.

(g) Intellectual Property. For purposes of this Subsection (g), the term "Intellectual Property" means all inventions, creations, trade secrets, patents (utility or design) and other intellectual property relating to any programming, documentation, technology, material, product, service, idea, process, plan or strategy concerning the business or interests of the Corporation that Executive conceives, develops or delivers to the Corporation, in whole or in part, at any time during his or her employment with the Corporation including, without limitation, all copyrights, inventions, discoveries and improvements, trademarks, designs and all other intellectual property rights. All such Intellectual Property shall be considered work made for hire by Executive and owned by the Corporation. Executive agrees to perform, upon the request of the Corporation, during or after his or her employment, such acts as may be necessary or desirable to transfer, perfect and defend the Corporation's ownership and any resulting registrations of the Intellectual Property.

(h) Blue Pencil. If, at any time, the provisions of this Section 7 shall be determined to be invalid or unenforceable under any applicable law, by reason of being vague or unreasonable as to area, duration or scope of activity, this Agreement shall be considered divisible and shall become and be immediately amended to only such area, duration and scope of activity as shall be determined to be reasonable and enforceable by the court or other body having jurisdiction over the matter and Executive and the Corporation agree that this Agreement as so amended shall be valid and binding as though any invalid or unenforceable provision had not been included herein.

(i) Acknowledgement. EXECUTIVE ACKNOWLEDGES THAT HE HAS CAREFULLY READ THIS SECTION 7 AND HAS HAD THE OPPORTUNITY TO REVIEW ITS PROVISIONS WITH ANY ADVISORS AS HE CONSIDERED NECESSARY AND THAT EXECUTIVE UNDERSTANDS THIS AGREEMENT'S CONTENTS AND SIGNIFIES SUCH UNDERSTANDING AND AGREEMENT BY SIGNING BELOW.

8. MISCELLANEOUS.

(a) Waiver. Neither party shall, by mere lapse of time, without giving notice or taking other action hereunder be deemed to have waived any breach by the other party of any of the provisions of this Agreement. Further, the waiver by either party of a particular breach of this Agreement by the other shall neither be construed as, nor constitute, a continuing waiver of such breach or of other breaches by the same or any other provision of this Agreement.

(b) Severability. If for any reason a court of competent jurisdiction or arbitrator finds any provision of this Agreement to be unenforceable, the provision shall be deemed amended as necessary to conform to applicable laws or regulations, or if it cannot be so amended without materially altering the intention of the parties, the remainder of the Agreement shall continue in full force and effect as if the offending provision were not contained herein.

(c) No Mitigation. Executive shall have no duty to mitigate the Corporation's obligation with respect to the termination payments set forth herein by seeking other employment following termination of his or her employment, nor shall such termination payments be subject to offset or reductions by reason of any compensation received by Executive from such other employment. The Corporation's obligations to make any payments hereunder shall not terminate in the event Executive accepts other full time employment.

(d) Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be considered effective upon personal service or upon depositing such notice in the U.S. Mail, postage prepaid, return receipt requested and addressed to the Chairman of the Board of the Corporation at its principal corporate address, and to Executive at his most recent address shown on the Corporation's corporate records, or at any other address which he may specify in any appropriate notice to the Corporation.

(e) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together constitutes one and the same instrument and in making proof hereof it shall not be necessary to produce or account for more than one such counterpart.

(f) Entire Agreement. The parties hereto acknowledge that each has read this Agreement, understands it, and agrees to be bound by its terms. The parties further agree that this Agreement constitutes the complete and exclusive statement of the agreement between the parties and supersedes all proposals (oral or written), understandings, representations, conditions, covenants, and all other communications between the parties relating to the subject Matter hereof.

(g) Governing Law. This Agreement shall be governed by the law of the State of Texas.

(h) Assignment and Successors. This Agreement will be binding upon and inure to the benefit of the Corporation and any successor to the Corporation, including, without limitation, any persons acquiring directly or indirectly all or substantially all of the business or assets of the Corporation whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Corporation" for the purposes of this Agreement), but will not otherwise be assignable or delegable by the Corporation. The Corporation will require any such successor, by agreement in form and substance identical hereto, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Corporation would be required to perform if no such succession had taken place. This Agreement will inure to the benefit of and be enforceable by, if then applicable, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees, but shall not otherwise be assignable by the Executive, whether by pledge, creation of a security interest or otherwise.

(i) No Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Corporation or Executive to have Executive remain in the employment of the Corporation prior to or following a Change in Control.

(j) Withholding. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed.

(k) Amendment. This Agreement may not be amended other than by written agreement of the Corporation and the Executive.

9. IMPACT ON OTHER AGREEMENTS. This Agreement supercedes and replaces the Prior Agreement. Severance payments under this Agreement shall be in lieu of any severance or other termination payments provided under any other agreement between the Executive and the Corporation.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

Kaiser Aluminum & Chemical Corporation

By:
Name:
Title:

[Executive]

Exhibit 10.33

KAISER ALUMINUM & CHEMICAL CORPORATION
CHANGE IN CONTROL SEVERANCE AGREEMENT
(EFFECTIVE NOVEMBER 18, 2002) (A)

This Change in Control Severance Agreement (the "Agreement") is entered into by and between Kaiser Aluminum & Chemical Corporation, a Delaware corporation (the "Corporation"), and ___________________ ("Executive") , effective ______________, 2002 (the "Effective Date")

WHEREAS, Executive has made, and is expected to continue to make, major contributions to the short- and long-term profitability, growth and financial strength of the Corporation;

WHEREAS, the Corporation continues to pursue strategies that will result in a stronger and more profitable Corporation going forward and may lead to acquisitions, divestitures or other forms of corporate restructuring;

WHEREAS, the Corporation previously made available to key managers of the Corporation, including Executive, an Enhanced Severance Agreement (together with any other employment or similar agreements which provide for the payment of severance upon a termination of employment, collectively referred to as the "Prior Agreement"), in order to ensure that such managers have appropriate protection in the event of a "Change in Control" of the Corporation, and to permit them to maintain their focus on key goals related to the Corporation's initiatives;

WHEREAS, the Corporation now desires to supercede and replace the Prior Agreement by entering into Change in Control Severance Agreements with certain key managers, including Executive, and Executive also desires to enter into this Agreement and to be bound by the terms thereof:

NOW, THEREFORE, the Corporation and Executive agree as follows:

1. TERM OF AGREEMENT. This Agreement shall be effective as of the Effective Date and, subject to the provisions of Section 3, shall

terminate on the second anniversary of a Change in Control. Upon execution of this Agreement, the Executive hereby waives the right to receive any payments or awards under the Prior Agreement and the Prior Agreement shall be superseded by this Agreement and shall be of no further force or effect. Any payments made to Executive under this Agreement shall be first used to satisfy any obligations the Company or the Corporation may have to the Executive under the Worker Adjustment and Retraining Act of 1988 or similar statutes or regulation of any jurisdiction relating to any plant closing or mass lay-off or as otherwise required by law.

2. DEFINED TERMS. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Base Pay" means the Executive's annual base salary rate at a rate not less than his or her annual fixed or base compensation as in effect immediately prior to termination of employment or, if higher, the Executive's annual fixed or base compensation in effect within the six month period preceding a Change in Control, without reduction for contributions to any qualified or non-qualified employee benefit plan or fringe benefit plan.

(b) "Bankruptcy Committees" means the committees consisting of a statutory committee of unsecured creditors and a statutory committee of asbestos claimants, each appointed by the United States trustee for the District of Delaware on February 25, 2002, pursuant to section 1102 of the Bankruptcy Code 11 U.S.C. ss.ss. 101-1330.

(c) "Cause" means (1) the Executive's engaging in fraud, embezzlement, misconduct or any act of dishonesty with respect to the Corporation or its affiliates, (2) the Executive's habitual drug or alcohol use which impairs the ability of the Executive to perform his duties with the Corporation or its affiliates, (3) the Executive's indictment with respect to, conviction of, or plea of guilty or no contest to, any felony, or other comparable crime under applicable local law (except, in any event, for motor vehicle violations not involving personal injuries to third parties or driving while intoxicated), or the Executive's incarceration with respect to any of the foregoing that, in each case, impairs the Executive's ability to continue to perform his duties with the Corporation and its affiliates, or (4) the Executive's material breach of any written employment agreement or other agreement between the Corporation and the Executive, or of the Kaiser Aluminum & Chemical Corporation Code of Business Conduct, or failure by the Executive to substantially perform his or her duties for the Corporation which remains uncorrected or reoccurs after written notice has been delivered to the Executive demanding substantial performance and the Executive has had a reasonable opportunity to correct such breach or failure to perform.

(d) "Change in Control" means (at any time on or after the Effective Date):

(1) The sale, lease, conveyance or other disposition of all or substantially all of the Corporation's assets (including the assets and stock of the Corporation's direct and indirect subsidiaries and affiliates) as an entirety or substantially as an entirety to any person, entity or group of persons acting in concert other than in the ordinary course of business; provided, however, that a Change in Control shall not occur (A) upon any such sale, lease, conveyance or other disposition to a direct or indirect subsidiary of the

Corporation or (B) if the voting common equity interests of the ongoing entity are beneficially owned, directly or indirectly, by the Corporation's shareholders in substantially the same proportions as such shareholders owned the Corporation's outstanding voting common equity interests immediately prior to such event.

(2) Any transaction or series of related transactions (as a result of a tender offer, merger, consolidation or otherwise) that results in any "person" (as defined in Section 13(h)(8)(E) under the Securities Exchange Act of 1934) becoming the beneficial owner (as defined in Rule l3d-3 under the Securities Exchange Act of 1934), directly or indirectly, of more than 50% of the aggregate voting power of all classes of common equity of the Corporation, except if such person is (A) a subsidiary of the Corporation, (B) an employee stock ownership plan or any other tax-qualified benefit plan maintained by the Corporation or any affiliate thereof , (C) a corporation or other entity formed to hold the Corporation's common equity securities and whose shareholders or owners constituted, at the time such corporation became such holding company, substantially all the shareholders of the Corporation, (D) the surviving entity in any transaction if the shareholders of the Corporation immediately prior to such transaction continue to own at least 50% of the voting common equity of such surviving entity immediately following such transaction, (E) any underwriter temporarily holding securities pursuant to an offering of such securities, or (F) Executive or any group of persons including Executive (or any entity controlled by Executive or any group of persons including Executive). Notwithstanding the provisions of this paragraph (2), a Change in Control shall not be deemed to have occurred solely by virtue of (i) the consummation of a plan of reorganization of the Corporation under its bankruptcy proceeding commenced February 12, 2002 under the United States Bankruptcy Code (11 U.S.C.ss.1101, et seq.) ("Bankruptcy Code") where the ownership of more than 50% of the common stock of the Corporation is transferred to the creditors of the Corporation or a channeling trust (the "Emergence Date"), or (ii) a plan of liquidation or a plan of asset protection is approved by the Bankruptcy Court in a proceeding under Chapter 7 or Chapter 11 of the Bankruptcy Code; provided, however, that if pursuant to such reorganization, restructuring, liquidation or asset protection plan, any person (other than a channeling trust or those set forth in clauses (A) through (F) above) is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing more than 50% of the combined voting power of the Corporation's then outstanding securities, a Change in Control will be deemed to have occurred. Notwithstanding the foregoing, a Change in Control of the Corporation shall not be deemed to occur solely because any person acquires beneficial ownership of more than 50% of the Corporation's voting common equity as a result of the acquisition of such equity by the Corporation which reduces the number of such equity outstanding.

(3) A change in the composition of the Corporation's Board of Directors over a period of thirty-six (36) consecutive months or less such that a majority of the then current Board members ceases to be comprised of individuals who either (a) have been Board members continuously since the beginning of such period, or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (a) who were still in office at the time such election or nomination

was approved by the Board; provided, however, that this paragraph (3) shall not apply solely by virtue of a change in the individuals constituting a majority of the Board members (a) as implemented pursuant to the consummation of a plan of reorganization of the Corporation in a proceeding under Chapter 11 of the Bankruptcy Code, or (b) prior to the Emergence Date as a result of any such change caused by Maxxam Inc.

Notwithstanding the foregoing, prior to the Emergence Date (a) any event described in paragraphs (1) and (2) above shall only constitute a Change in Control if such event is approved by the Bankruptcy Court unless the Unsecured Creditors Committee and the Asbestos Claimants Committee both object to the approval of such event in its entirety and neither committee withdraws its objection, and (b) no transaction involving the disposition by Maxxam Inc. of its voting securities in the Corporation to any person shall constitute a Change in Control.

For purposes of the definition of a Change in Control, the term "Corporation" shall mean Kaiser Aluminum Corporation ("KAC") and shall include Kaiser Aluminum & Chemical Corporation ("KACC") at any time that the voting securities of KACC are held by any person other than KAC.

(e) "Code" means the Internal Revenue Code of 1986, as amended from time to time. All references to the Code shall be deemed also to refer to any successor provisions to such sections.

(f) "Disability" means total and permanent disability as a result of bodily injury, disease or mental disorder which results in the Executive's entitlement to long term disability benefits under the Kaiser Aluminum Self-Insured Welfare Plan or the Kaiser Aluminum Salaried Employees Retirement Plan.

(g) "Good Reason" means, without Executive's consent, the occurrence of any of the following events which is not cured by the Corporation within ten (10) business days following Executive's written notice to the Corporation of the event constituting Good Reason; provided, however, that any such written notice received by the Corporation following the thirty (30) day period after the date on which Executive first had knowledge of the occurrence of such event giving rise to Good Reason (or, in the case of multiple events, the latest to occur of such events) shall not be effective and Executive shall be deemed to have waived his/her right to terminate employment for Good Reason with respect to such event:

(1) Demotion, reduction in title, reduction in position or responsibilities, or change in reporting responsibilities or reporting level that is materially and adversely inconsistent with the Executive's position immediately prior to the Effective Date or the assignment of duties and/or responsibilities materially and adversely inconsistent with such position; provided, however, that the Corporation no longer being a publicly traded entity or having filed bankruptcy shall not by itself be Good Reason; or

(2) Relocation of the Executive's primary office location more than fifty (50) miles from the Executive's current office location; or

(3) Reduction of greater than 10% in the Executive's Base Pay from the level existing prior to the Effective Date or reduction ofgreater than 10% in the Executive's long term or short term Incentive compensation opportunity as provided for

in the KERP approved by the Bankruptcy Court on September 3, 2002 or a reduction in the Executive's eligibility for participation in the Corporation's benefit plans that is not commensurate with a similar reduction among similarly situated employees.

(h) "Incentive" means Executive's target bonus.

(i) "Release Agreement" means an agreement pursuant to which the Executive releases all current or future claims, known or unknown, arising on or before the date of the release against the Corporation, its subsidiaries and its officers, substantially in a form approved by the Corporation.

(j) "Significant Restructuring" means the sale or other disposition of one or more business units to which the Executive provides all or substantially all of Executive's services; provided, that, any such sale or other disposition to any entity which is an affiliate of the Corporation shall not be a Significant Restructuring for this purpose.

3. SEVERANCE UPON CHANGE IN CONTROL. If the Executive's employment is terminated by the Corporation, or any successor to the Corporation, or the Executive terminates his or her employment due to Good Reason, within the period beginning ninety (90) days prior to a Change in Control and ending on the second anniversary of such Change in Control, the Executive will be entitled to receive the severance payments and benefits set forth in Sections 5 and 6 below; provided, however, that no severance payments shall be made, or continuing benefits provided, under the Agreement (and the Agreement shall terminate immediately), if any of the following apply:

(a) The Executive voluntarily resigns or retires from employment other than for Good Reason;

(b) The Executive is terminated for Cause;

(c) The Executive's employment terminates as a result of death or Disability;

(d) The Executive declines to sign and return a Release Agreement or revokes such Release Agreement within the time provided therein; or

(e) The Executive receives severance compensation or benefit continuation pursuant to the Kaiser Aluminum & Chemical Corporation Severance Plan or any other Prior Agreement.

4. SEVERANCE DUE TO SIGNIFICANT RESTRUCTURING. If the Executive's employment is terminated by the Corporation due to Significant Restructuring, outside of the period beginning ninety (90) days prior to a Change in Control and ending on the second anniversary of such Change in Control, the Executive will be entitled to receive the severance payments and benefits set forth in Sections 5 and 6 below; provided, however, that no severance payments shall be made, or continuing benefits provided, under the Agreement, if any of the following apply:

(a) An event described in Section 3(a), (b), (c), (d) or (e) applies; or

(b) The Corporation or the successor to the Corporation offers the Executive suitable employment in North America in a substantially similar capacity as determined in accordance with Personnel Policy Committee Guidelines and at his or her current level of Base Pay and short term Incentive, regardless of whether the Executive accepts or rejects such employment.

5. AMOUNT OF SEVERANCE PAYMENTS. If the Executive's employment terminates as described in Section 3 or 4 above, and he or she becomes entitled to severance benefits under this Agreement, the Corporation, or any successor to the Corporation, shall pay to the Executive the following:

(a) _____(B) times the sum of the Executive's Base Pay plus the Executive's most recent short term Incentive target shall be paid to the Executive in a single sum cash payment as soon as practicable following the Executive's termination (but in no event later than 30 days after such termination);

(b) The prorated short term Incentive program in effect for the year in which the Executive's termination of employment occurs shall be paid to the Executive in a single sum cash payment as soon as practicable following the Executive's termination (but in no event later than 30 days after such termination). The amount of the prorated short term Incentive program shall be determined by multiplying the Executive's short term Incentive target for the full current year by a fraction, the numerator of which is the number of days from January 1 until the Executive's termination of employment and the denominator of which is 365. Notwithstanding the foregoing, if the Executive is terminated on December 31 of any year, he or she will participate in the actual short term Incentive program for the year, based on applicable performance measure(s), and no proration shall apply; and

(c) The prorated long term Incentive program in effect for the year in which the Executive's termination of employment occurs shall be paid to the Executive at the time such long term Incentive program terminates (but in no event later than 30 days after such termination) if the Corporation is determined at that time to have achieved the long term Incentive target under such program. The amount of the prorated long term Incentive program shall be determined by multiplying the Executive's long term Incentive target for such long term period by a fraction, the numerator of which is the number of days from the inception of the long term program until the Executive's termination of employment and the denominator of which is 365.

6. CONTINUATION OF BENEFITS. If the Executive's employment terminates as described in Section 3 or 4 above, and he or she becomes entitled to severance benefits under this Agreement, the Corporation, or any successor to the Corporation, shall provide to the Executive the following:

(a) Continuation of his or her coverage under the Corporation's medical, dental, vision, life insurance and disability benefit plans, as if the Executive had continued in employment with the Corporation uninterrupted for a period of _____(B) years following the Executive's termination of employment as described in Section 3 or 4 above; provided, however, that the Participant must continue to pay the monthly medical and life insurance contributions (if any) paid by active employees of the Company for this coverage to remain in effect. If the Executive is unable to continue participating in the Company's benefit plans due to the provisions of the documents governing such plans or any other reason, the Company will reimburse the Executive for his or her expenses in obtaining comparable benefit coverage. Notwithstanding the foregoing, coverage under any qualified retirement plan and (except as otherwise required by law) coverage under any cafeteria plan, dependant care spending account or health care spending account will cease. The Corporation may satisfy a portion of its obligations by reimbursing and/or paying the Participant's applicable COBRA premium with respect to any such plans. The Company's obligations under this clause (a) shall cease once the Participant is eligible for comparable coverage from a subsequent employer. The Corporation may require the health benefit continuation period required under the continuation coverage requirements of Section 4980B of the Internal Revenue Code of 1986, as amended, and Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended, to run concurrently with the benefit continuation period hereunder; and

(b) Continuation of all other existing perquisites, including, without limitation, the continuation of his or her company car benefit, for a period of ____(B) years following the Executive's termination of employment as described in Section 3 or 4 above, with the exception of gas reimbursement. The company reserves the right to offer a reasonable cash buy-out of the company car benefit.

7. GROSS-UP FOR TAX PAYMENTS. If any payment or distribution by the Corporation or any of its affiliates to or for the benefit of Executive, whether paid or payable or distributed or distributable under this Agreement or under any other agreement, policy, plan, program or arrangement, or the lapse or termination of any restriction under any agreement, policy, plan, program or arrangement (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code by reason of being considered contingent on a change in ownership or control of the Corporation, within the meaning of Section 280G of the Code, or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Executive will be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"). The Gross-Up Payment will be in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed on the Payment. Notwithstanding the foregoing, if no Excise Tax would apply if the aggregate Payments were reduced by five percent (5%), then the aggregate Payments shall be reduced by the amount necessary to avoid application of the Excise Tax, in such manner as the Executive shall direct, and no Gross-Up Payment will be made. The following provisions shall apply in determining whether a Gross-Up Payment shall apply:

(a) Unless the Corporation and Executive otherwise agree in writing, any determination required under this Section 7 shall be made in writing by nationally recognized independent public accountants (the "Accounting Firm"), whose determination shall be conclusive and binding upon Executive and the Corporation for all purposes. For purposes of making the calculations required by this Section 7, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Corporation and Executive shall furnish to the Accounting Firm such information and documents as the Accounting Firm may reasonably request in order to make a determination hereunder. The Corporation shall bear all costs the Accounting Firm may reasonably incur in connection with any calculations contemplated hereunder. The Accounting Firm shall be required to provide its determination within sixty (60) days after the date of the Executive's termination, and the Corporation shall be responsible for any income tax, penalty or interest liability incurred as a result of delay by the Accounting Firm.

(b) If the Accounting Firm determines that no Excise Tax is payable by Executive, it will, at the same time as it makes such determination, furnish the Corporation and Executive an opinion that Executive has substantial authority not to report any Excise Tax on his or her federal, state or local income or other tax return. If the Accounting Firm determines that an Excise Tax will (or would, but for reduction in the Payment) be payable by Executive, it will, at the same time as it makes such determination, furnish the Corporation and Executive the detailed basis for such opinion. The Corporation will make the Gross-Up payment within five (5) business days thereafter.

(c) If the federal, state and local income or other tax returns filed by Executive are consistent with the determination of the Accounting Firm under paragraph (b) above, and the Internal Revenue Service or any other taxing authority asserts a claim or notice of deficiency (referred to in this Section 7 as a "claim") against the Executive that, if successful, would require the payment by the Corporation of a Gross-Up Payment, the following shall apply. Executive will not pay such claim prior to the earlier of (1) the expiration of the thirty (30) calendar day period following the date on which he or she gives such notice to the Corporation and (2) the date that any payment of amount with respect to such claim is due. If the Corporation notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive will:

(i) Provide the Corporation with any written records or documents in his or her possession relating to such claim reasonably requested by the Corporation;

(ii) Take such action in connection with contesting such claim as the Corporation shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Corporation;

(iii) Cooperate with the Corporation in good faith in order effectively to contest such claim, which may include the payment of an amount advanced by the Corporation and assertion of a claim for refund; and

(iv) Permit the Corporation to participate in any proceedings relating to such claim;

provided, however, that the Corporation will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such contest and any such payments. If the Corporation directs Executive to pay the tax claimed, or otherwise fails to contest the claim as described above, the Corporation will immediately pay to Executive the amount of the required deficiency payment, including any Excise Tax or income tax, and interest and penalties with respect thereto.

(d) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the determination, it is possible that Gross-Up Payments which will not have been made by the Corporation should have been made ("Underpayment") or Gross-Up Payments are made by the Corporation which should not have been made ("Overpayment"), consistent with the calculations required to be made hereunder. In the event that Executive thereafter is required to make payment of any Excise Tax or additional Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Corporation to or for the benefit of Executive. In the event the amount of the Gross-Up Payment exceeds the amount necessary to reimburse Executive for his Excise Tax, the Accounting Firm shall determine the amount of the Overpayment that has been made and any such Overpayment shall be promptly paid by Executive to or for the benefit of the Corporation.

8. Restrictive Covenants.

(a) Noncompetition; Nonsolicitation. For the one year period following the termination of employment with the Corporation, Executive agrees that he will not, without the prior written consent of the Corporation, which shall not unreasonably be withheld, directly or indirectly, whether as a principal, agent, employee, consultant, contractor, advisor, representative, stockholder (other than as a holder of an interest of five percent (5%) or less in the equity of any corporation whose stock is traded on a public stock exchange), or in any other capacity:

(i) provide services, advice or assistance to any business, person or entity which competes with the Corporation directly, as a primary focus of its business, in the United States or in any other location in which the Corporation operates, in the manufacture, sale or delivery of any materials, products or services which constitute more than twenty percent (20%) of the Corporation's revenues in the prior twelve month period; or

(ii) intentionally entice, induce or solicit, or attempt to entice, induce or solicit, any individual or entity having a business relationship with the Corporation, whether as an employee, consultant, customer or otherwise, to terminate or cease such relationship.

By entering into this Agreement, Executive acknowledges that these prohibitions are reasonable as to time, geographical area and scope of activity and do not impose a restriction greater than is necessary to protect the Corporation's good will, proprietary information and business interests.

(b) Confidentiality. Executive shall keep secret and confidential and shall not disclose to any third party, in any fashion or for any purpose whatsoever, any information regarding the Corporation which is (i) not available to the general public, and/or (ii) not generally known outside the Corporation, to which Executive has or will have had access at any time during the course of his or her employment by the Corporation, including, without limitation, any information relating to: the Corporation's business or operations; its plans, strategies, prospects or objectives; its products, technology, Intellectual Property described in Subsection (g), processes or specifications; its research and development operations or plans; its customers and customer lists; its manufacturing, distribution, sales, service, support and marketing practices and operations; its financial condition and results of operations; its operational strengths and weaknesses; and, its personnel and compensation policies and procedures. However, this provision shall not preclude Executive from providing truthful information to the extent required by subpoena, court order, search warrant or other legal process, provided that Executive immediately notifies the Corporation of such request in order to provide the Corporation an opportunity to object to such request in the appropriate forum and to obtain a ruling on such objection.

(c) Cooperation. Upon termination of employment for any reason, Executive shall fully cooperate with the Corporation in all matters relating to the winding up of his or her pending work on behalf of the Corporation and the orderly transfer of any such pending work to other employees of the Corporation as may be designated by the Corporation.

(d) Enforcement. Any claim arising out of or relating to this Agreement or Executive's employment with the Corporation or the termination thereof, other than an action for injunctive relief as provided below, shall be resolved by confidential, final and binding arbitration conducted by Judicial Arbitration and Mediation Services ("JAMS") to be held in Houston, Texas, under the then-existing JAMS rules, rather than by litigation in court, trial by jury, administrative proceeding, or in any other forum. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Corporation shall promptly pay all costs and expenses, including without limitation reasonable attorneys' fees, incurred by Executive or his/her beneficiaries in resolving any claim hereunder in which Executive or his/her beneficiaries shall prevail. In all other cases the parties shall bear their own costs and expenses, except that Executive shall pay all costs and expenses, including, without limitation, reasonable attorney's fees incurred by the Corporation in resolving such claim if the arbitrator(s) determine such claim to have been brought by Executive (i) in bad faith or (ii) without any reasonable basis. Notwithstanding the foregoing, the parties agree that any breach of Subsection (a) or (b) above is likely to cause irreparable injury to the Corporation and that damages for any breach of Subsections (a), (b) or (g) are difficult to calculate. Therefore, upon breach of Subsections (a), (b) or (g) hereof, the Corporation shall, at its election, be entitled to injunctive and other equitable relief from a court or such other relief or remedies, including damages, to which it may be entitled, and shall not be required to submit the matter to arbitration.

(e) Return of Property. Upon termination of Executive's employment for any reason, Executive will return to the Corporation all property belonging to it, including without limitation, computer equipment, computer programs, cellular telephones, beepers or other property belonging to the Corporation, and documents, property and data of any nature and in any form, including electronic or magnetic form, reflecting any confidential information described in Subsection (b) above.

(f) Disparagement. Executive agrees not to make any derogatory, unfavorable, negative or disparaging statements concerning the Corporation and its affiliates, officers, directors, managers, employees or agents, or its and their business affairs or performance. This provision shall not be construed to limit Executive's ability to give non-malicious and truthful testimony should Executive be subpoenaed to do so by competent authority having jurisdiction.

(g) Intellectual Property. For purposes of this Subsection (g), the term "Intellectual Property" means all inventions, creations, trade secrets, patents (utility or design) and other intellectual property relating to any programming, documentation, technology, material, product, service, idea, process, plan or strategy concerning the business or interests of the Corporation that Executive conceives, develops or delivers to the Corporation, in whole or in part, at any time during his or her employment with the Corporation including, without limitation, all copyrights, inventions, discoveries and improvements, trademarks, designs and all other intellectual property rights. All such Intellectual Property shall be considered work made for hire by Executive and owned by the Corporation. Executive agrees to perform, upon the request of the Corporation, during or after his or her employment, such acts as may be necessary or desirable to transfer, perfect and defend the Corporation's ownership and any resulting registrations of the Intellectual Property.

(h) Blue Pencil. If, at any time, the provisions of this Section

8 shall be determined to be invalid or unenforceable under any applicable law, by reason of being vague or unreasonable as to area, duration or scope of activity, this Agreement shall be considered divisible and shall become and be immediately amended to only such area, duration and scope of activity as shall be determined to be reasonable and enforceable by the court or other body having jurisdiction over the matter and Executive and the Corporation agree that this Agreement as so amended shall be valid and binding as though any invalid or unenforceable provision had not been included herein.

(i) Acknowledgement. EXECUTIVE ACKNOWLEDGES THAT HE HAS CAREFULLY READ THIS SECTION 8 AND HAS HAD THE OPPORTUNITY TO REVIEW ITS PROVISIONS WITH ANY ADVISORS AS HE CONSIDERED NECESSARY AND THAT EXECUTIVE UNDERSTANDS THIS AGREEMENT'S CONTENTS AND SIGNIFIES SUCH UNDERSTANDING AND AGREEMENT BY SIGNING BELOW.

9. MISCELLANEOUS.

(a) Waiver. Neither party shall, by mere lapse of time, without giving notice or taking other action hereunder be deemed to have waived any breach by the other party of any of the provisions of this Agreement. Further, the waiver by either party of a particular breach of this Agreement by the other shall neither be construed as, nor constitute, a continuing waiver of such breach or of other breaches by the same or any other provision of this Agreement.

(b) Severability. If for any reason a court of competent jurisdiction or arbitrator finds any provision of this Agreement to be unenforceable, the provision shall be deemed amended as necessary to conform to applicable laws or regulations, or if it cannot be so amended without materially altering the intention of the parties, the remainder of the Agreement shall continue in full force and effect as if the offending provision were not contained herein.

(c) No Mitigation. Executive shall have no duty to mitigate the Corporation's obligation with respect to the termination payments set forth herein by seeking other employment following termination of his or her employment, nor shall such termination payments be subject to offset or reductions by reason of any compensation received by Executive from such other employment. The Corporation's obligations to make any payments hereunder shall not terminate in the event Executive accepts other full time employment.

(d) Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be considered effective upon personal service or upon depositing such notice in the U.S. Mail, postage prepaid, return receipt requested and addressed to the Chairman of the Board of the Corporation at its principal corporate address, and to Executive at his most recent address shown on the Corporation's corporate records, or at any other address which he may specify in any appropriate notice to the Corporation.

(e) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together constitutes one and the same instrument and in making proof hereof it shall not be necessary to produce or account for more than one such counterpart.

(f) Entire Agreement. The parties hereto acknowledge that each has read this Agreement, understands it, and agrees to be bound by its terms. The parties further agree that this Agreement constitutes the complete and exclusive statement of the agreement between the parties and supersedes all proposals (oral or written), understandings, representations, conditions, covenants, and all other communications between the parties relating to the subject matter hereof.

(g) Governing Law. This Agreement shall be governed by the law of the State of Texas.

(h) Assignment and Successors. This Agreement will be binding upon and inure to the benefit of the Corporation and any successor to the Corporation, including, without limitation, any persons acquiring directly or indirectly all or substantially all of the business or assets of the Corporation whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Corporation" for the purposes of this Agreement), but will not otherwise be assignable or delegable by the Corporation. The Corporation will require any such successor, by agreement in form and substance identical hereto, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Corporation would be required to perform if no such succession had taken place. This Agreement will inure to the benefit of and be enforceable by, if then applicable, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees, but shall not otherwise be assignable by the Executive, whether by pledge, creation of a security interest or otherwise.

(i) No Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Corporation or Executive to have Executive remain in the employment of the Corporation prior to or following a Change in Control.

(j) Withholding. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed.

(k) Amendment. This Agreement may not be amended other than by written agreement of the Corporation and the Executive.

10. IMPACT ON OTHER AGREEMENTS. This Agreement supercedes and replaces the Prior Agreement. Severance payments under this Agreement shall be in lieu of any severance or other termination payments provided under any other agreement between the Executive and the Corporation.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

Kaiser Aluminum & Chemical Corporation

By:
Name:
Title:

Executive

(A) Form of Change in Control Severance Agreement entered into as of November 18, 2002 with Harvey L. Perry and other executive officers of KAC and KACC, other than Joseph A. Bonn, Jack A. Hockema, Edward F. Houff, John T. La Duc and one other executive officer.

(B) For Harvey L. Perry, the multiplier in Section 5(a) is three and the period of continued coverage and perquisites in Sections 6(a) and 6(b) is three years.

Exhibit 21

SUBSIDIARIES

Listed below are the principal subsidiaries and affiliates of Kaiser Aluminum Corporation, the jurisdiction of their incorporation or organization, and the names under which such subsidiaries do business. The Company's ownership is indicated for less than wholly owned affiliates. Certain subsidiaries are omitted which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Name	Place Incor or Or
Alpart Jamaica Inc.(1)	Delaw
Alumina Partners of Jamaica (partnership) (65%)......................	Delaw
Anglesey Aluminium Limited (49%).....................................	Unite
Kaiser Alumina Australia Corporation(1)..............................	Delaw
Kaiser Aluminium International, Inc.(1)..............................	Delaw
Kaiser Aluminum & Chemical Corporation(1)............................	Delaw
Kaiser Aluminum & Chemical of Canada Limited(1)......................	Ontar
Kaiser Bauxite Company(1)..	Nevad
Kaiser Bellwood Corporation(1).......................................	Delaw
Kaiser Finance Corporation(1)	Delaw
Kaiser Jamaica Bauxite Company (partnership) (49%)...................	Jamai
Kaiser Jamaica Corporation(1)..	Delaw
Queensland Alumina Limited (20%).....................................	Queen
Volta Aluminium Company Limited (90%)................................	Ghana

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(1) Filed a voluntary petition for reorganization under the Code.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 333-71 and No. 333-16239 of Kaiser Aluminum Corporation on Form S-3 and Registration Statements No. 333-36202 and No. 33-49889 of Kaiser Aluminum Corporation on Form S-8 of our report dated March 28, 2003, relating to the consolidated financial statements of Kaiser Aluminum Corporation as of and for the year ended December 31, 2002 appearing in the Annual Report on Form 10-K of Kaiser Aluminum Corporation for the year ended December 31, 2002.

DELOITTE & TOUCHE LLP
/S/ Deloitte & Touche LLP
March 28, 2003
Houston, Texas

Exhibit 23.2

We hereby consent to (i) any references to our firm, or (ii) any references to advice rendered by our firm contained in Kaiser Aluminum Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, which is incorporated into the Company's previously filed Registration

Statements on Form S-3 No.'s 33-16239 and 333-71 and Registration Statements on Form S-8 No.'s 33-49889 and 333-36202.

WHARTON LEVIN EHRMANTRAUT &
KLEIN, P.A.

/S/ Robert D. Klein

March 28, 2003

Exhibit 23.3

With respect to the Registration Statements on Form S-3 No.'s 33-16239 and 333-71 and Registration Statements on Form S-8 No.'s 33-49889 and 333-36202 filed by Kaiser Aluminum Corporation, a Delaware corporation (the "Registration Statements"), we hereby consent to the use of our name, and to references to advice rendered by our firm, incorporated by reference into the Registration Statements from Kaiser Aluminum Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, under the headings (i) Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Commitments and Contingencies, and (ii) Note 12 of Notes to the Consolidated Financial Statements.

HELLER EHRMAN WHITE & McAULIFFE LLP

/S/ Heller Ehrman White & McAuliffe LLP

March 28, 2003

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

March 28, 2003

In connection with the Annual Report on Form 10-K by Kaiser Aluminum Corporation, a Delaware corporation (the "Company"), for the year ending December 31, 2002 (the "Report"), as filed on the date hereof with the Securities and Exchange Commission, the undersigned, Jack A. Hockema, Chief Executive Officer of the Company, does hereby certify, pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the date first above written.

/s/ Jack A. Hockema

Jack A. Hockema
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Kaiser Aluminum Corporation and will be retained by Kaiser Aluminum Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

March 28, 2003

In connection with the Annual Report on Form 10-K by Kaiser Aluminum Corporation, a Delaware corporation (the "Company"), for the year ending December 31, 2002 (the "Report"), as filed on the date hereof with the Securities and Exchange Commission, the undersigned, John T. La Duc, Chief Financial Officer of the Company, does hereby certify, pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the date first above written.

/s/ John T. La Duc
John T. La Duc
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Kaiser Aluminum Corporation and will be retained by Kaiser Aluminum Corporation and furnished to the Securities and Exchange Commission or its staff upon request.
