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, 1996
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 2600, HOUSTON, TEXAS 77057-3010
(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:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange
8.25% PRIDES, Convertible Preferred Stock, $.05 par value	New York Stock Exchange

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. ___

As of March 14, 1997, there were 71,651,349 shares of the Common Stock of the registrant outstanding. Based upon New York Stock Exchange closing prices on March 14, 1997, the aggregate market value of the registrant's Common Stock and 8.255% PRIDES held by non-affiliates was $368.8 million.

Certain portion of the registrant's annual report to shareholders for the fiscal year ended December 31, 1996, are incorporated by reference into Parts I, II, and IV of this Report on Form 10-K. Certain portions of the registrant's definitive proxy statement to be filed not later than 120 days after the close of the registrant's fiscal year are incorporated by reference into Part III of this Report on Form 10-K.

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 23-26 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 other exhibits and to request copies of such exhibits:

Corporate Secretary
Kaiser Aluminum Corporation
5847 San Felipe, Suite 2600
Houston, Texas 77057-3010

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

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PART I

ITEM 1. BUSINESS

This Annual Report on Form 10-K 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 (see, for example, Item 1. "Business - Industry Overview;" "Business - The Company - Profit Enhancement and Cost Reduction Initiative," "Production Operations," "-Competition," "-Research and Development," "-Business Development," and "Environmental Matters," and Item 3. "Legal Proceedings"). 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. This Report and the financial portion of the Company's 1996 Annual Report to Shareholders (see Items 6 through 8 of this Report) identify other factors that could cause such differences. 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.

INDUSTRY OVERVIEW

Primary aluminum is produced by the refining of bauxite into alumina and the reduction of alumina into primary aluminum. Approximately two pounds of bauxite are required to produce one pound of alumina, and approximately two pounds of alumina are required to produce one pound of primary aluminum. Aluminum's valuable physical properties include its light weight, corrosion resistance, thermal and electrical conductivity, and high tensile strength.

Demand

The packaging, transportation and construction industries are the principal consumers of aluminum in the United States, Japan, Germany, France, Italy, and the United Kingdom. In the packaging industry, which accounted for an estimated 21% of aluminum consumption in 1996 in the previously referenced countries, aluminum's recyclability and weight advantages have enabled it to gain market share from steel and glass, primarily in the beverage container area. Nearly all beer cans and soft drink cans manufactured for the United States market are made of aluminum. Kaiser Aluminum Corporation ("KAC" or the "Company") believes that growth in the packaging area is likely to continue through the 1990s due to general population increase and to further penetration of the beverage container market in emerging markets. The Company believes that growth in demand for can sheet in the United States will follow the growth in population, offset, in part, by the effects of the use of lighter gauge aluminum for can sheet and by plastic container production.

In the transportation industry, which accounted for an estimated 30% of aluminum consumption in the United States, Japan, Germany, France, Italy and the United Kingdom in 1996, automotive manufacturers use aluminum instead of steel, ductile iron, or copper for an increasing number of components, including radiators, wheels, suspension components, and engines, in order to meet more stringent environmental, safety, and fuel efficiency standards. The Company believes that sales of aluminum to the transportation industry have considerable growth potential due to projected increases in the use of aluminum in automobiles. In addition, the Company believes that consumption of aluminum in the construction industry will follow the cyclical growth pattern of that industry, and will benefit from higher growth in Asian and Latin American economies.

Supply

As of year-end 1996, estimated world aluminum capacity from 179 smelting facilities was approximately 22.9 million tons* per year. World production of primary aluminum for 1996 increased approximately 4.5% compared to 1995. Net exports of aluminum from the former Sino Soviet bloc increased approximately 200% from 1990 levels to an estimated 1.9 million tons per year as

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

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ITEM 1. BUSINESS (CONTINUED)

of year-end 1996. In addition, one smelter continued to increase production following its start-up in 1995, and a number of producers restarted idled capacity in late 1995 and early 1996. These exports, as well as new and restared capacity, contributed to an increase in London Metal Exchange ("LME") stocks of primary aluminum which peaked in October 1996 at 970,000 tons. At the end of 1996, LME stocks of primary aluminum had declined 18,725 tons from this peak level to 951,275 tons. See "Industry Trends."

Based upon information currently available, the Company believes that moderate additions will be made during 1997-1999 to world alumina and primary aluminum production capacity. The increases in alumina capacity during 1997-1999 are expected to come from one new refinery, which began operations in 1996, and incremental expansions of existing refineries. In addition, the Company believes that there is currently an estimated 1.6 million tons of unutilized world smelting capacity. The increases in world primary aluminum capacity during 1997-1999 are expected to come from two new smelters which may begin operations in 1997, two relocated smelters that are expected to resume operations in 1998, and the remainder principally from incremental expansions of existing smelters.

Industry Trends

Primary aluminum prices have historically been subject to significant cyclical price fluctuations. During the first half of 1996, the average Midwest United States transaction price ("AMT Price") for primary aluminum remained relatively stable in the $.75 per pound range. However, during the second half of the year the AMT Price fell, reaching a low of $.65 per pound for October 1996, before recovering late in the year. During 1996, the AMT Price for primary aluminum was approximately $.72 per pound, compared to $.86, $.72 and $.54 per pound in 1995, 1994 and 1993, respectively. The AMT Price for primary aluminum for the week ended March 14, 1997, was approximately $.81 per pound.

The significant improvement in prices during 1994 and 1995 resulted from strong growth in Western world consumption of aluminum and the curtailment of production in response to lower prices in prior periods by many producers worldwide. In 1995, production of primary aluminum increased and consumption of aluminum continued to grow, but at a much lower rate than in 1994. In general, the overall aluminum market was strongest in the first half of 1995. By the second half of 1995, orders and shipments for certain products had softened and the rate of decline in LME inventories had leveled off. By the end of 1995, some small increases in LME inventories occurred, and prices of aluminum weakened from first-half levels. This trend continued throughout most of 1996. Net reported primary aluminum inventories increased by approximately 62,000 tons in 1996 based upon reports of the LME and the International Primary Aluminium Institute ("IPAI"), following substantial declines of 764,000 and 1,153,000 tons in 1994 and 1995, respectively. However, since year-end 1996, LME stocks of primary aluminum have continued to decline from their October 1996 peak level.

Increased production of primary aluminum due to restarts of certain previously idled capacity, the continued increase in production of a smelter in South Africa following its start-up in 1995, and the continued high level of exports from the Commonwealth of Independent States ("CIS") contributed to increased supplies of primary aluminum to the Western world in 1996. While the economies of the major aluminum consuming regions - the United States, Japan, Western Europe, and Asia - are, in the aggregate, performing relatively well, the Company believes that the reduction of aluminum inventories by customers, as prices have continued to decline, has mitigated the growth in primary aluminum demand that normally accompanies growth in economic and industrial activity.

Western world demand for alumina, and the price of alumina, declined in 1994 in response to the curtailment of Western world smelter production of primary aluminum, partially offset by increased usage of Western world alumina by smelters in the CIS and in the People's Republic of China ("PRC"). Increased Western world production of primary aluminum, as well as continued imports of Western world alumina by the CIS and the PRC, during 1995 resulted in higher demand for Western world alumina and significantly stronger alumina pricing. In 1996, however, the alumina market softened, primarily as a result of increased alumina production and decreased alumina exports to the CIS and the PRC, resulting in lower alumina prices. However, increases in primary aluminum production as well as reductions in alumina production during the second half of 1996 resulted in stronger alumina pricing in late 1996.

United States shipments of domestic fabricated aluminum products in 1995 were approximately at 1994 levels, although in 1995 demand for can sheet in the United States softened relative to 1994. United States shipments of domestic fabricated aluminum

products in 1996 are estimated to be approximately at 1995 levels, although in 1996 demand for can sheet in the United States softened relative to 1995.

THE COMPANY

General

The Company is a subsidiary of MAXXAM Inc. ("MAXXAM"). The Company, through its subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC") 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. In addition to the production utilized by KACC in its operations, KACC sells significant amounts of alumina and primary aluminum in domestic and international markets. In 1996, KACC produced approximately 2,838,000 tons of alumina, of which approximately 73% was sold to third parties, and produced approximately 473,200 tons of primary aluminum, of which approximately 75% was sold to third parties. KACC is also a major domestic supplier of fabricated aluminum products. In 1996, KACC shipped approximately 327,100 tons of fabricated aluminum products to third parties, which accounted for approximately 5% of the total tonnage of United States domestic shipments. A majority of KACC's fabricated products are sold to distributors or used by customers as components in the manufacture and assembly of finished end-use products. Note 10 of the Notes to Consolidated Financial Statements contained in the Company's 1996 Annual Report to Shareholders (the "Annual Report") is incorporated herein by reference.

The following table sets forth total shipments and intracompany transfers of KACC's alumina, primary aluminum, and fabricated aluminum operations:

	Year Ended December 31,

	1996	1995	1994
	(in thousands of tons)		
ALUMINA:			
Shipments to Third Parties	2,073.7	2,040.1	2,086.7
Intracompany Transfers	912.4	800.6	820.9
PRIMARY ALUMINUM:			
Shipments to Third Parties	355.6	271.7	224.0
Intracompany Transfers	128.3	217.4	225.1
FABRICATED ALUMINUM PRODUCTS:			
Shipments to Third Parties	327.1	368.2	399.0

Sensitivity to Prices and Hedging Programs

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 and on KACC's hedging strategies. Primary aluminum prices have historically been subject to significant cyclical price 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 for periods of up to three months. From time to time in the ordinary course of business KACC enters into hedging transactions to provide price risk management in respect of its net

ITEM 1. BUSINESS (CONTINUED)

exposure 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. Forward sales contracts are used by KACC to effectively lock-in or fix the price that KACC will receive for its shipments. KACC also uses option contracts (i) to establish a minimum price for its product shipments, (ii) to establish a "collar" or range of price for its anticipated sales, and/or (iii) to permit KACC to realize possible upside price movements. See Notes 1 and 9 of the Notes to Consolidated Financial Statements in the Annual Report.

Profit Enhancement and Cost Reduction Initiative

In October 1996, KACC established a goal of achieving significant cost reduction and profit improvements by the end of 1997, with the full effect planned to be realized in 1998 and beyond, measured against 1996 results. To achieve this goal KACC plans reductions in production costs, decreases in corporate general and administrative expenses, and enhancements to product mix and volume throughput. There can be no assurance that the initiative will result in the desired cost reductions and other profit improvements.

Production Operations

The Company's operations are conducted through KACC's decentralized business units which compete throughout the aluminum industry.

- The alumina business unit, which mines bauxite and obtains additional bauxite tonnage under long-term contracts, produced approximately 7% of total produced alumina in 1996 as reported by the IPAI. During 1996, KACC's third party shipments of bauxite represented approximately 25% of bauxite mined. In addition, KACC's third party shipments of alumina represented approximately 73% of alumina produced. KACC's share of total world alumina capacity as reported by the IPAI was approximately 6% in 1996.

- o The primary aluminum products business unit operates two wholly-owned domestic smelters and two foreign smelters in which KACC holds significant ownership interests. During 1996, KACC's third party shipments of primary aluminum represented approximately 75% of its primary aluminum production. KACC's share of total world primary aluminum capacity as reported by the IPAI was approximately 2% in 1996.

- o Fabricated aluminum products are manufactured by two business units - flat-rolled products and engineered products. The products include heat-treated products, body, lid, and tab stock for beverage containers, sheet and plate products, screw machine stock, redraw rod, forging stock, truck wheels and hubs, air bag canisters, engine manifolds, and other castings, forgings and extruded products, which are manufactured at plants located in principal marketing areas of the United States and Canada. The aluminum utilized in KACC's fabricated products operations is comprised of primary aluminum, obtained both internally and from third parties, and scrap metal purchased from third parties.

ITEM 1. BUSINESS (CONTINUED)

Alumina

The following table lists KACC's bauxite mining and alumina refining facilities as of December 31, 1996:

Activity	Facility	Location	Company Ownership	Annual Production Capacity Available to the Company	Total Annual Production Capacity
				(tons)	(tons)
Bauxite Mining	KJBC(1)	Jamaica	49%	4,500,000	4,500,000
	Alpart(2)	Jamaica	65%	2,275,000	3,500,000
				6,775,000	8,000,000
Alumina Refining	Gramercy	Louisiana	100%	1,050,000	1,050,000
	Alpart	Jamaica	65%	942,500	1,450,000
	QAL	Australia	28.3%	973,500	3,440,000
				2,966,000	5,940,000

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(1) Although KACC owns 49% of Kaiser Jamaica Bauxite Company ("KJBC"), it has the right to receive all of such entity's output.

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

Bauxite mined in Jamaica by KJBC is refined into alumina at KACC's plant at Gramercy, Louisiana, or is sold to third parties. In 1979, the Government of Jamaica granted KACC a mining lease for the mining of bauxite sufficient to supply KACC's then-existing Louisiana alumina refineries at their annual capacities of 1,656,000 tons per year until January 31, 2020. Alumina from the Gramercy plant is sold to third parties.

Alpart holds bauxite reserves and owns a 1,450,000 tons per year alumina plant located in Jamaica. KACC owns a 65% interest in Alpart, and Hydro Aluminum a.s

("Hydro") owns the remaining 35% interest. KACC has management responsibility for the facility on a fee basis. KACC and Hydro have agreed to be 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 to a capacity of 2,000,000 tons per year through the year 2024.

KACC owns a 28.3% interest in Queensland Alumina Limited ("QAL"), which owns the largest and one of the most efficient alumina refineries in the world, located in Queensland, Australia. QAL refines bauxite into alumina, essentially on a cost basis, for the account of its stockholders under long-term tolling contracts. The stockholders, including KACC, purchase bauxite from another QAL stockholder under long-term supply contracts. KACC has contracted with QAL to take approximately 792,000 tons per year of capacity or pay standby charges. KACC is unconditionally obligated to pay amounts calculated to service its share ($94.4 million at December 31, 1996) of certain debt of QAL, as well as other QAL costs and expenses, including bauxite shipping costs.

KACC's principal customers for bauxite and alumina consist of other aluminum producers that purchase bauxite and reduction-grade alumina, trading intermediaries who resell raw materials to end-users, and users of chemical-grade alumina. All of KACC's third-party sales of bauxite in 1996 were made to two customers, the largest of which accounted for approximately 79% of such sales. KACC also sold alumina to 15 customers, the largest and top five of which accounted for approximately 21% and 79% of such sales, respectively. See "-Competition." The Company believes that among alumina producers KACC is the world's second largest seller of alumina to third parties. KACC's strategy is to sell a substantial portion of the bauxite and alumina available to it in excess of its internal refining and smelting requirements under multi-year sales contracts. See also "-Sensitivity to Prices and Hedging Programs."

ITEM 1. BUSINESS (CONTINUED)

Primary Aluminum Products

The following table lists KACC's primary aluminum smelting facilities as of December 31, 1996:

Location	Facility	Company Ownership	Annual Rated Capacity Available to the Company	Total Annual Rated Capacity	1996 Average Operating Rate
			(tons)	(tons)	
Domestic					
Washington	Mead	100%	200,000	200,000	106%
Washington	Tacoma	100%	73,000	73,000	100%
Subtotal			273,000	273,000	
International					
Ghana	Valco	90%	180,000	200,000	68%
Wales, United Kingdom	Anglesey	49%	55,000	112,000	118%
Subtotal			235,000	312,000	
Total			508,000	585,000	

KACC owns two smelters located at Mead and Tacoma, Washington, where alumina is processed into primary aluminum. The Mead facility uses pre-bake technology and produces primary aluminum. Approximately 53% of Mead's 1996 production was used at KACC's Trentwood fabricating facility and the balance was sold to third parties. The Tacoma facility uses Soderberg technology and produces primary aluminum and high-grade, continuous-cast, redraw rod, which currently commands a premium price in excess of the price of primary aluminum. Both smelters have achieved significant production efficiencies through retrofit technology and a variety of cost controls, leading to increases in production volume and enhancing their ability to compete with newer smelters. KACC has also commenced the modernization and expansion of the carbon baking furnace at its Mead smelter at an estimated cost of approximately $52.0 million. The project is expected to lower costs, enhance safety, and improve the environmental performance of the facility, and is expected to be completed in late 1998.

Electric power represents an important production cost for KACC at its aluminum smelters. In 1995, KACC successfully restructured electric power purchase agreements for its facilities in the Pacific Northwest, which resulted in significantly lower electric power costs in 1996 for the Mead and Tacoma, Washington, smelters compared to 1995 electric power costs. KACC expects to continue to benefit from these savings in electric power costs at these facilities in 1997 and beyond. However, a number of lawsuits challenging the restructuring have been filed and the effect, if any, of such lawsuits on KACC's power purchase and transmission arrangements is not known at this time.

KACC manages, and 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 long-term tolling contracts which provide for proportionate payments by the participants. KACC's share of the primary aluminum is sold to third parties. Power for the Valco smelter is supplied under an agreement which expires in 2017. The agreement indexes two-thirds of the price of the contract quantity of power to the market price of primary aluminum. The agreement also provides for a review and adjustment of the base power rate and the price index every five years. The most recent review was completed in April 1994 for the 1994-1998 period. The Volta River Authority has allocated to Valco sufficient electric power to operate at 80% of its annual rated capacity through December 31, 1997.

KACC owns a 49% interest in the Anglesey Aluminium Limited ("Anglesey") aluminum smelter and port facility 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. Power for the Anglesey aluminum smelter is supplied under an agreement which expires in 2001.

KACC has developed and installed proprietary retrofit and control technology in all of its smelters, as well as at third party locations. This technology - which includes the redesign of the cathodes and anodes that conduct electricity through reduction cells, improved feed systems that add alumina to the cells, and a computerized system that controls energy flow in the cells - has

significantly contributed to increased and more efficient production of primary aluminum and enhances KACC's ability to compete more effectively with the industry's newer smelters. KACC is actively engaged in efforts to license this technology and sell technical and managerial assistance to other producers worldwide, and may participate in joint ventures or similar business partnerships which employ KACC's technical and managerial knowledge. See "-Research and Development."

KACC's principal primary aluminum customers consist of large trading intermediaries and metal brokers, who resell primary aluminum to fabricated product manufacturers, and large and small international aluminum fabricators. In 1996, KACC sold its primary aluminum production not utilized for internal purposes to approximately 45 customers, the largest and top five of which accounted for approximately 16% and 54% of such sales, respectively. See "-Competition." Marketing and sales efforts are conducted by a small staff located at the business unit's headquarters in Pleasanton, California, and by senior executives of KACC who participate in the structuring of major sales transactions. A majority of the business unit's sales are based upon long-term relationships with metal merchants and end-users.

Fabricated Aluminum Products

KACC manufactures and markets fabricated aluminum products for the transportation, packaging, construction, and consumer durables markets in the United States and abroad. Sales in these markets are made directly and through distributors to a large number of customers. KACC's fabricated products compete with those of numerous domestic and foreign producers and with products made of steel, copper, glass, plastic, and other materials. Product quality, price, and availability are the principal competitive factors in the market for fabricated aluminum products. KACC has focused its fabricated products operations on selected products in which KACC has production expertise, high-quality capability, and geographic and other competitive advantages.

Flat-Rolled Products - The flat-rolled products business unit, the largest of KACC's fabricated products businesses, operates the Trentwood sheet and plate mill at Spokane, Washington. In addition, KACC broke ground on its first commercial Micromill(TM) facility, near Reno, Nevada. The Micromill(TM) process is a proprietary, compact, high-speed process for continuous casting and rolling of a thin-strip aluminum sheet from molten metal. KACC expects the Nevada facility to be in a start-up mode in the first half of 1997, and anticipates beginning limited customer shipments from the facility by the second half of 1997. See "-Research and Development."

The Trentwood facility is KACC's largest fabricating plant and accounted for approximately 63% of KACC's 1996 fabricated aluminum products shipments. The business unit supplies the aerospace and general engineering markets (producing heat-treat products), the beverage container market (producing body, lid, and tab stock), and the specialty coil markets (producing automotive brazing sheet, wheel, and tread products), both directly and through distributors.

KACC continues to implement changes to the process and product mix of its Trentwood rolling mill in an effort to maximize its profitability and maintain full utilization of the facility. KACC has approved an expansion of its heat-treat capacity to approximately 60,000 tons from approximately 45,000 tons, which will enable KACC to increase the range of its heat-treat products, including wide heat-treated sheet for the aerospace market, enhance the quality of its heat-treated products, and improve Trentwood's operating efficiency. The project is estimated to cost approximately $45.0 million and to take approximately two years to complete. Global sales of KACC's heat-treat products have increased significantly over the last several years and are made primarily to the aerospace and general engineering markets, which are experiencing growth in demand.

KACC's flat-rolled products are also sold to beverage container manufacturers located in the western United States and in the Asian Pacific Rim countries where the Trentwood plant's location provides KACC with a transportation advantage. Quality of products for the beverage container industry, service, and timeliness of delivery are the primary bases on which KACC competes. KACC has made significant capital expenditures at Trentwood during the past several years in rolling technology and process control to improve the metal integrity, shape and gauge control of its products. The Company believes that such improvements have enhanced the quality of KACC's products for the beverage container industry and the capacity and efficiency of KACC's manufacturing operations, and that KACC is one of the highest quality producers of aluminum beverage can stock in the world.

In 1996, the business unit shipped products to approximately 150 customers in the aerospace, transportation, and industrial ("ATI") markets, most of which were distributors who sell to a variety of industrial end-users. The top five customers in the ATI

ITEM 1. BUSINESS (CONTINUED)

markets for flat-rolled products accounted for approximately 15% of the business unit's revenue. In 1996, the flat-rolled products business unit had 42 domestic and foreign can stock customers. The largest and top five of such customers accounted for approximately 18% and 35%, respectively, of the business unit's revenue. See "-Competition." The marketing staff for the flat-rolled products business unit is located at the Trentwood facility and in Pleasanton, California. Sales are made directly to end-use customers and distributors from eight sales offices located throughout the United States. International customers are served by sales offices in England and Japan and by independent sales agents in Asia and Latin America.

Engineered Products - The engineered products business unit is headquartered in Detroit, Michigan, and operates soft-alloy extrusion facilities in Los Angeles, California; Santa Fe Springs, California; Sherman, Texas; and London, Ontario, Canada; a cathodic protection business located in Tulsa, Oklahoma, that also extrudes both aluminum and magnesium; rod and bar facilities in Newark, Ohio, and Jackson, Tennessee, which produce screw machine stock, redraw rod, forging stock, and billet; and a facility in Richland, Washington, which produces seamless tubing in both hard and soft alloys for the automotive, other transportation, export, recreation, agriculture, and other industrial markets. Each of the soft-alloy extrusion facilities has fabricating capabilities and provides finishing services. Major markets for extruded products are in the transportation industry, to which the business unit provides extruded shapes for automobiles, trucks, trailers, cabs, and shipping containers, and in the distribution, durable goods, defense, building and construction, ordnance and electrical markets. The sales and engineering office in Detroit, Michigan, works with car makers and other customers, the Center for Technology (see "-Research and Development"), and plant personnel to create new automotive component designs and improve existing products.

The engineered products business unit also operates forging facilities at Erie, Pennsylvania; Oxnard, California; and Greenwood, South Carolina; a machine shop at Greenwood, South Carolina; and a casting facility in Canton, Ohio, and is one of the largest producers of aluminum forgings in the United States and is a major supplier of high-quality forged parts to customers in the automotive, commercial vehicle and ordnance markets. The high strength-to-weight properties of forged and cast aluminum make it particularly well-suited for automotive applications. The business unit's casting facility manufactures aluminum engine manifolds for the automobile, truck and marine markets.

In 1996, the engineered products business unit had 993 customers, the largest and top five of which accounted for approximately 13% and 31%, respectively, of the business unit's revenue. See "- Competition." Sales are made directly from plants, as well as marketing locations across the United States.

In September 1996, KACC entered into a letter of intent with Accuride Corporation ("Accuride"), a business unit of Phelps Dodge Corporation, to form a joint-venture to design, manufacture and market aluminum wheels for the commercial ground transportation industry. The formation of the joint venture, subject to various conditions including third-party consents, is expected to occur in the second quarter of 1997.

Competition

Aluminum competes in many markets with steel, copper, glass, plastic, and other materials. In recent years, plastic containers have increased and glass containers have decreased their respective shares of the soft drink sector of the beverage container market. In the United States, beverage container materials, including aluminum, face increased competition from plastics as increased polyethylene terephthalate ("PET") container capacity is brought on line by plastics manufacturers. Within the aluminum business, KACC competes with both domestic and foreign producers of bauxite, alumina and primary aluminum, and with domestic and foreign fabricators. Many of KACC's competitors have greater financial resources than KACC. KACC's principal competitors in the sale of alumina include Alcoa Alumina & Chemicals L.L.C., Billiton Marketing and Trading BV, and Alcan Aluminium Limited. KACC competes with most aluminum producers in the sale of primary aluminum.

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. KACC also competes with a wide range of domestic and international fabricators in the sale of fabricated aluminum products. 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 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.

ITEM 1. BUSINESS (CONTINUED)

Research and Development

KACC conducts research and development activities principally at two facilities - - the Center for Technology ("CFT") in Pleasanton, California, and the Primary Aluminum Products Division Technology Center ("DTC") adjacent to the Mead smelter in Washington. Net expenditures for company-sponsored research and development activities were $20.5 million in 1996, $18.5 million in 1995, and $16.7 million in 1994. KACC's research staff totaled 156 at December 31, 1996. KACC estimates that research and development net expenditures will be approximately $21.6 million in 1997.

CFT performs research and development across a range of aluminum process and product technologies to support KACC's business units and new business opportunities. It also selectively offers technical services to third parties. Significant efforts are directed at product and process technology for the aircraft, automotive and can sheet markets and aluminum reduction cell models which are applied to improving cell designs and operating conditions. DTC maintains specialized laboratories and a miniature carbon plant where experiments with new anode and cathode technology are performed. DTC supports KACC's primary aluminum smelters, and concentrates on the development of cost-effective technical innovations such as equipment and process improvements.

The largest and most notable single project being developed at CFT and the Reno, Nevada, facility is a unique Micromill(TM) casting facility for the production of can sheet from molten metal using a continuous cast process. The capital and conversion costs of the Company's Micromill(TM) facilities are expected to be significantly lower than conventional rolling mills. The use of a Micromill(TM) facility is also expected to result in lower transportation costs due to the ability to strategically locate a Micromill(TM) facility in close proximity to a manufacturing facility. Micromill(TM) facilities are expected to be particularly well suited to take advantage of the rapid growth in demand for can sheet expected in emerging markets in Asia and Latin America where there is limited indigenous supply. KACC believes that Micromill(TM) facilities should also be capable of manufacturing other sheet products at relatively low capital and operating costs. The Micromill(TM) facility technology is based on a proprietary thin-strip, high-speed, continuous-belt casting technique linked directly to hot and cold rolling mills. The major advantage of the process is that the sheet is continuously manufactured from molten metal, unlike the conventional process in which the metal is first cast into large, solid ingots and subsequently rolled into sheet through a series of highly capital-intensive steps. The first Micromill(TM) facility, which was constructed in Nevada during 1996 as a demonstration and production facility, achieved operational start-up in the fourth quarter of 1996. KACC expects that the Nevada Micromill(TM) facility will be in a start-up mode for the first half of 1997 and will be able to commence limited shipments to customers in the second half of 1997. If KACC is successful in proving and commercializing its Micromill(TM) technology, Micromill(TM) facilities could represent an important source of future growth. There can be no assurance that KACC will be able to successfully develop and commercialize the technology for use at full-scale facilities. KACC is currently financing the capital cost of the construction of the Nevada Micromill(TM) facility, estimated to be approximately $70.0 million, from available general corporate resources.

KACC licenses its technology and sells technical and managerial assistance to other producers worldwide. KACC's technology has been installed in alumina refineries, aluminum smelters and rolling mills located in the United States, Jamaica, Sweden, Germany, Russia, India, Australia, Korea, New Zealand, Ghana, United Arab Emirates, and the United Kingdom. KACC has technical services contracts with smelters in Wales, Africa, Europe, the Middle East, and India. KACC's revenue from technology sales and technical assistance to third parties was $3.6 million in 1996, $5.7 million in 1995, and $10.0 million in 1994.

Business Development

KACC is actively pursuing opportunities to grow in targeted areas of its portfolio, by internal investment and by acquisition, both domestically and internationally. KACC is pursuing opportunities to increase its participation in emerging markets by using its technical expertise and capital to form joint ventures or acquire equity in aluminum-related facilities in foreign countries where it can apply its proprietary technology. KACC has created Kaiser Aluminum International to identify growth opportunities in targeted emerging markets and develop the needed country competence to complement KACC's product and process competence in capitalizing on such opportunities. KACC has focused its efforts on countries that are expected to be important suppliers of aluminum and/or large customers for aluminum and alumina, including Venezuela - where the Company is the Qualified Operator in one of five consortia seeking to participate in the privatization of Venezuela's aluminum industry - the PRC, technology has been installed by KACC at various third party locations throughout the world and is an integral part of KACC's initiatives for participating in new and existing smelting facilities. See "-Research and Development."

ITEM 1. BUSINESS (CONTINUED)

In 1995, Kaiser Yellow River Investment Limited ("KYRIL"), a subsidiary of the Company, entered into a Joint Venture Agreement and related agreements (the "Joint Venture Agreements") with the Lanzhou Aluminum Smelters ("LAS") of the China National Nonferrous Metals Industry Corporation relating to the formation and operation of Yellow River Aluminum Industry Company Limited, a Sino-foreign joint equity enterprise organized under PRC law (the "Joint Venture"). KYRIL contributed $9.0 million to the capital of the Joint Venture in July 1995. The parties to the Joint Venture are currently engaged in discussions concerning the future of the Joint Venture. Governmental approval in the PRC will be necessary in order to implement any arrangements agreed to by the parties, and there can be no assurance such approvals will be obtained. At a meeting of the Board of Directors of the Joint Venture held on January 16, 1997, LAS reported that negotiations had begun with an investor which might be interested in buying KYRIL's interest in the Joint Venture. In light of such report, the directors adopted a resolution that, among other things, (i) contained an agreement to continue until June 30, 1997, discussions concerning the future of the Joint Venture, (ii) provided that KYRIL granted to LAS the right to seek a buyer to purchase KYRIL's equity interest in the Joint Venture, and (iii) provided that if a buyer to purchase KYRIL's equity interest in the Joint Venture was not found by June 30, 1997, the Joint Venture would be terminated and dissolved.

KACC, through its engineered products business unit, entered into contracts to form two small joint ventures in the PRC. KACC indirectly acquired equity interests of approximately 45% and 49%, respectively, in these two companies which will manufacture aluminum extrusions, in exchange for the contribution to those companies of certain used equipment, technology, services and cash. The majority equity interests in the two companies are owned by affiliates of Guizhou Guang Da Construction Company.

Employees

During 1996, KACC employed an average of 9,567 persons, compared with an average of 9,546 employees in 1995, and 9,744 employees in 1994. At December 31, 1996, KACC's work force was 9,509, including a domestic work force of 5,925, of whom 3,974 were paid at an hourly rate. Most hourly paid domestic employees are covered by collective bargaining agreements with various labor unions. Approximately 75% of such employees are covered by a master agreement (the "Labor Contract") with the United Steelworkers of America ("USWA") which expires September 30, 1998. The Labor Contract covers KACC's plants in Spokane (Trentwood and Mead) and Tacoma, Washington; Gramercy, Louisiana; and Newark, Ohio.

The Labor Contract provides for base wages at all covered plants. In addition, workers covered by the Labor Contract may receive quarterly or more frequent bonus payments based on various indices of profitability, productivity, efficiency, and other aspects of specific plant or departmental performance, as well as, in certain cases, the price of alumina or primary aluminum. Pursuant to the Labor Contract, base wage rates were raised effective January 2, 1995, were raised again effective November 6, 1995, and will be raised an additional amount effective November 3, 1997, and an amount in respect of the cost of living adjustment under the previous master agreement will be phased into base wages during the term of the Labor Contract. In the second quarter of 1995, KACC acquired up to $2,000 of preference stock held in a stock plan for the benefit of certain employees covered by the Labor Contract and in the first half of 1998 will acquire up to an additional $4,000 of such preference stock held in such plan for the benefit of substantially the same employees. In addition, a profitability test was satisfied and, therefore, KACC acquired during 1996 up to an additional $1,000 of such preference stock held in such plan for the benefit of substantially the same employees. KACC made comparable acquisitions of preference stock held for the benefit of certain salaried employees.

The contract covering Alpart's employees expired in April 1996, and contract negotiations are ongoing.

Management considers KACC's employee relations to be satisfactory.

Environmental Matters

The Company and KACC are subject to a wide variety of international, federal, state and local environmental laws and regulations (the "Environmental Laws"). The Environmental Laws regulate, among other things, air and water emissions and discharges; the generation, storage, treatment, transportation, and disposal of solid and hazardous waste; the release of hazardous or toxic substances, pollutants and contaminants into the environment; and, in certain instances, the environmental condition of industrial property prior to transfer or sale. In addition, the Company and KACC are subject to various federal, state, and local workplace health and safety laws and regulations ("Health Laws").

From time to time, KACC is subject, with respect to its current and former operations, to fines or penalties assessed for alleged breaches of the Environmental and Health Laws and to claims and litigation brought by federal, state or local agencies and by private parties seeking remedial or other enforcement action under the Environmental and Health Laws or damages related to alleged injuries to health or to the environment, including claims with respect to certain waste disposal sites and the remediation of sites presently or formerly operated by KACC. See "Legal Proceedings." KACC currently is subject to a number of 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 entities, has been named as a Potentially Responsible Party ("PRP") for remedial costs at certain third-party sites listed on the National Priorities List under CERCLA and, in certain instances, may be exposed to joint and several liability for those costs or damages to natural resources. KACC's Mead, Washington, facility has been listed on the National Priorities List under CERCLA. By letter dated June 18, 1996, the Washington State Department of Ecology advised KACC that there are several options for remediation at the Mead facility that would be acceptable to the Department. KACC expects that one of these remedial options will be agreed upon and incorporated into a Consent Decree in 1997. In addition, in connection with certain of its asset sales, KACC has agreed to indemnify the purchasers with respect to certain liabilities (and associated expenses) resulting from acts or omissions arising prior to such dispositions, including environmental liabilities.

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. At December 31, 1996, the balance of such accruals, which are primarily included in Long-term liabilities, was $33.3 million. 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 to be performed. The Company expects remediation to occur over the next several years and estimates that annual expenditures to be charged to these environmental accruals will be approximately $3.0 to $9.0 million for the years 1997 through 2001 and an aggregate of approximately $6.0 million thereafter. Cash expenditures of $8.8 million in 1996, $4.5 million in 1995, and $3.6 million in 1994 were charged to previously established accruals relating to environmental costs. Approximately $9.3 million is expected to be charged to such accruals in 1997.

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 $24.0 million and that, subject to further regulatory review and approval, the factors upon which a substantial portion of this estimate is based are expected to be resolved over the next twelve months. 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, the Company 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. In addition to cash expenditures charged to environmental accruals, environmental capital spending was $18.4 million in 1996, $9.2 million in 1995, and $11.9 million in 1994. Annual operating costs for pollution control, not including corporate overhead or depreciation, were approximately $30.1 million in 1996, $26.0 million in 1995, and $23.1 million in 1994. Legislative, regulatory and economic uncertainties make it difficult to project future spending for these purposes. However, the Company currently anticipates that in the 1997-1998 period, environmental capital spending will be within the range of approximately $6.0 million to $16.0 million per year, and operating costs for pollution control will be within the range of $30.0 million to $31.0 million per year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Contingencies" in the Annual Report. The portion of Note 8 of the Notes to Consolidated Financial Statements in the Annual Report under the heading "Environmental Contingencies" is incorporated herein by reference.

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 "Business - The Company - Production 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, subject to changing environmental requirements. Although KACC's domestic aluminum smelters and alumina facility were initially designed early in KACC's history, they have been modified frequently over the years to incorporate technological advances in order to improve efficiency, increase capacity, and achieve energy savings. The Company believes that KACC's domestic plants are cost competitive on an international basis.

KACC's obligations under the Credit Agreement entered into on February 15, 1994, as amended (the "Credit Agreement"), are secured by, among other things, mortgages on KACC's major domestic plants (other than the Gramercy alumina refinery and Nevada Micromill(TM)). See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financing Activities and Liquidity" in the Annual Report.

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, above, for cautionary information with respect to such forward-looking statements.

Aberdeen Pesticide Dumps Site Matter

The Aberdeen Pesticide Dumps Site, listed on the Superfund National Priorities List, is composed of five separate sites around the town of Aberdeen, North Carolina (collectively, the "Sites"). The Sites are of concern to the United States Environmental Protection Agency (the "EPA") because of their past use as either pesticide formulation facilities or pesticide disposal areas from approximately the mid-1930's through the late-1980's. The United States originally filed a cost recovery complaint (as amended, the "Complaint") in the United States District Court for the Middle District of North Carolina, Rockingham Division, No. C-89-231-R, which, as amended, includes KACC and a number of other defendants. The Complaint seeks reimbursement for past and future response costs and a determination of liability of the defendants under Section 107 of CERCLA.

In 1993 and 1994, the EPA issued unilateral Administrative Orders under Section 106(a) of CERCLA ordering the respondents, including KACC, to perform the soil remedial design and remedial action and groundwater remediation for three of the Sites. In addition to KACC, a number of other companies are also named as respondents. KACC has entered into interim PRP Participation Agreements with certain of the respondents (the "Group") to participate jointly in responding to the Administrative Orders, to share costs incurred on an interim basis, and to seek to reach a final allocation of costs through agreement or to allow such final allocation and determination of liability to be made by the United States District Court.

In March 1997, certain members of the Group, including KACC, entered into a Settlement Agreement and Participation Agreement which allocates one hundred percent of all costs incurred or to be incurred for work at each of the five Sites. Negotiations with the United States Department of Justice ("DOJ") and the EPA concerning an acceptable consent decree to resolve the outstanding litigation in whole or in part commenced during the first quarter of 1997. Based on current estimates of future costs, the Company believes that its aggregate financial exposure at these Sites is less than $2.0 million.

United States of America v. Kaiser Aluminum & Chemical Corporation

In February 1989, a civil action was filed by the DOJ at the request of the EPA against KACC in the United States District Court for the Eastern District of Washington, Case No. C-89-106-CLQ. The complaint alleged that emissions from certain stacks at KACC's Trentwood facility in Spokane, Washington, intermittently violated the opacity standard contained in the Washington State Implementation Plan ("SIP"), approved by the EPA under the federal Clean Air Act. KACC and the EPA, without adjudication of any issue of fact or law, and without any admission of the violations alleged in the underlying complaint, have entered into a Consent Decree, which was approved by a Consent Order entered by the United States District Court for the Eastern District of Washington in January 1996. As approved, the Consent Decree settles the underlying disputes and requires KACC to (i) pay a $.5 million civil penalty (which penalty has been paid), (ii) complete a program of plant improvements and operational changes that began in 1990 at its Trentwood facility, including the installation of an emission control system to capture particulate emissions from certain furnaces, and (iii) achieve and maintain furnace compliance with the opacity standard in the Washington SIP. KACC anticipates that capital expenditures for the environmental upgrade of the furnace operation at its Trentwood facility, including the improvements and changes required by the Consent Decree, will be approximately $20.0 million.

ITEM 3. LEGAL PROCEEDINGS (CONTINUED)

Catellus Development Corporation v. Kaiser Aluminum & Chemical Corporation and James L. Ferry & Son Inc.

In January 1991, the City of Richmond, et al. (the "Plaintiffs") filed a Second Amended Complaint for Damages and Declaratory Relief against the United States, Catellus Development Corporation ("Catellus") and other defendants (collectively, the "Defendants") alleging, among other things, that the Defendants caused or allowed hazardous substances, pollutants, contaminants, debris and other solid wastes to be discharged, deposited, disposed of or released on certain property located in Richmond, California (the "Property"), formerly owned by Catellus and leased to KACC for the purpose of shipbuilding activities conducted by KACC on behalf of the United States during World War II. The Plaintiffs sought recovery of response costs and natural resource damages under CERCLA. Certain of the Plaintiffs alleged that they had incurred or expected to incur costs and damages of approximately $49.0 million. Catellus subsequently filed a third party complaint (the "Third Party Complaint") against KACC in the United States District Court for the Northern District of California, Case No. C-89-2935 DLJ. Thereafter, the Plaintiffs filed a separate complaint against KACC, Case No. C-92-4176. The Plaintiffs settled their CERCLA and tort claims against the United States for $3.5 million plus thirty-five percent (35%) of future response costs.

The trial involving this case commenced in March 1995. During the trial, Plaintiffs settled their claims against Catellus in exchange for payment of approximately $3.3 million. On December 7, 1995, the United States District Court issued a final judgment on those claims concluding that KACC is liable for various costs and interest, aggregating approximately $2.2 million, fifty percent (50%) of future costs of cleaning up certain parts of the Property, and certain fees and costs associated specifically with the claim by Catellus against KACC. KACC paid the City of Richmond $1.8 million in partial satisfaction of this judgment. In January 1996, Catellus filed a notice of appeal with respect to its indemnity judgment against KACC. KACC has since filed a notice of cross appeal as to the Court's decision adjudicating that KACC is obligated to indemnify Catellus. On July 8, 1996, the Court issued an order awarding Plaintiffs nominal costs, which amount has been paid. The order also awarded Catellus de minimis costs. Catellus has filed a notice of appeal. On August 12, 1996, the Court issued an order granting the Catellus motion for attorneys' fees in the amount of approximately $.9 million. KACC and Catellus have filed notices of appeal with respect to the attorneys' fees award.

Waste Inc. Superfund Site

On December 8, 1995, the EPA issued a unilateral Administrative Order for Remedial Design and Remedial Action under CERCLA to KACC and thirty-one other respondents for remedial design and action at the Waste Inc. Superfund Site at Michigan City, Indiana. This site was operated as a landfill from 1965 to 1982. KACC is alleged to have arranged for the disposal of waste from its formerly-owned plant at Wanatah, Indiana, during the period from 1964 to 1972. In May 1996, KACC entered into a Participation Agreement with thirteen of the respondents to perform the work required under the Administrative Order, under which KACC will pay 2.79% of the cost of remedial design and work at the Site.

Based on current cost estimates, KACC believes that its financial exposure for remedial design and remedial action at this site is less than $.5 million.

Hammons v. Alcan Aluminum Corp. et al

On March 5, 1996, a class action complaint was filed against the Company, Alcan Aluminum Corp., Aluminum Company of America, Alumax, Inc, Reynolds Metal Company, and the Aluminum Association in the Superior Court of California for the County of Los Angeles, Case No. BC145612. The complaint claims that the defendants conspired, in violation of the California Cartwright Act (Bus. & Prof. Code ss.16720 & 16750), in conjunction with a Memorandum of Understanding ("MOU") entered into in 1994 by representatives of Australia, Canada, the European Union, Norway, the Russian Federation and the United States to restrict the production of primary aluminum resulting in rises in prices for primary aluminum and aluminum products. The complaint seeks certification of a class consisting of persons who at any time between January 1, 1994, and the date of the complaint purchased aluminum or aluminum products manufactured by one or more of the defendants and estimates damages sustained by the class to be $4.4 billion during the year 1994, before trebling. Plaintiff's counsel has estimated damages to be $4.4 billion per year for each of the two years the MOU was active, which when trebled equals $26.4 billion. On April 2, 1996, the case was removed to the United States District Court for the Central District of California. On July 11, 1996, the Court granted summary judgment in favor of the Company and other defendants and dismissed the complaint as to all defendants. On July 18, 1996, the plaintiff filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit.

Matheson et al v. Kaiser Aluminum Corporation et al

On March 19, 1996, a lawsuit was filed against MAXXAM, the Company, and the Company's directors challenging and seeking to enjoin a proposed recapitalization of the Company (the "Proposed Recapitalization") and the April 10, 1996, special stockholders meeting at which the Proposed Recapitalization was to be considered. The suit, which is entitled Matheson et al. v. Kaiser Aluminum Corporation et al. (No. 14900) and was filed in the Delaware Court of Chancery, alleges, among other things, breaches of fiduciary duties by certain defendants and that the Proposed Recapitalization violates Delaware law and the certificate of designations for the Company's 8.255% PRIDES, Convertible Preferred Stock (the "PRIDES"). On April 8, 1996, the Delaware Court of Chancery issued a ruling which preliminarily enjoined the Company from implementing the Proposed Recapitalization. On April 19, 1996, the Delaware Supreme Court granted the Company's motion to consider, on an expedited basis, the Company's appeal of the preliminary injunction and on May 1, 1996, the Company's stockholders approved the Proposed Recapitalization which was not implemented at that time due to the pending appeal. On August 29, 1996, the Delaware Supreme Court upheld the preliminary injunction and remanded the case to the Court of Chancery. On September 24, 1996, the plaintiffs filed a motion to make permanent the temporary injunction issued on April 8, 1996. On September 27, 1996, the Board of Directors of the Company adopted a resolution abandoning the Proposed Recapitalization. On October 2, 1996, the Company filed a motion in the Delaware Court of Chancery to dismiss the shareholder litigation relating to the Proposed Recapitalization on the ground of mootness and filed a response to plaintiffs' motion for entry of a permanent injunction. Thereafter, plaintiffs' attorneys filed their fee application, and briefing was submitted by both sides on whether a permanent injunction was needed, and the amount of the fee to which plaintiffs' attorneys were entitled. On March 18, 1997, plaintiffs withdrew their motion for a permanent injunction, leaving their fee application as the only issue for the Court of Chancery to consider. After oral argument on March 25, 1997, the Court of Chancery awarded plaintiffs' attorneys fees and expenses in the total amount of $.8 million. It is anticipated that the Court of Chancery will sign an order, approved as to form by all parties, awarding such fees, dissolving the preliminary injunction, and dismissing plaintiffs' case with prejudice. The decision to abandon the Proposed Recapitalization does not preclude a recapitalization from being proposed to the stockholders of the Company in the future.

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 at least 15 years. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asbestos Contingencies" in the Annual Report. The portion of Note 8 of the Notes to Consolidated Financial Statements in the Annual Report under the heading "Asbestos Contingencies" is incorporated herein by reference.

DOJ Proceedings

On August 24, 1994, the DOJ issued Civil Investigative Demand No. 11356 ("CID No. 11356") requesting information from the Company regarding (i) its production, capacity to produce, and sales of primary aluminum from January 1, 1991, to the date of the response; (ii) any actual or contemplated reduction in its production of primary aluminum during that period; and (iii) any communications with others regarding any actual, contemplated, possible or desired reductions in primary aluminum production by the Company or any of its competitors during that period. The Company's management believes that the Company's actions have at all times been appropriate, and the Company has submitted documents and interrogatory answers to the DOJ responding to CID No. 11356.

On March 27, 1995, the DOJ issued Civil Investigative Demand No. 12503 ("CID No. 12503"), as part of an industry-wide investigation, requesting information from KACC regarding (i) any actual or contemplated changes in its method of pricing can sheet from January 1, 1994, through March 31, 1995, (ii) the percentage of aluminum scrap and primary aluminum ingot used by KACC to produce can sheet and the manner in which KACC's cost of acquiring aluminum scrap is factored into its can sheet prices, and (iii) any communications with others regarding any actual or contemplated changes in its method of pricing can sheet from January 1, 1994, through March 31, 1995. Management believes that KACC's actions have at all times been appropriate, and KACC has submitted documents and interrogatory answers to the DOJ responding to CID No. 12503. KACC was informed in November 1996 that the DOJ has officially closed its investigation and has returned the documents submitted by KACC.

ITEM 3. LEGAL PROCEEDINGS (CONTINUED)

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.

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 1996.

PART II

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

The Company's Common Stock is traded on the New York Stock Exchange under the symbol "KLU". The number of record holders of the Company's Common Stock at March 14, 1997, was 160. Page 48 of the Annual Report, and the information in Note 4 of the Notes to Consolidated Financial Statements under the heading "Loan Covenants and Restrictions" at pages 29-30 of the Annual Report, are incorporated herein by reference. The Company has not paid any dividends on its Common Stock during the two most recent fiscal years.

The Credit Agreement (Exhibits 4.8 through 4.16 to this Report) contains restrictions on the ability of the Company to pay dividends on or make distributions on account of the Company's Common Stock, and the Credit Agreement and the Indentures (Exhibits 4.1 through 4.7 to this Report) contain restrictions on the ability of the Company's subsidiaries to transfer funds to the Company in the form of cash dividends, loans or advances. Exhibits 4.1 through 4.16 to this Report, Note 4 of the Notes to Consolidated Financial Statements at pages 29-30 of the Annual Report, and the information under the headings "Financing Activities and Liquidity" and "Capital Structure" at pages 17-18 of the Annual Report, are incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the Company is incorporated herein by reference to the table at page 3 of this Report, to the table at page 12 of the Annual Report,to Note 1 of the Notes to Consolidated Financial Statements at pages 25-27 of the Annual Report, and to pages 46-47 of the Annual Report.

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

Pages 12-20 of the Annual Report are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Pages 21-45 and page 48 of the Annual Report are incorporated herein by reference.

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

None.

PART III

Information required under PART III (Items 10, 11, 12, and 13) has been omitted from this Report since the Company intends to file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement pursuant to Regulation 14A which involves the election of directors.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

1. Financial Statements

The Consolidated Financial Statements of the Company, the Notes to Consolidated Financial Statements, the Report of

Independent Public Accountants, and Quarterly Financial Data are included on pages 21-45 and 48 of the Annual Report.

2. Financial Statement Schedules

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 23), which index is incorporated herein by reference.

(b) REPORTS ON FORM 8-K

Three Reports on Form 8-K were filed by the Company during the last quarter of the period covered by this Report. One Report on Form 8-K, dated October 2, 1996, stated that the Board of Directors of the Company had adopted a resolution abandoning a proposed recapitalization of the Company, and contained information concerning an action entitled Matheson et al. v. Kaiser Aluminum Corporation et al. One Report on Form 8-K, dated October 10, 1996, stated that on October 7, 1996, KACC announced in a press release that it proposes to make a Rule 144A offering of $175 million principal amount of senior notes due 2006. One Report on Form 8-K, dated October 23, 1996, stated that on October 17, 1996, KACC announced in a press release that it had priced its Rule 144A offering of $175 million principal amount of 10 7/8% Senior Notes due 2006 at 99.5% of their principal amount to yield 10.96% to maturity.

(c) EXHIBITS

Reference is made to the Index of Exhibits immediately preceding the exhibits hereto (beginning on page 23), which index is incorporated herein by reference.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited in accordance with generally accepted auditing standards, the financial statements included in Kaiser Aluminum Corporation and subsidiaries' annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 14, 1997. 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.

ARTHUR ANDERSEN LLP

Houston, Texas
February 14, 1997

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

SCHEDULE I
CONDENSED BALANCE SHEETS - PARENT COMPANY

(In millions of dollars, except share amounts)

	December 31, 1996	December 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$	$ .2
Note receivable from KACC	8.6	10.7
Total current assets	8.6	10.9
Note receivable from KACC		8.6
Investment in KACC	1,641.2	1,521.3
Total	$1,649.8	$1,540.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 2.4	$ 3.3
Intercompany note payable to KACC, including accrued interest	1,578.1	1,479.8
Stockholders' equity:		
PRIDES Convertible, par value $.05, issued and outstanding, 8,673,850	.4	.4
Common stock, par value $.01, authorized 100,000,000 shares: issued and outstanding 71,646,789 and 71,638,514 in 1996 and 1995	.7	.7
Additional capital	531.1	530.3
Accumulated deficit	(460.1)	(459.9)
Additional minimum pension liability	(2.8)	(13.8)
Total stockholders' equity	69.3	57.7
Total	$1,649.8	$1,540.8

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

SCHEDULE I
CONDENSED STATEMENTS OF INCOME - PARENT COMPANY

(In millions of dollars)

	December 31,		
	1996	1995	1994
Equity in income (loss) of KACC	$ 108.7	$ 152.8	$ (20.4)
Administrative and general expenses	(2.2)	(.4)	(.3)
Interest expense	(98.3)	(92.1)	(86.1)
Net income (loss)	$ 8.2	$ 60.3	$(106.8)

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)

	December 31,		
	1996	1995	1994
Cash flows from operating activities:			
Net income (loss)	$ 8.2	$ 60.3	$(106.8)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Equity in (income) loss of KACC	(108.7)	(152.8)	20.4
Accrued interest on intercompany note payable to KACC	98.3	92.1	86.1
Increase (decrease) in current liabilities	(.9)	.2	.3
Net cash used for operating activities	(3.1)	(.2)	

Cash flows from investing activities:			
Investment in KACC	(.1)	(1.2)	(66.9)
Net cash used for investing activities	(.1)	(1.2)	(66.9)
Cash flows from financing activities:			
Dividends paid	(10.5)	(20.8)	(14.8)
Capital stock issued	.1	1.2	100.1
Intercompany note issued by KACC - net	13.4	15.5	(13.2)
Net cash (used for) provided by financing activities	3.0	(4.1)	72.1
Net (decrease) increase in cash and cash equivalents during the year	(.2)	(5.5)	5.2
Cash and cash equivalents at beginning of year	.2	5.7	.5
Cash and cash equivalents at end of year	$	$ .2	$ 5.7
Supplemental disclosure of non-cash investing activities:			
Non-cash investment in KACC		$ 9.9	

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

SCHEDULE I

NOTES TO CONDENSED FINANCIAL STATEMENTS - PARENT COMPANY

1. BASIS OF PRESENTATION

Kaiser Aluminum Corporation (the "Company") is a holding company and conducts its operations through its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("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 the 1996 consolidated financial statements of Kaiser Aluminum Corporation and Subsidiary Companies ("Kaiser").

2. INTERCOMPANY NOTE PAYABLE

The Intercompany Note to KACC, as amended, provides for a fixed interest rate of 6 5/8%. No interest or principal payments are due until December 31, 2000, after which interest and principal will be payable over a 15-year term pursuant to a predetermined schedule.

3. RESTRICTED NET ASSETS

The investment in KACC is substantially unavailable to the Company pursuant to the terms of certain debt instruments. The obligations of KACC in respect of the credit facilities under the Credit Agreement are guaranteed by the Company and substantially by all significant subsidiaries of KACC. See Note 4 of the 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 27, 1997 By George T. Haymaker, Jr.

George T. Haymaker, Jr.
Chairman of the Board,
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 27, 1997 George T. Haymaker, Jr.

George T. Haymaker, Jr.
Chairman of the Board,
President, and
Chief Executive Officer
(Principal Executive Officer)

Date: March 27, 1997 John T. La Duc

John T. La Duc
Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: March 27, 1997 Arthur S. Donaldson

Arthur S. Donaldson
Controller
(Principal Accounting Officer)

Date: March 27, 1997 Robert J. Cruikshank

Robert J. Cruikshank
Director

Date: March 27, 1997 Charles E. Hurwitz

Charles E. Hurwitz
Director

Date: March 27, 1997 Ezra G. Levin

Ezra G. Levin
Director

Date: March 27, 1997 Robert Marcus

Robert Marcus
Director

Date: March 27, 1997 Robert J. Petris

Robert J. Petris
Director

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

INDEX OF EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Kaiser Aluminum Corporation (the "Company" or "KAC"), dated February 21, 1991 (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Registration Statement on Form S-1, dated June 11, 1991, filed by KAC, Registration No. 33-37895).
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	Amended and Restated By-laws of KAC, dated February 3, 1997.
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 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	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 97/8% 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).
4.5	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).
4.6	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 107/8% 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).

4.7 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 the Company's 10 7/8% Series C 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).

4.8 Credit Agreement, dated as of February 15, 1994, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.4 to the Report on Form 10-K for the period ended December 31, 1993, filed by KAC, File No. 1-9447).

Exhibit Number	Description
4.9	First Amendment to Credit Agreement, dated as of July 21, 1994, amending the Credit Agreement, dated as of February 15, 1994, among KAC, KACC, the financial institutions party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 10-Q for the quarterly period ended June 30, 1994, filed by KAC, File No. 1-9447).
4.10	Second Amendment to Credit Agreement, dated as of March 10, 1995, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.6 to the Report on Form 10-K for the period ended December 31, 1994, filed by KAC, File No. 1-9447).
4.11	Third Amendment to Credit Agreement, dated as of July 20, 1995, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 10-Q for the quarterly period ended June 30, 1995, filed by KAC, File No. 1-9447).
4.12	Fourth Amendment to Credit Agreement, dated as of October 17, 1995, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 10-Q for the quarterly period ended September 30, 1995, filed by KAC, File No. 1-9447).
4.13	Fifth Amendment to Credit Agreement, dated as of December 11, 1995, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.11 to the Report on Form 10-K for the period ended December 31, 1995, filed by KAC, File No. 1-9447).

4.14 Sixth Amendment to Credit Agreement, dated as of October 1, 1996, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 10-Q for the quarterly period ended September 30, 1996, filed by KAC, File No. 1-9447).

4.15 Seventh Amendment to Credit Agreement, dated as of December 17, 1996, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.18 to the Registration Statement on Form S-4, dated January 2, 1997, filed by KACC, Registration No. 333-19143).

*4.16 Eighth Amendment to Credit Agreement, dated as of February 24, 1997, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KACC, Kaiser, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent.

4.17 Intercompany Note 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 Inc. ("MAXXAM"), File No. 1-3924).

4.18 Confirmation of Amendment of Non-Negotiable Intercompany Note, dated as of October 6, 1993, between KAC and KACC (incorporated by reference to Exhibit 10.12 to the Report on Form 10-K for the period ended December 31, 1996, filed by MAXXAM, File No. 1-3924).

4.19 Certificate of Designations of 8.255% PRIDES, Convertible Preferred Stock of KAC, dated February 17, 1994 (incorporated by reference to

Exhibit 4.21 to the Report on Form 10-K for the period ended December 31, 1993, filed by KAC, File No. 1-9447).

4.20 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).

Exhibit Number	Description
4.21	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 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).

10.4 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).

10.5 Agreement, dated as of June 30, 1993, between KAC and MAXXAM (incorporated by reference to Exhibit 10.2 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 - 10.16, inclusive]

10.6 KACC's Bonus Plan (incorporated by reference to Exhibit 10.25 to Amendment No. 6 to the Registration Statement on Form S-1, dated December 14, 1989, filed by KACC, Registration No. 33-30645).

10.7 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).

10.8 Kaiser 1995 Employee Incentive Compensation Program (incorporated by reference to Exhibit 10.1 to the Report on Form 10-Q for the quarterly period ended March 31, 1995, filed by KAC, File No. 1-9447).

10.9 Kaiser 1995 Executive Incentive Compensation Program (incorporated by reference to Exhibit 99 to the Proxy Statement, dated April 26, 1995, filed by KAC, File No. 1-9447).

10.10 Employment Agreement, dated April 1, 1993, among KAC, KACC, and George T. Haymaker, Jr. (incorporated by reference to Exhibit 10.2 to the Report on Form 10-Q for the quarterly period ended March 31, 1993, filed by KAC, File No. 1-9447).

10.11 First Amendment to Employment Agreement by and between KACC, KAC and George T. Haymaker, Jr. (incorporated by reference to Exhibit 10 to the Report on Form 10-Q for the quarterly period ended June 30, 1996, filed by KAC, File No. 1-9447).

Exhibit Number	Description
10.12	Promissory Note, dated February 1, 1989, by Anthony R. Pierno and Beverly J. Pierno to MAXXAM (incorporated by reference to Exhibit 10.30 to Form 10-K for the period ended December 31, 1988, filed by MAXXAM, File No. 1-3924).
10.13	Promissory Note, dated July 19, 1990, by Anthony R. Pierno to MAXXAM (incorporated by reference to Exhibit 10.31 to Form 10-K for the period ended December 31, 1990, filed by MAXXAM, File No. 1-3924).
10.14	Promissory Note, dated July 20, 1993, between MAXXAM and Byron L. Wade (incorporated by reference to Exhibit 10.59 to Form 10-K for the period ended December 31, 1993, filed by MAXXAM, File No. 1-3924).
10.15	Letter Agreement, dated January 1995, between KAC and Charles E. Hurwitz, granting Mr. Hurwitz stock options under the Kaiser 1993 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.17 to the Report on Form 10-K for the period ended December 31, 1994, 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).
*11	Computation of Earnings Per Common and Common Equivalent Share
*13	The portions of KAC's Annual Report to shareholders for the year ended December 31, 1996, which are incorporated by reference into this Report.
*21	Significant Subsidiaries of KAC.
*23.1	Consent of Independent Public Accountants.
*23.2	Consent of Wharton Levin Ehrmantraut Klein & Nash, P.A.
*23.3	Consent of Thelen, Marrin, Johnson & Bridges LLP.
*27	Financial Data Schedule.

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* Filed herewith

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

Exhibit 21

SUBSIDIARIES

Listed below are the principal subsidiaries of Kaiser Aluminum Corporation, the jurisdiction of their incorporation or organization and the names under which such subsidiaries do business. Certain subsidiaries are omitted which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Name	Place of Incorporation or Organization
Alpart Jamaica Inc.	Delaware
Alumina Partners of Jamaica (partnership)............	Delaware
Anglesey Aluminium Limited...........................	United Kingdom
Kaiser Alumina Australia Corporation.................	Delaware
Kaiser Aluminium International, Inc..................	Delaware
Kaiser Aluminum & Chemical Corporation...............	Delaware
Kaiser Aluminum & Chemical of Canada Limited..........	Ontario
Kaiser Bauxite Company...............................	Nevada
Kaiser Finance Corporation	Delaware
Kaiser Jamaica Bauxite Company (partnership)..........	Jamaica
Kaiser Jamaica Corporation...........................	Delaware
Queensland Alumina Limited...........................	Queensland
Volta Aluminium Company Limited......................	Ghana

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

Domestic Operations (Partial List)

California
- Los Angeles (City of Commerce)
  - Engineered Products
- Los Angeles (Santa Fe Springs)
  - Engineered Products Fabricating
- Oxnard
  - Engineered Products
- Pleasanton
  - R&D at the Center for Technology, Administrative Offices

Florida
- Mulberry
  - Sodium Silicofluoride, Potassium Silicofluoride

Louisiana
- Baton Rouge
  - Alumina, Environmental Offices
- Gramercy
  - Alumina

Michigan
- Detroit (Southfield)
  - Automotive Product Development and Sales

Ohio
- Canton
  - Engineered Products
- Newark
  - Engineered Products

Oklahoma
- Tulsa
  - Engineered Products

Pennsylvania
- Erie
  - Engineered Products

South Carolina
- Greenwood
  - Engineered Products
- Greenwood
  - Engineered Products Machine Shop

Tennessee
- Jackson
  - Engineered Products

Texas
- Houston
  - Kaiser Aluminum Corporation Headquarters
- Sherman
  - Engineered Products

Washington
- Mead
  - Primary Aluminum, Division Technology Center
- Richland
  - Engineered Products
- Tacoma
  - Primary Aluminum
- Trentwood
  - Flat-Rolled Products

Worldwide Operations (Partial List)

Australia
- Queensland Alumina Limited (28.3% owned)
  - Alumina

Canada
- Kaiser Aluminum & Chemical of Canada Limited (100%)

Japan
- Furukawa Kaiser Forged Products Company (47.5%)
  - Sales Office

Russia
- Kaiser Aluminium Russia, Inc. (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

International Business Development

Wales, United Kingdom

Anglesey Aluminium Limited (49%)
Primary Aluminum

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AMENDED AND RESTATED BY-LAWS

OF

KAISER ALUMINUM CORPORATION

February 3, 1997

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AMENDED AND RESTATED BY-LAWS OF KAISER ALUMINUM CORPORATION

(A Delaware corporation)

Article I - OFFICES

SECTION 1. Registered Office. The registered office of the Corporation shall be located at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware. The name of the registered agent in charge thereof is The Corporation Trust Company.

SECTION 2. Offices. Offices may at any time be established by the Board of Directors at any place or places, within or without the State of Delaware.

Article II - MEETINGS OF STOCKHOLDERS

SECTION 1. Place of Meetings. All meetings of Stockholders for the election of Directors shall be held at the principal office of the Corporation or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of the Stockholders for any other purpose may be held at such place as shall be stated in the notice of the meeting.

SECTION 2. Annual Meetings. The Board of Directors acting by resolution may postpone and reschedule any previously scheduled annual meeting of Stockholders.

Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the Stockholders may be made at an annual meeting of Stockholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors, or (c) by any Stockholder of the Corporation who was a Stockholder of record at the time of giving of notice provided for in this

By-law, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this By-law.

For nominations for Directors or other business to be properly brought before an annual meeting by a Stockholder pursuant to clause (c) of the foregoing paragraph of this By-law, the Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a Stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the Stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Such Stockholder's notice shall set forth (a) as to each

person whom the Stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitation of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (b) as to any other business that the Stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such Stockholder and the beneficial owner, if any, on whose behalf the nomination or proposal is made as well as (i) the name and address of such Stockholder, as they appear on the Corporation's books, and of such beneficial owner, if applicable, and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such Stockholder and such beneficial owner, if applicable.

Notwithstanding anything herein to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a Stockholder's notice required by this By-law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

Only such persons who are nominated in accordance with the procedures set forth in these By-laws shall be eligible to serve as Directors and only such business shall be conducted at an annual meeting of Stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-law. The chairman of the meeting shall have the power and duty to determine whether any nomination or business proposed to be brought before the meeting was made in accordance with the procedures set forth in these By-laws and, if any proposed nomination or business is not in compliance with these By-laws, to declare that such defective proposal shall be disregarded.

For purposes of this By-law, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Services, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this By-law, a Stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-law. Nothing in this By-law shall be deemed to affect any rights of Stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

SECTION 3. Special Meetings. Business transacted at all special meetings shall be confined to the specific purpose or purposes of the persons authorized to request such special meeting as set forth in this Section 3 and only such purpose or purposes shall be set forth in the notice of such meeting. The Board of Directors acting by resolution may postpone and reschedule any previously scheduled special meeting of Stockholders.

Nominations of persons for election to the Board of Directors may be made at a special meeting of Stockholders at which Directors are to be elected (a) pursuant to the Corporation's notice of meeting (b) by or at the direction of the Board of Directors or (c) by any Stockholder of the Corporation who is a Stockholder of record at the time of giving of notice provided for in this By-law, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this By-law. Nominations by Stockholders of persons for election to the Board of Directors may be made at such a special meeting of Stockholders if the Stockholder's notice required by the third paragraph of Section 2 of Article II of these By-laws shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

Only such persons who are nominated in accordance with the procedures set forth in these By-laws shall be eligible to serve as Directors and only such business shall be conducted at a special meeting of the Stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-law. The chairman of the meeting shall have the power and duty to determine whether any nomination or business proposed to be brought before the meeting was made in accordance with the procedures set forth in this By-law, and if any proposed nomination or business is not in compliance with this By-law, to declare that such defective proposal shall be disregarded.

Notwithstanding the foregoing provisions of this By-law, a Stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-law. Nothing in this By-law shall be deemed to affect any rights of Stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

SECTION 4. Adjourned Meetings, Notice. Any Stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time, to be reconvened at the same or some other place, by the vote of a majority of the shares entitled to vote thereon, the holders of which are either present in person or represented by proxy thereat. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting, but in the absence of a quorum no other business may be transacted at any such meeting.

When any Stockholders' meeting, either annual or special, is adjourned for thirty (30) days or more or if after the adjournment a new record date is fixed for the adjourned meeting, notice

of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, if the time and place of the adjourned meeting are announced at the meeting at which such adjournment is taken.

SECTION 5. Voting. At all meetings of Stockholders, every registered Stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares standing in his own name on the stock records of the Corporation; provided, however, that at all elections of Directors each holder of record of stock entitled to vote for the election of Directors shall be entitled to one vote for each share of such stock held by such Stockholder for each Director's position to be filled. Cumulative voting for Directors shall not be permitted. Voting shall be conducted by ballot.

SECTION 6. Quorum. Subject to any provisions of the Certificate of Incorporation relating to a quorum at meetings at which the holders of shares of stock of any class are entitled to vote separately as a class, the presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business. The Stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum.

SECTION 7. Proxies. Every person entitled to vote at a meeting of Stockholders shall have the right to do so either in person or by an agent or agents authorized by a proxy furnished in accordance with applicable law. A Stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation.

SECTION 8. Inspectors. Prior to any meeting of Stockholders, the Board of Directors or the President shall appoint one or more inspectors to act at such meeting and make a written report thereof and may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at the meeting of Stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall ascertain the number of shares outstanding and the voting power of each, determine the shares represented at the meeting and the validity of proxies and ballots, count all votes and ballots, determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons to assist them in the performance of their duties. The date and time of the opening and closing of the polls for each matter upon which the Stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxy or vote, nor any revocation thereof or change thereto, shall be accepted by the inspectors after the closing of the polls. The inspectors shall determine the validity of proxies and ballots in accordance with applicable law.

SECTION 9. Procedural Rules. The Board of Directors of the Corporation shall be entitled to make such rules or regulations for the conduct of meetings of Stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business of the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to Stockholders of record of the Corporation and their duly authorized and constituted proxies, and such other persons as the chairman of the meeting shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comment by participants and regulation of the opening and closing of the polls for balloting determined by the Board of Directors or the chairman of the meeting. Meetings of Stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

Article III - DIRECTORS

SECTION 1. Powers. Subject to the limitations of the Certificate of Incorporation, the By-laws and the General Corporation Law of the State of Delaware as to action to be authorized or approved by the Stockholders, and subject to the duties of Directors as prescribed by the By-laws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed by or under the direction of, the Board of Directors.

SECTION 2. Number and Qualification of Directors. The Board of Directors shall consist of not less than three (3) nor more than ten (10) members. The Board of Directors may, by resolution, designate the number of members of the Board of Directors. Directors need not be Stockholders.

SECTION 3. Election and Term of Office. The Directors shall be elected at each annual meeting of Stockholders, but if any such annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting of Stockholders held for that purpose. All Directors shall hold office until their respective successors are elected and qualified or until their earlier resignation or removal.

SECTION 4. Vacancies. Vacancies and newly created directorships in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office until his successor is elected at an annual or a special meeting of the Stockholders. Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more Directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the Directors elected by such class or classes or series thereof then in office, or by the sole remaining Director so elected.

A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any Director.

The Stockholders may at any time elect Directors to fill any vacancy not filled by the Directors.

Any Director may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect at the time of receipt of such notice or at such later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. If any Director resigns, the Board of Directors shall have power to elect a successor to take office at such time as the resignation shall become effective.

SECTION 5. Place of Meeting. Subject to the provisions of Section 13 of this Article III, all meetings of the Board of Directors shall be held at the principal office of the Corporation or at such other place in the United States designated at any time by the Board of Directors.

SECTION 6. Annual Meeting. Immediately following each annual meeting of Stockholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of all such regular meetings shall not be required.

SECTION 7. Other Regular Meetings. Other regular meetings of the Board of Directors shall be held without call at such times as shall from time to time be determined by the Board of Directors. Notice of all such regular meetings shall not be required.

SECTION 8. Special Meetings. Special meetings of the Board of Directors, for any purpose or purposes whatsoever, shall be called at any time only by the Chairman of the Board or by any two (2) of the Directors. Reasonable notice thereof shall be given by the person or persons calling the meeting.

SECTION 9. Quorum. At all meetings of the Board of Directors a majority of the entire Board of Directors shall be necessary and sufficient to constitute a quorum for the transaction of business, except to fill vacancies in the Board of Directors as herein before provided, and except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors.

SECTION 10. Adjournment. A quorum of the Directors may adjourn any Board of Directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a Quorum a majority of the Directors present at any Board of Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors. Notice of the time and place of holding an adjourned meeting of a Board of

Directors' meeting, either regular or special, need not be given to absent Directors if the time and place are fixed at the meeting adjourned.

SECTION 11. Fees and Compensation. Directors shall receive such compensation for their services and reimbursement for expenses as Directors as shall be determined from time to time by resolution of the Board of Directors. Any Director may serve the Corporation in any other capacity as an Officer, agent, employee or otherwise and receive compensation therefor.

SECTION 12. Directors' Action Without Meetings. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a written consent thereto is signed by all members of the Board of Directors or such committee as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 13. Meetings by Telecommunication. Any meeting, regular or special, of the Board of Directors or of any committee thereof may be held by conference telephone or similar communication equipment. Participation in such a meeting shall constitute presence in person at the meeting.

Article IV - COMMITTEES

SECTION 1. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board, designate one or more committees, each committee to consist of one or more Directors. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have power or authority in reference to amending the Certificate of Incorporation, adopting an agreement or merger or consolidation, recommending to the Stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the Stockholders dissolution of the Corporation or a revocation of dissolution, or amending these By-laws.

SECTION 2. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may adopt, amend and repeal rules for the conduct of its business. Reasonable notice of each committee meeting (other than regularly scheduled meetings) shall be furnished to all members of the committee. A majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a

quorum is then present shall be the act of such committee, and in other respects each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article III of these By-laws.

Article V - OFFICERS

SECTION 1. Officers. The Officers of the Corporation shall be a Chief Executive Officer, a President, a Secretary, a Treasurer and a Controller. The Board of Directors may also, at its discretion, choose from among its members a Chairman of the Board and a Vice Chairman of the Board. The Corporation may also have at the discretion of the Board of Directors, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, or one or more Assistant Secretaries, one or more Assistant Treasurers and one or more Assistant Controllers. One person may hold two or more offices.

SECTION 2. Election. The Officers of the Corporation shall be elected by the Board of Directors and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

SECTION 3. Removal and Resignation. Any Officer may be removed, either with or without cause, by a majority of the Directors at the time in office, at any regular or special meeting of the Board of Directors, or, except in the case of an Officer chosen by the Board, by the Chief Executive Officer.

Any Officer may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect at the time of receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause, shall be filled in the manner prescribed in the By-laws for regular appointments to such office.

SECTION 5. Chairman of the Board. The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the Stockholders at which he shall be present and exercise and perform such powers and duties as generally pertain to his office as well as such powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the By-laws. If so designated by the Board of Directors, the Chairman of the Board shall be the Chief Executive Officer.

SECTION 6. Vice Chairman of the Board. In the absence of the Chairman of the Board, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the Stockholders at which he shall be present. The Vice Chairman of the Board shall exercise such powers and duties as generally pertain to his office as well as such powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the By-laws.

SECTION 7. Chief Executive Officer. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board or the Vice Chairman of the Board, if there be such Officers, the Chief Executive Officer shall have such powers and duties as generally pertain to his office as well as general supervision, direction and control of the business and affairs of the Corporation.

SECTION 8. President. If the Chairman of the Board has not been designated as the Chief Executive Officer, the President shall be the Chief Executive Officer with the powers and duties set forth in Section 7 of this Article V. If the Chairman of the Board has been so designated, the President shall have such powers and duties as generally pertain to his office as well as such powers and duties as from time to time may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

In the absence of the Chairman of the Board and of the Vice Chairman of the Board, the President shall preside at all meetings of the Board of Directors and of the Stockholders at which he shall be present.

SECTION 9. Executive Vice Presidents and Senior Vice Presidents. The Executive Vice Presidents and Senior Vice Presidents, if any, shall have such powers and perform such duties as generally pertain to their respective offices as well as such powers and duties as from time to time may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

SECTION 10. Vice Presidents. The Vice Presidents, if any, shall have such powers and duties as generally pertain to their respective offices as well as such powers and duties as from time to time may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

SECTION 11. Secretary. The Secretary shall keep, or cause to be kept, a book of minutes at the principal office of the Corporation or such other place as the Board of Directors may order, of all meetings of the Board of Directors and any committee thereof and of the Stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at Board of Directors' and committee meetings, the number of shares present or represented at Stockholders' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office of the Corporation and at the office of the Corporation is transfer agent, if a transfer agent shall be appointed, a stock ledger, or a duplicate stock ledger, showing the names of the Stockholders and their addresses; the number and classes of shares held by each; the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all the meetings of the Stockholders and of the Board of Directors required by the By-laws or by law to be given, and he shall keep the seal of the Corporation in safe custody, and shall have such powers and duties as generally pertain to his office as well as such powers and duties as may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

SECTION 12. Treasurer. The Treasurer shall keep or cause to be kept full and accurate records of all receipts and disbursements in the books of the Corporation and shall have the care and custody of all funds and securities of the Corporation.

The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the Chief Executive Officer, the President and Directors, whenever they request it, an account of all of his transactions as Treasurer and shall have such powers and duties as generally pertain to his office as well as such powers and duties as may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

SECTION 13. Controller. The Controller shall be the chief accounting officer of the Corporation. He shall keep or cause to be kept all books of accounts and accounting records of the Corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. The books of account shall at all times be open to inspection by any Director. He shall prepare or cause to be prepared appropriate financial statements for the Corporation and shall have such powers and duties as generally pertain to his office as well as such powers and duties as may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

Article VI - MISCELLANEOUS

SECTION 1. Record Dates. The Board of Directors may fix in advance a date as a record date for the determination of the Stockholders entitled to notice of and to vote at any meeting of Stockholders, or entitled to receive payment of any dividend, or the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or the date for any other lawful action, and in such case such Stockholders, and only such Stockholders as shall be Stockholders of record on the date so fixed, shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to take such other action, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

SECTION 2. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Whenever notice is required to be given by law or under any provision of the Certificate of Incorporation or these By-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

SECTION 3. Certificates of Stock. A certificate for shares of the capital stock of the Corporation shall be issued to each Stockholder when any such shares are fully paid up. All such certificates shall be signed by or in the name of the Corporation by the Chief Executive Officer or the President or a Vice President and the Secretary or an Assistant Secretary. Any or all of the

signatures on the certificates may be a facsimile. In case any Officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such Officer before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such Officer at the date of issue.

SECTION 4. Inspection of Stock Ledger. The Secretary shall prepare and make, at least ten (10) days before every meeting of Stockholders, a complete list of the Stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each Stockholder and the number of shares registered in the name of each Stockholder. Such list shall be upon to the examination of any Stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Stockholder who is present.

SECTION 5. Indemnification. The Corporation shall indemnify to the full extent authorized by law, whether by statute, court decision or otherwise, and to the extent permitted by the Certificate of Incorporation, any person made or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or such person's testator or intestate is or was a Director, Officer or employee of the Corporation or serves or served at the request of the Corporation any other enterprise as a director, officer or employee.

Subject to the Certificate of Incorporation, expenses incurred by a Director or Officer of the Corporation in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Director or Officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation. Such expenses incurred by other employees may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

For purposes of this Section 5, the term "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed by the Corporation in a consolidation or merger; the term "other enterprise" shall include any corporation, partnership, joint venture, trust or employee benefit plan; service "at the request of the Corporation" shall include service as a Director, Officer or employee of the Corporation which imposes duties on, or involves service by, such Director, Officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to any employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Corporation.

Article VII - AMENDMENTS

SECTION 1. Adoption, Amendment or Repeal of By-laws. By-laws may be made, adopted, altered or repealed by the vote of Stockholders entitled to exercise a majority of the voting power of the Corporation. Subject to the right of Stockholders to make, adopt, amend or repeal By-laws, By-laws may be made, adopted, altered or repealed, at any time, by the Board of Directors.

E X E C U T I O N   C O P Y

EIGHTH AMENDMENT TO CREDIT AGREEMENT

THIS EIGHTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of February 24, 1997, is by and between KAISER ALUMINUM & CHEMICAL CORPORATION, a Delaware corporation (the "Company"), KAISER ALUMINUM CORPORATION, a Delaware corporation (the "Parent Guarantor"), the various financial institutions that are or may from time to time become parties to the Credit Agreement referred to below (collectively, the "Lenders" and, individually, a "Lender"), and BANKAMERICA BUSINESS CREDIT, INC., a Delaware corporation, as agent (in such capacity, together with its successors and assigns in such capacity, the "Agent") for the Lenders. Capitalized terms used, but not defined, herein shall have the meanings given to such terms in the Credit Agreement, as amended hereby.

W I T N E S S E T H:

WHEREAS, the Company, the Parent Guarantor, the Lenders and the Agent are parties to the Credit Agreement, dated as of February 15, 1994, as amended by the First Amendment to Credit Agreement, dated as of July 21, 1994, the Second Amendment to Credit Agreement, dated as of March 10, 1995, the Third Amendment to Credit Agreement and Acknowledgement, dated as of July 20, 1995, the Fourth Amendment to Credit Agreement, dated as of October 17, 1995, the Fifth Amendment to Credit Agreement dated as of December 11, 1995, the Sixth Amendment to Credit Agreement dated as of October 1, 1996 and the Seventh Amendment to Credit Agreement dated as of December 17, 1996 (the "Credit Agreement"); and

WHEREAS, the parties hereto have agreed to amend the Credit Agreement as herein provided;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Amendment to Credit Agreement.

A. Section 9.2.4 of the Credit Agreement is hereby amended by amending clause (b) thereof to read in its entirety as follows:

"(b) Interest Coverage Ratio. The Company shall not permit the Interest Coverage Ratio (i) for the one Fiscal Quarter period ending March 31, 1996 to be less than 1.1 to 1.0, (ii) for the two Fiscal Quarter period ending June 30, 1996 to be less than 1.2 to 1.0, (iii)

for the three Fiscal Quarter period ending September 30, 1996 to be less than 0.5 to 1.0, (iv) for the four Fiscal Quarter period ending December 31, 1996 to be less than 0.3 to 1.0, (v) for the one Fiscal Quarter period ending June 30, 1997 to be less than 0.2 to 1.0, (vi) for the two Fiscal Quarter period ending September 30, 1997 to be less than 0.4 to 1.0, (vii) for the three Fiscal Quarter period ending December 31, 1997 to be less than 0.6 to 1.0 and (viii) for the four Fiscal Quarter period ending on the last day of each of the Fiscal Quarters set forth below to be less than the correlative ratio indicated:

Date	Ratio
First Fiscal Quarter of 1998	0.8 to 1.0
Second Fiscal Quarter of 1998	1.2 to 1.0
Third Fiscal Quarter of 1998	1.6 to 1.0
Fourth Fiscal Quarter of 1998 and each Fiscal Quarter thereafter"	2.0 to 1.0

Section 2. Conditions to Effectiveness.

This Amendment shall become effective as of the date hereof only when the following conditions shall have been satisfied and notice thereof shall have been given by the Agent to the Parent Guarantor, the Company and each Lender (the date of satisfaction of such conditions and the giving of such notice being referred to herein as the "Eighth Amendment Effective Date"):

A. The Agent shall have received for each Lender counterparts hereof duly executed on behalf of the Parent Guarantor, the Company, the Agent and the Required Lenders (or notice of the approval of this Amendment by the Required Lenders satisfactory to the Agent shall have been received by the Agent).

B. The Agent shall have received:

(1) Resolutions of the Board of Directors or of the Executive Committee of the Company and the Parent Guarantor approving and authorizing the execution, delivery and performance of this Amendment, certified by its corporate secretary or an assistant secretary as being in full force and effect without modification or amendment as of the date of execution hereof by the Company or the Parent Guarantor, as the case may be;

(2) A signature and incumbency certificate of the officers of the Company and the Parent Guarantor executing this Amendment;

(3) For each Lender an opinion, addressed to the Agent and each Lender, from Kramer, Levin, Naftalis, Nessen, Kamin & Frankel, in form and substance satisfactory to the Agent; and

(4) Such other information approvals, opinions, documents, or instruments as the Agent may reasonably request.

Section 3. Company's Representations and Warranties.

In order to induce the Lenders and the Agent to enter into this Amendment and to amend the Credit Agreement in the manner provided herein, the Parent Guarantor and the Company represent and warrant to each Lender and the Agent that, as of the Eighth Amendment Effective Date after giving effect to the effectiveness of this Amendment, the following statements are true and correct in all material respects:

A. Authorization of Agreements. The execution and delivery of this Amendment by the Company and the Parent Guarantor and the performance of the Credit Agreement as amended by this Amendment (the "Amended Agreement") by the Company and the Parent Guarantor are within such Obligor's corporate powers and have been duly authorized by all necessary corporate action on the part of the Company and the Parent Guarantor, as the case may be.

B. No Conflict. The execution and delivery by the Company and the Parent Guarantor of this Amendment and the performance by the Company and the Parent Guarantor of the Amended Agreement do not:

(1) contravene such Obligor's Organic Documents;

(2) contravene the Senior Indenture, the New Senior Indenture, the Additional New Senior Indentures or the Subordinated Indenture or contravene any other contractual restriction where such a contravention has a reasonable possibility of having a Materially Adverse Effect or contravene

any law or governmental regulation or court decree or order binding on or affecting such Obligor or any of its Subsidiaries; or

(3) result in, or require the creation or imposition of, any Lien on any of such Obligor's properties or any of the properties of any Subsidiary of such Obligor, other than pursuant to the Loan Documents.

C. Binding Obligation. This Amendment has been duly executed and delivered by the Company and the Parent Guarantor and this Amendment and the Amended Agreement constitute the legal, valid and binding obligations of the Company and the Parent Guarantor, enforceable against the Company and the Parent Guarantor in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally and by general principles of equity.

D. Governmental Approval, Regulation, etc. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other Person is required for the due execution, delivery or performance of this Amendment by the Company or the Parent Guarantor.

E. Incorporation of Representations and Warranties from Credit Agreement. Each of the statements set forth in Section 7.2.1 of the Credit Agreement is true and correct.

Section 4. Acknowledgement and Consent.

The Company is a party to the Company Collateral Documents, in each case as amended through the date hereof, pursuant to which the Company has created Liens in favor of the Agent on certain Collateral to secure the Obligations. The Parent Guarantor is a party to the Parent Collateral Documents, in each case as amended through the date hereof, pursuant to which the Parent Guarantor has created Liens in favor of the Agent on certain Collateral and pledged certain Collateral to the Agent to secure the Obligations of the Parent Guarantor. Certain Subsidiaries of the Company are parties to the Subsidiary Guaranty and/or one or more of the Subsidiary Collateral Documents, in each case as amended through the date hereof, pursuant to which such Subsidiaries have (i) guarantied the Obligations and/or (ii) created Liens in favor of the Agent on certain Collateral. The Company, the Parent Guarantor and such Subsidiaries are collectively referred to herein as the "Credit Support Parties", and the Company Collateral Documents, the Parent Collateral Documents, the Subsidiary Guaranty and the Subsidiary Collateral Documents are collectively referred to herein as the "Credit Support Documents".

Each Credit Support Party hereby acknowledges that it has reviewed the terms and provisions of the Credit Agreement as amended by this Amendment and consents to the amendment of the Credit Agreement effected as of the date hereof pursuant to this Amendment.

Each Credit Support Party acknowledges and agrees that any of the Credit Support Documents to which it is a party or otherwise bound shall continue in full force and effect. Each Credit Support Party hereby confirms that each Credit Support Document to which it is a party or otherwise bound and all Collateral encumbered thereby will continue to guaranty or secure, as the case may be, the payment and performance of all obligations guaranteed or secured thereby, as the case may be.

Each Credit Support Party (other than the Company and the Parent Guarantor) acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Credit Support Party is not required by the terms of the Credit Agreement or any other Loan Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment and (ii) nothing in the Credit Agreement, this

Amendment or any other Loan Document shall be deemed to require the consent of such Credit Support Party to any future amendments to the Credit Agreement.

Section 5. Miscellaneous.

A. Reference to and Effect on the Credit Agreement and the Other Loan Documents.

(1) On and after the Eighth Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Agreement.

(2) Except as specifically set forth herein, the terms, provisions and conditions of the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

B. Applicable Law. THIS AMENDMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO SUCH LAWS RELATING TO CONFLICTS OF LAWS.

C. Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provision hereof.

D. Counterparts. This Amendment may be executed by the parties hereto in several counterparts and by the different parties on separate counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

E. Severability. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment or affecting the validity or enforceability of such provisions in any other jurisdiction.

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered as of the day and year first above written.

KAISER ALUMINUM CORPORATION	KAISER ALUMINUM & CHEMICAL CORPORATION
By: -----------------------------	By: -----------------------------
Name Printed: Karen A. Twitchell	Name Printed: Karen A. Twitchell

Its: Treasurer

Its: Treasurer

BANKAMERICA BUSINESS CREDIT, INC., as Agent

By: ------------------------------

Name: Michael J. Jasaitis

Its: Vice President

BANKAMERICA BUSINESS CREDIT, INC.

By: ------------------------------

Name: Michael J. Jasaitis

Its: Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

By: ------------------------------

Name Printed: -------------------

Its: -----------------------------

THE CIT GROUP/BUSINESS CREDIT, INC.

By: ------------------------------

Name Printed: -------------------

Its: -----------------------------

CONGRESS FINANCIAL CORPORATION (WESTERN)

By: ------------------------------

Name Printed: -------------------

Its: -----------------------------

HELLER FINANCIAL, INC.

By: ------------------------------

Name Printed: -------------------

Its: -----------------------------

LA SALLE NATIONAL BANK

By: ------------------------------

Name Printed: -------------------

Its: -----------------------------

NATIONAL WESTMINSTER BANK PLC

By: ---------------------------

Name Printed: -----------------

Its: ---------------------------

TRANSAMERICA BUSINESS CREDIT CORPORATION

By: ------------------------------

Name Printed: -------------------

Its: -----------------------------

ABN AMRO BANK N.V.

By: ----------------------------

Name Printed: -----------------

Its: ---------------------------

By: ----------------------------

Name Printed: -----------------

Its: ---------------------------

ACKNOWLEDGED AND AGREED TO:

AKRON HOLDING CORPORATION

By: ------------------------------

Name Printed: Karen A. Twitchell

Its: Treasurer

KAISER ALUMINUM & CHEMICAL INVESTMENT, INC.

By: -----------------------------

Name Printed: Karen A. Twitchell

Its: Treasurer

KAISER ALUMINUM PROPERTIES,

KAISER ALUMINUM TECHNICAL

INC.

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

SERVICES, INC.

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

OXNARD FORGE DIE COMPANY, INC.

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

KAISER ALUMINUM INTERNATIONAL, INC.

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

KAISER ALUMINA AUSTRALIA CORPORATION

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

KAISER FINANCE CORPORATION

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

ALPART JAMAICA INC.

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

KAISER JAMAICA CORPORATION

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

KAISER BAUXITE COMPANY

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

KAISER EXPORT COMPANY

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

KAISER MICROMILL HOLDINGS, LLC

By: ______________________________

Name Printed: Karen A. Twitchell
Treasurer of Kaiser Aluminum
& Chemical Corporation

KAISER SIERRA MICROMILLS, LLC

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

KAISER TEXAS SIERRA MICROMILLS, LLC

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

KAISER TEXAS MICROMILL HOLDINGS, LLC

By: ______________________________

Name Printed: Karen A. Twitchell
Its: Treasurer

EXHIBIT 11

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
COMPUTATION OF EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE
(In millions of dollars, except per share amounts)

	Year Ended December 31,		
	1996	1995	1994
Primary:			
Earnings:			
Income (loss) before extraordinary loss and cumulative effect of changes in accounting principles	$ 8.2	$ 60.3	$ (101.4)
Dividends on preferred stock:			
Series A Shares		(9.1)	(12.6)
PRIDES	(8.4)	(8.5)	(7.5)
Income (loss) available to common shareholders before extraordinary loss	(0.2)	42.7	(121.5)
Extraordinary loss - net			(5.4)
Net income (loss) available to common shareholders	$ (.2)	$ 42.7	$ (126.9)
Shares (000):			
Weighted average common shares outstanding	71,644	58,267	58,139
Weighted average shares arising from redemption of Series A Shares		3,705	
Weighted average shares arising from conversion of PRIDES		29	
Assuming exercise of nonqualified stock options		263	
Weighted average common and common equivalent shares	71,644	62,264	58,139
Primary earnings (loss) per common and common equivalent share:			
Income (loss) before extraordinary loss and cumulative effect of changes in accounting principles	$ .00	$ .69	$ (2.09)
Extraordinary loss			(.09)
Net income (loss)	$ .00	$ .69	$ (2.18)
Fully diluted:(1)			
Earnings:			
Income before extraordinary loss	$ 60.3		
Dividends on PRIDES		(8.5)	
Net income available to common and common equivalent shareholders		$ 51.8	
Shares (000):			
Weighted average common shares outstanding		58,267	
Additional shares arising from redemption of Series A Shares		13,127	
Additional shares arising from conversion of PRIDES		151	
Assuming exercise of nonqualified stock options		264	
Weighted average common and common equivalent shares		71,809	
Fully diluted earnings per common and common equivalent share		$ .72	

(1) As a result of the redemption of the Series A Shares and conversion of 181,700 shares of PRIDES during the 1995 period, fully diluted earnings per share are presented for such period, even though the result is antidilutive. For the 1996 and 1994 periods, common equivalent shares attributable to the preferred stock and non-qualified stock options were excluded from the calculation of weighted average shares because they were antidilutive.

EXHIBIT 13

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Kaiser Aluminum Corporation and Subsidiary Companies

Management's Discussion and Analysis of Financial Condition and Results of Operations

Kaiser Aluminum Corporation ("Kaiser" or the "Company"), through its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC"), operates in two business segments: bauxite and alumina, and aluminum processing. As an integrated aluminum producer, the Company uses a portion of its bauxite, alumina, and primary aluminum production for additional processing at certain of its facilities. Intracompany shipments and sales are excluded from the information set forth in the table below. The table below provides selected operational and financial information on a consolidated basis with respect to the Company for the years ended December 31, 1996, 1995, and 1994. The following should be read in conjunction with the Company's consolidated financial statements and the notes thereto, contained elsewhere herein.

	Year Ended December 31,		
(In millions of dollars, except shipments and prices)	1996	1995	1994
Shipments: (000 tons)(1)			
Alumina	2,073.7	2,040.1	2,086.7
Aluminum products:			
Primary aluminum	355.6	271.7	224.0
Fabricated aluminum products	327.1	368.2	399.0
Total aluminum products	682.7	639.9	623.0
Average realized sales price:			
Alumina (per ton)	$ 195	$ 208	$ 169
Primary aluminum (per pound)	.69	.81	.59
Net sales:			
Bauxite and alumina:			
Alumina	$ 404.1	$ 424.8	$ 352.8
Other(2)(3)	103.9	89.4	79.7
Total bauxite and alumina	508.0	514.2	432.5
Aluminum processing:			
Primary aluminum	538.3	488.0	292.0
Fabricated aluminum products	1,130.4	1,218.6	1,043.0
Other(3)	13.8	17.0	14.0
Total aluminum processing	1,682.5	1,723.6	1,349.0
Total net sales	$2,190.5	$2,237.8	$1,781.5

Operating income (loss):			
Bauxite and alumina	$ 1.1	$ 54.0	$ 19.8
Aluminum processing	156.5	238.9	(8.4)
Corporate	(59.8)	(82.3)	(67.6)
Total operating income (loss)	$ 97.8	$ 210.6	$ (56.2)
Net income (loss)(4)	$ 8.2	$ 60.3	$ (106.8)
Capital expenditures:			
Property, plant, and equipment	$ 160.3	$ 79.4	$ 70.0
Investments in unconsolidated affiliates	1.2	9.0	
Total capital expenditures	$ 161.5	$ 88.4	$ 70.0

(1) All references to tons refer to metric tons of 2,204.6 pounds.
(2) Includes net sales of bauxite.
(3) Includes the portion of net sales attributable to minority interests in consolidated subsidiaries.
(4) Includes extraordinary loss on early extinguishment of debt of $5.4, net of tax benefit of $2.9, in 1994.

This section 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," "Profit Enhancement and Cost Reduction Initiative," "Results of Operations," "Financial Condition and Liquidity," "Income Tax Matters" and "Recent Accounting Pronouncements"). 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. This section and the Company's Annual Report on Form 10-K each identify other factors that could cause such differences. 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.

OVERVIEW

The Company's operating results are sensitive to changes in 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 1 and 9 of the Notes to Consolidated Financial Statements for a discussion of KACC's hedging activities.

During the first half of 1996, the Average Midwest United States transaction price ("AMT Price") for primary aluminum remained relatively stable in the $.75 per pound range. However, during the second half of the year the AMT Price fell, reaching a low of $.65 per pound for October 1996, before recovering late in the year. During 1995, the AMT Price for primary aluminum was approximately $.86 per pound compared to $.72 and $.54 per pound in 1994 and 1993, respectively. The AMT Price for primary aluminum for the week ended February 14, 1997, was approximately $.75 per pound.

The significant improvement in prices during 1994 and 1995 resulted from strong growth in Western world consumption of aluminum and the curtailment of production in response to lower prices in prior periods by many producers worldwide. In 1995, production of primary aluminum increased and consumption of aluminum continued to grow, but at a much lower rate than in 1994. In general, the overall aluminum market was strongest in the first half of 1995. By the second half of 1995, orders and shipments for certain products had softened and the rate of decline in London Metal Exchange ("LME") inventories had leveled off. By the end of 1995, some small increases in LME inventories occurred, and prices of aluminum weakened from first-half levels. This trend continued throughout most of 1996. Net reported primary aluminum inventories increased by approximately 62,000 tons in 1996 based upon reports of the LME and the International Primary Aluminium Institute ("IPAI"), following substantial declines of 764,000 and 1,153,000 tons in 1994 and 1995, respectively.

Increased production of primary aluminum due to restarts of certain previously idled capacity, the commissioning of a major new smelter in South Africa, and the continued high level of exports from the Commonwealth of Independent States ("CIS") contributed to increased supplies of primary aluminum to the Western world in 1996. While the economies of the major aluminum consuming regions--the United States, Japan, Western Europe, and Asia--are, in the aggregate, performing relatively well, the Company believes that the reduction of aluminum inventories by customers, as prices have continued to decline, has mitigated the growth in primary aluminum demand that normally accompanies growth in economic and industrial activity.

PROFIT ENHANCEMENT AND COST REDUCTION INITIATIVE

The Company has set a goal of achieving significant cost reduction and other profit improvements during 1997, with the full effect planned to be realized in 1998. The initiative is based on the Company's conclusion that the current level of performance of its existing facilities and businesses will not achieve the level of profits the Company considers satisfactory based upon historic long-term average prices for primary aluminum and alumina. To achieve this goal, the Company plans reductions in production costs, decreases in corporate selling, general and administrative expenses, and enhancements to product mix. There can be no assurance that the initiative will result in the desired cost reduction and other profit improvements.

RESULTS OF OPERATIONS

1996 AS COMPARED TO 1995

Summary--For the year ended December 31, 1996, the Company's net income was $8.2 million, or $.00 per common and common equivalent share, compared to net income of $60.3 million, or $.69 per common and common equivalent share, in 1995. Net sales for 1996 were $2,190.5 million, compared to $2,237.8 million in 1995. Results for the year ended December 31, 1996, include an after tax benefit of approximately $17.0 million resulting from settlements of certain tax matters in December 1996. Excluding the impact of these non-recurring items, the Company would have reported a net loss for the year ended December 31, 1996.

Results for the year ended December 31, 1996, reflect the substantial reduction in market prices for primary aluminum more fully discussed above. Alumina prices, which are significantly influenced by changes in primary aluminum prices, also declined from period to period. The decrease in product prices more than offset the positive impact of increases in shipments in several segments of the Company's business, as more fully discussed below. Results for 1996 also include approximately $20.5 million in research and development expenses and other costs related to the Company's new Micromill, as well as additional expenses related to other strategic initiatives.

Results for 1995 include approximately $17.0 million of first quarter 1995 pre-tax expenses associated with an eight-day strike at five major U.S. locations, a six-day strike at the Company's 65% owned Alumina Partners of Jamaica ("Alpart") bauxite mining and alumina refinery in Jamaica, and a four-day disruption of alumina production at Alpart caused by a boiler failure.

Bauxite and Alumina--Net segment sales for 1996 were basically unchanged from 1995 as a nominal decline in the average realized price of alumina was offset by a modest increase in alumina shipments. The reduction in prices realized reflects the substantial decline in primary aluminum prices experienced in 1996 discussed above.

Operating income for this segment of the Company's business declined significantly from prior year periods as a result of reduced gross margins from alumina sales resulting from the previously discussed price declines and increased natural gas costs at the Company's Gramercy, Louisiana, alumina refinery. Operating income for the year ended December 31, 1996, was also unfavorably impacted by high operating costs associated with disruptions in the power supply at the Company's Alpart alumina refinery, higher manufacturing costs resulting from higher market prices for fuel and caustic soda, and a temporary raw material quality problem experienced at the Company's Gramercy facility during the second quarter of 1996.

Aluminum Processing--An increase in primary aluminum shipments in 1996 of 31% more than offset a 15% decline in the average realized price for primary aluminum from period to period. The increase in shipments during the year ended December 31, 1996, was the result of increased shipments of primary aluminum to third parties as a result of a decline in intracompany transfers.

Net sales of fabricated aluminum products were down 7% for the year ended December 31, 1996, as compared to the prior year as a result of a decrease in shipments (primarily related to can sheet activities) resulting from reduced

growth in demand and the reduction of customer inventories. The impact of reduced product shipments was to a limited degree offset by a 4% increase in the average realized price from the sale of fabricated aluminum products, resulting primarily from a shift in product mix to higher value added products.

Operating income for the aluminum processing segment for the year was also impacted by approximately $5.6 million of scheduled non-recurring maintenance costs at the Company's Trentwood, Washington, rolling mill facility in the fourth quarter of 1996, offset by $11.5 million ($7.2 on an after-tax basis) of reduced operating costs resulting from the non-cash settlement in December 1996 of certain tax matters.

Corporate--Corporate operating expenses represent corporate general and administrative expenses which are not allocated to the Company's business segments. A substantial portion of the 1996 reduction in operating losses of the corporate segment as compared to 1995 is due to reduced incentive compensation accruals resulting from the decline in earnings from the prior year period. Reduced post employment benefit plan and pension plan costs also contributed to the 1996 reduction.

1995 AS COMPARED TO 1994

Summary--The Company reported net income of $60.3 million or $.69 per common and common equivalent share ($.72 on a fully diluted basis) in 1995, compared with a net loss of $106.8 million or $2.18 per common and common equivalent share in 1994. The principal reason for the improvement in 1995 compared to 1994 was the improvement in operating results previously described, partially offset by other charges, principally related to the establishment of additional litigation reserves.

Improved operating results in 1995 were partially offset by expenses related to the Company's smelting joint venture in China, accelerated expenses for the Company's Micromill technology, maintenance expenses as a result of an electrical lightning strike at the Company's Trentwood, Washington, facility, and a work slowdown at the Company's 49%-owned Kaiser Jamaica Bauxite Company prior to the signing of a new labor contract. The combined impact of these expenditures on the results for 1995 was approximately $6.0 million in the aggregate (on a pre-tax basis). Operating results in 1995 were further impacted by (i) an eight-day strike at five major domestic locations by the United Steelworkers of America ("USWA"), (ii) a six-day strike by the National Workers Union at Alpart, and (iii) a four-day disruption of alumina production at Alpart caused by a boiler failure. The combined impact of these events on the results for 1995 was approximately $17.0 million in the aggregate (on a pre-tax basis), principally from lower production volume and other related costs.

Bauxite and Alumina--Net sales to third parties for the bauxite and alumina segment were 19% higher in 1995 than in 1994. Revenue from alumina increased 20% in 1995 from 1994, due to higher average realized prices partially offset by lower shipments. The remainder of the segment's sales revenues were from sales of bauxite and the portion of sales of alumina attributable to the minority interest at Alpart.

This segment's operating income was $54.0 million in 1995, compared with $19.8 million in 1994. The increase in operating income in 1995 compared with 1994 was principally due to higher revenue, partially offset by the effect of the strike and boiler failure.

Aluminum Processing--Net sales to third parties for the aluminum processing segment were 28% higher in 1995 than in 1994. The bulk of the segment's sales represents Kaiser's primary aluminum and fabricated aluminum products, with the remainder representing the portion of sales of primary aluminum attributable to the minority interest in the Company's 90%-owned Volta Aluminium Company Limited ("Valco") aluminum smelter in Ghana. Revenue from primary aluminum increased 67% in 1995 from 1994, due primarily to higher average realized prices and higher shipments. In 1995, the Company's average realized price from sales of primary aluminum was approximately $.81 per pound, as compared to the AMT Price of approximately $.86 per pound during the year. Average realized prices in 1994 reflected the defensive hedging of primary aluminum prices in respect of 1994 shipments,

which was initiated prior to the then-recent improvements in metal prices. The higher shipments of primary aluminum in 1995 were due to increased production at the Company's smelters in the Pacific Northwest and Valco, and reduced intracompany consumption of primary metal at the Company's fabricated products units. Shipments in 1994 reflected production curtailments at the Company's smelters in the Pacific Northwest and Valco. Shipments of primary aluminum to third parties were approximately 42% of total aluminum products shipments in 1995, compared with approximately 36% in 1994. Revenue from fabricated aluminum products increased 17% in 1995 from 1994, due to higher average realized prices partially offset by lower shipments for most of these products.

The increase in net sales for 1995 was partially offset by decreased shipments caused by the strike by the USWA discussed above.

This segment's operating income was $238.9 million in 1995, compared with a loss of $8.4 million in 1994. Improvement in operating results in 1995 compared with 1994 was principally due to higher revenue, partially offset by the effect of the strike by the USWA.

Corporate--Corporate operating expenses represent corporate general and administrative expenses that were not allocated to segments.

LIQUIDITY AND CAPITAL RESOURCES

See Note 4 of the Notes to Consolidated Financial Statements for a listing of the Company's indebtedness and information concerning certain restrictive debt covenants.

OPERATING ACTIVITIES

Cash provided by operating activities was $21.9 million in 1996 as compared to $118.7 million in 1995. In 1994, $22.1 million of cash was used by operating activities. The reduction in cash generated by operating activities from 1995 to 1996 is primarily due to lower earnings resulting from the reduction in prices realized by the Company from the sale of primary aluminum and alumina. The improvement in cash flows from operating activities in 1995 compared with

1994 was primarily due to higher earnings resulting from increased product prices and a refund of margin deposits of $50.5 million under certain hedging contracts.

At December 31, 1996, the Company had working capital of $414.3 million, compared with working capital of $331.7 million at December 31, 1995. The increase in working capital was due primarily to an increase in Cash and cash equivalents as a result of the debt offerings discussed below.

INVESTING ACTIVITIES

The Company's capital expenditures of $319.9 million during the three years ended December 31, 1996 (of which $23.2 million was funded by the Company's minority partners in certain foreign joint ventures) were made primarily to construct new facilities, improve production efficiency, reduce operating costs, and expand capacity at existing facilities. Total consolidated capital expenditures were $161.5 million in 1996, compared with $88.4 million in 1995 and $70.0 million in 1994 (of which $7.4, $8.3, and $7.5 million were funded by the minority partners in certain foreign joint ventures in 1996, 1995, and 1994, respectively). A substantial portion of the increase in capital expenditures in 1996 over prior years levels is attributable to the development and construction of the Company's proprietary Micromill technology for the production of can sheet from molten metal. The first Micromill, which was constructed in Nevada during 1996 as a demonstration and production facility, achieved operational start-up by year-end 1996. The Company expects that the Nevada Micromill will be in a start-up mode for the first half of 1997 and will be able to commence limited product shipments to customers in the second half of the year. Total consolidated capital expenditures are expected to be between $70.0 and $140.0 million per annum in each of 1997 through 1999 (of which approximately 7% 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 require substantial capital, both in the United States and overseas.

In 1995, Kaiser Yellow River Investment Limited ("KYRIL"), a subsidiary of the Company, entered into a joint venture agreement and related agreements (the "Joint Venture Agreements") with the Lanzhou Aluminum Smelters ("LAS") of the China National Nonferrous Metals Industry Corporation relating to the formation and operation of Yellow River Aluminum Industry Company Limited, a Sino-foreign joint equity enterprise (the "Joint Venture") organized under the laws of the People's Republic of China ("PRC"). KYRIL contributed $9.0 million to the capital of the Joint Venture in July 1995. The parties to the Joint Venture are currently engaged in discussions concerning the future of the Joint Venture. Governmental approval in the PRC will be necessary in order to implement any arrangements agreed to by the parties, and there can be no assurance such approvals will be obtained. At a meeting of the board of directors of the Joint Venture held on January 16, 1997, LAS reported that negotiations had begun with an investor regarding the possible purchase of KYRIL's interest in the Joint Venture. Based on such report, the Joint Venture directors adopted a resolution that, among other things, (i) extended until June 30, 1997, discussions concerning the future of the Joint Venture, (ii) provided that KYRIL grant to LAS the right to seek a buyer to purchase KYRIL's equity interest in the Joint Venture, and (iii) provided that if a buyer to purchase KYRIL's equity interest in the Joint Venture was not found by June 30, 1997, the Joint Venture would be terminated and dissolved.

FINANCING ACTIVITIES AND LIQUIDITY

On February 17, 1994, the Company and KACC entered into a five year credit agreement (as amended, the "Credit Agreement") under which KACC is able to borrow by means of revolving credit advances and letters of credit (up to $125.0 million) in an aggregate amount equal to the lesser of $325.0 million or a borrowing base relating to eligible accounts receivable plus eligible inventory. As of February 14, 1997, $271.9 million (of which $71.9 million could have been used for letters of credit) was available to KACC under the Credit Agreement. The Credit Agreement is unconditionally guaranteed by the Company and by certain significant subsidiaries of KACC. The Credit Agreement requires KACC to maintain 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 Credit Agreement is secured by, among other things, (i) mortgages on KACC's major domestic plants (excluding KACC's Gramercy alumina plant and Nevada Micromill); (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 Kaiser; 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.

During the fourth quarter of 1996, KACC sold a total of $225.0 million principal amount of two separate series of 10-7/8% Senior Notes due 2006 (the "10-7/8% Notes") in separate transactions. A net premium of $.9 million was realized from the issuance of the 10-7/8% Notes. The 10-7/8% Notes rank pari passu in right and priority of payment with the indebtedness under the Credit Agreement and KACC's 9-7/8% Senior Notes due 2002 (the "9-7/8% Notes") and are guaranteed on a senior, unsecured basis by certain of KACC's subsidiaries.

The indentures governing the 9-7/8% Notes, the 10-7/8% Notes and KACC's 12-3/4% Senior Subordinated Notes due 2003 (the "12-3/4% Notes") (collectively, the "Indentures") restrict, among other things, KACC's ability to incur debt and liens, make investments, 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), and the Credit Agreement provides that the occurrence of a Change in Control (as defined therein) shall constitute an Event of Default thereunder.

As of December 31, 1996, the Company's total consolidated indebtedness was $961.9 million and $269.7 million of borrowing capacity was unused under the revolving credit facility of the Credit Agreement. During the year ended December 31, 1996, total borrowings and repayments under the revolving credit facility of the Credit Agreement were $464.3 million and $477.4 million, respectively. During the year ended December 31, 1995, total

borrowings and repayments under the revolving credit facility of the Credit Agreement were $532.2 million and $525.8 million, respectively.

Management believes that the Company's existing cash resources, together with cash flows from operations and borrowings under the Credit Agreement, will be sufficient to satisfy its working capital and capital expenditure requirements for the next year. With respect to long-term liquidity, management believes that operating cash flows, together with the ability to obtain both short and long-term financing, should provide sufficient funds to meet the Company's working capital and capital expenditure requirements.

CAPITAL STRUCTURE

MAXXAM Inc. ("MAXXAM") and one of its wholly owned subsidiaries collectively own approximately 62% of the Company's Common Stock, par value $.01 per share, assuming the conversion of each outstanding share of the Company's 8.255% PRIDES, Convertible Preferred Stock (the "PRIDES") into one share of the Company's Common Stock. The remaining approximately 38% of the Company's Common Stock is publicly held.

MAXXAM Group Holdings Inc. ("MGHI"), a wholly owned subsidiary of MAXXAM, has pledged 27,938,250 shares of the Company's Common Stock beneficially owned by it (the "Pledged Shares") as security for $225.7 million of debt securities of one of its wholly owned subsidiaries. Additionally, MGHI has agreed to pledge up to 16,055,000 of such Pledged Shares as security for $130.0 million of its debt securities should the MAXXAM security pledge be released due to an early retirement of the related debt (other than by a refinancing).

The Company has an effective "shelf" registration statement covering the offering of up to 10,000,000 shares of the Company's Common Stock that are owned by MAXXAM. Any such offering will only be made by means of a prospectus. The Company will not receive any of the net proceeds from any transaction initiated by MAXXAM pursuant to this registration statement.

The Company also has an effective shelf registration statement covering the offering from time to time of up to $150.0 million of equity securities. Any such offering will only be made by means of a prospectus.

On December 31, 1997, unless either previously redeemed by the Company or converted at the option of the holder, each of the outstanding shares of PRIDES will mandatorily convert into one share of the Company's Common Stock, subject to adjustment in certain events.

The Credit Agreement does not permit the Company or KACC to pay any dividends on their common stock. The declaration and payment of dividends by the Company with respect to the outstanding PRIDES is expressly permitted by the terms of the Credit Agreement to the extent the Company receives payments on certain intercompany notes or certain other permitted distributions from KACC.

In February 1996, the Company filed a preliminary proxy statement relating to a proposed recapitalization and a special meeting of stockholders to consider and vote upon the proposal with the Securities and Exchange Commission ("SEC"). The proposed recapitalization would have provided for two separate classes of common stock with different voting rights, but was ultimately abandoned as a result of an unfavorable court ruling in a suit that had challenged the proposal.

See Note 7 of the Notes to Consolidated Financial Statements.

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 lawsuits 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. At December 31, 1996, the balance of such accruals, which are primarily included in Long-term liabilities, was $33.3 million. 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 actions 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 $3.0 to $9.0 million for the years 1997 through 2001 and an aggregate of approximately $6.0 million 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 $24.0 million and that, subject to further regulatory review and approval, the factors upon which a substantial portion of this estimate is based are expected to be resolved over the next twelve months. 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. See Note 8 of the Notes to Consolidated Financial Statements for further description of these contingencies.

ASBESTOS CONTINGENCIES

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 at least 15 years. At December 31, 1996, the number of such claims pending was approximately 71,100, as compared with 59,700 at December 31, 1995. In 1996, approximately 21,100 of such claims were received and 9,700 were settled or dismissed.

A substantial portion of the asbestos-related claims that were filed and served on KACC during 1995 and 1996 were filed in Texas. KACC has been advised by its counsel that, although there can be no assurance, the increase in pending claims may have been attributable in part to tort reform legislation in Texas. Although asbestos-related claims are currently exempt from certain aspects of the Texas tort reform legislation, management has been advised that efforts to remove the asbestos-related exemption in the tort reform legislation relating to the doctrine of forum non conveniens, as well as other developments in the legislative and legal environment in Texas, may be responsible for the accelerated pace of new claims experienced in late 1995 and its continuance in 1996, albeit at a somewhat reduced rate.

Based on past experience and reasonably anticipated future activity the Company has established an accrual for estimated asbestos-related costs for claims filed and estimated to be filed through 2008. There are inherent uncertainties involved in estimating asbestos-related costs, and the Company's actual costs could exceed or be less than these estimates. The Company's accrual was calculated based on the current and anticipated number of asbestos-related claims, the prior timing and amounts of asbestos-related payments, and the advice of Wharton Levin Ehrmantraut Klein & Nash, P.A. with respect to the current state of the law related to asbestos claims. Accordingly, an estimated asbestos-related cost accrual of $136.7 million, before consideration of insurance recoveries, is

included primarily in Long-term liabilities at December 31, 1996. While the Company does not presently believe there is a reasonable basis for estimating such costs beyond 2008 and, accordingly, no accrual has been recorded for such costs which may be incurred beyond 2008, there is a reasonable possibility that such costs may continue beyond 2008, and such costs may be substantial. The Company estimates that annual future cash payments in connection with such litigation will be approximately $8.0 to $17.0 million for each of the years 1997 through 2001, and an aggregate of approximately $80.0 million thereafter.

The Company believes that KACC has insurance coverage available to recover a substantial portion of its asbestos-related costs. Claims for recovery from some of KACC's insurance carriers are currently subject to pending litigation and other carriers have raised certain defenses, which have resulted in delays in recovering costs from the insurance carriers. The timing and amount of ultimate recoveries from these insurance carriers are dependent upon the resolution of these disputes. The Company believes, based on prior insurance-related recoveries in respect of asbestos-related claims, existing insurance policies, and the advice of Thelen, Marrin, Johnson & Bridges LLP with respect to applicable insurance coverage law relating to the terms and conditions of those policies, that substantial recoveries from the insurance carriers are probable. Accordingly, an estimated aggregate insurance recovery of $109.8 million, determined on the same basis as the asbestos-related cost accrual, is recorded primarily in Other assets at December 31, 1996.

Management continues to monitor claims activity, the status of lawsuits (including settlement initiatives), legislative progress, 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. While uncertainties are inherent in the final outcome of these asbestos matters and it is presently impossible to determine the actual costs that ultimately may be incurred and insurance recoveries that will be received, management currently believes that, based on the factors discussed in the preceding paragraphs, the resolution of asbestos-related uncertainties and the incurrence of asbestos-related costs net of related insurance recoveries should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity. See Note 8 of the Notes to Consolidated Financial Statements for further description of this contingency.

INCOME TAX MATTERS

The Company's net deferred income tax assets as of December 31, 1996, were $309.2 million, net of valuation allowances of $127.2 million. The Company believes a long-term view of profitability is appropriate and has concluded that this net deferred income tax asset will more likely than not be realized. See Note 5 of the Notes to Consolidated Financial Statements for a discussion of these and other income tax matters.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 1996 the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position No. 96-1 ("SOP 96-1") which provides authoritative guidance intended to improve and narrow the manner in which existing accounting literature is applied to the recognition, measurement, display, and disclosure of environmental remediation liabilities arising pursuant to existing federal, state and local laws and regulations. SOP 96-1 addresses the nature of items that are to be included in the measurement of a company's liability related to any environmental remediation efforts it is currently undertaking or required to complete in the future. In this regard, SOP 96-1 requires that all incremental direct third party costs, as well as any internal compensation costs (including benefits) for employees expected to devote a significant amount of time directly to remediation efforts, should be included in the determination of the estimated liability. The term "remediation effort" is defined in SOP 96-1 to include such things as remedial risk assessment, feasibility studies and operations and maintenance associated with corrective actions. SOP 96-1 must be adopted in the first quarter of 1997. The adoption of SOP 96-1 is not currently expected to have a material impact on the Company's financial position or results of operations.

Report of Independent Public Accountants

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, 1996 and 1995, and the related statements of consolidated income (loss) and cash flows for each of the three years in the period ended December 31, 1996. 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 generally accepted auditing standards. 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, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas

February 14, 1997

Kaiser Aluminum Corporation and Subsidiary Companies

Consolidated Balance Sheets

(In millions of dollars, except share amounts)	December 31, 1996	December 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 81.3	$ 21.9
Receivables:		
Trade, less allowance for doubtful receivables of $4.7 in 1996 and $5.0 in 1995	177.9	222.9
Other	74.5	85.7
Inventories	562.2	525.7
Prepaid expenses and other current assets	127.8	76.6
Total current assets	1,023.7	932.8
Investments in and advances to unconsolidated affiliates	168.4	178.2
Property, plant, and equipment-net	1,168.7	1,109.6
Deferred income taxes	264.5	269.1
Other assets	308.7	323.5
Total	$2,934.0	$2,813.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 189.7	$ 184.5
Accrued interest	35.6	32.0
Accrued salaries, wages, and related expenses	95.4	105.3
Accrued postretirement medical benefit obligation-current portion	50.1	46.8
Other accrued liabilities	132.7	129.4
Payable to affiliates	97.0	94.2
Long-term debt-current portion	8.9	8.9
Total current liabilities	609.4	601.1
Long-term liabilities	458.1	548.5
Accrued postretirement medical benefit obligation	722.5	734.0
Long-term debt	953.0	749.2
Minority interests	121.7	122.7
Commitments and contingencies		

Stockholders' equity:		
Preferred stock, par value $.05, authorized 20,000,000 shares; PRIDES Convertible, par value $.05, issued and outstanding, 8,673,850 in 1996 and 1995	.4	.4
Common stock, par value $.01, authorized 100,000,000 shares; issued and outstanding, 71,646,789 and 71,638,514 in 1996 and 1995	.7	.7
Additional capital	531.1	530.3
Accumulated deficit	(460.1)	(459.9)
Additional minimum pension liability	(2.8)	(13.8)
Total stockholders' equity	69.3	57.7
Total	$2,934.0	$2,813.2

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

Statements of Consolidated Income (Loss)

	Year Ended December 31,		
(In millions of dollars, except share amounts)	1996	1995	1994
Net sales	$2,190.5	$2,237.8	$1,781.5
Costs and expenses:			
Cost of products sold	1,869.1	1,798.4	1,625.5
Depreciation	96.0	94.3	95.4
Selling, administrative, research and development, and general	127.6	134.5	116.8
Total costs and expenses	2,092.7	2,027.2	1,837.7
Operating income (loss):	97.8	210.6	(56.2)
Other income (expense):			
Interest expense	(93.4)	(93.9)	(88.6)
Other-net	(2.7)	(14.1)	(7.3)
Income (loss) before income taxes, minority interests and extraordinary loss	1.7	102.6	(152.1)
Credit (provision) for income taxes	9.3	(37.2)	53.8
Minority interests	(2.8)	(5.1)	(3.1)
Income (loss) before extraordinary loss	8.2	60.3	(101.4)
Extraordinary loss on early extinguishment of debt, net of tax benefit of $2.9			(5.4)
Net income (loss)	8.2	60.3	(106.8)
Dividends on preferred stock	(8.4)	(17.6)	(20.1)
Net income (loss) available to common shareholders	$ (0.2)	$ 42.7	$ (126.9)
Earnings (loss) per common and common equivalent share:			
Primary:			
Income (loss) before extraordinary loss	$ .00	$ .69	$ (2.09)
Extraordinary loss			(.09)
Net income (loss)	$ .00	$ .69	$ (2.18)
Fully diluted		$ .72	
Weighted average common and common equivalent shares outstanding (000):			
Primary	71,644	62,264	58,139
Fully diluted		71,809	

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

Kaiser Aluminum Corporation and Subsidiary Companies

Statements of Consolidated Cash Flows

(In millions of dollars)	Year Ended December 31, 1996	1995	1994
Cash flows from operating activities:			
Net income (loss)	$ 8.2	$ 60.3	$ (106.8)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation	96.0	94.3	95.4
Amortization of excess investment over equity in unconsolidated affiliates	11.6	11.4	11.6
Amortization of deferred financing costs and net discount on long-term debt	5.6	5.4	6.2
Undistributed equity in (income) losses of unconsolidated affiliates	3.0	(19.2)	1.9
Minority interests	2.8	5.1	3.1
Decrease (increase) in receivables	51.8	(109.7)	36.4
Increase in inventories	(36.5)	(57.7)	(41.1)
(Increase) decrease in prepaid expenses and other assets	(39.5)	82.9	(60.6)
Increase in accounts payable	5.2	32.4	25.8
Increase (decrease) in accrued interest	3.6	(.6)	9.3
(Decrease) increase in payable to affiliates and accrued liabilities	(62.9)	10.6	50.8
Decrease in accrued and deferred income taxes	(36.5)	(7.4)	(68.8)
Other	9.5	10.9	14.7
Net cash provided by (used for) operating activities	21.9	118.7	(22.1)
Cash flows from investing activities:			
Additions to property, plant, and equipment	(160.3)	(79.4)	(70.0)
Investments in unconsolidated affiliates	(1.2)	(9.0)	
Other	17.2	8.6	4.1
Net cash used for investing activities	(144.3)	(79.8)	(65.9)
Cash flows from financing activities:			
Borrowings (repayments) under revolving credit facility, net	(13.1)	6.4	(181.3)
Borrowings of long-term debt	225.9		223.6
Repayments of long-term debt	(9.0)	(11.8)	(9.0)
Incurrence of financing costs	(6.2)	(.8)	(19.2)
Dividends paid	(10.5)	(20.8)	(14.8)
Capital stock issued		1.2	100.1
Redemption of minority interests' preference stock	(5.3)	(8.8)	(8.5)
Net cash provided by (used for) financing activities	181.8	(34.6)	90.9
Net increase in cash and cash equivalents during the year	59.4	4.3	2.9
Cash and cash equivalents at beginning of year	21.9	17.6	14.7
Cash and cash equivalents at end of year	$ 81.3	$ 21.9	$ 17.6
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalized interest	$ 84.2	$ 88.8	$ 73.1
Income taxes paid	22.7	35.7	16.0
Tax allocation payments to (from) MAXXAM Inc.	1.1		(3.9)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the statements of Kaiser Aluminum Corporation ("Kaiser" or 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, Kaiser Aluminum & Chemical Corporation ("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 exceed its internal processing needs, which allows it to be a major seller of alumina and primary aluminum to domestic and international third parties (see Note 10).

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.

Certain reclassifications of prior-year information were made to conform to the current presentation.

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, 1996	1995
Finished fabricated products	$ 113.5	$ 91.5
Primary aluminum and work in process	200.3	195.9
Bauxite and alumina	110.2	119.6
Operating supplies and repair and maintenance parts	138.2	118.7
	$ 562.2	$ 525.7

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 no stock options were granted in 1996 or 1995 and as the stock options granted in 1994 were at the market price (see Note 6).

OTHER INCOME (EXPENSE)

Other expense in 1996, 1995, and 1994 includes $3.1, $17.8, and $16.5 of pre-tax charges related principally to establishing additional: (i) litigation reserves for asbestos claims, net of estimated aggregate insurance recoveries, and (ii) environmental reserves for potential soil and ground water remediation matters, each pertaining to operations which were discontinued prior to the acquisition of the Company by MAXXAM in 1988.

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.

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 transactions costs, monitor consolidated net exposures and allow for increased responsiveness to changes in market factors.

Most of KACC's hedging activities involve the use of option contracts (which establish a maximum and/or minimum amount to be paid or received) and forward sales contracts (which effectively fix or lock-in the amount KACC will pay or receive). Option contracts typically require the payment of an up-front premium in return for the right to receive the amount (if any) by which the price at the settlement date exceeds the strike price. Any interim fluctuations in prices prior to the settlement date are deferred until the settlement date of the underlying hedged transaction, at which point they are reflected in net sales or cost of sales (as applicable) together with the related premium cost. Forward sales contracts do not require an up-front payment and are settled by the receipt or payment of the amount by which the price at the settlement date varies from the contract price. No accounting recognition is accorded to interim fluctuations in prices of forward sales contracts.

KACC has established margin accounts and credit limits with certain counterparties related to open forward sales and option contracts. When unrealized gains or losses are in excess of such credit limits, KACC is entitled to receive advances from the counterparties on open positions or is required to make margin deposits to counterparties, as the case may be. At December 31, 1996, KACC had received $13.0 of margin advances from counterparties. At December 31, 1995, KACC had neither received nor made any margin deposits. Management considers credit risk related to possible failure of the counterparties to perform their obligations pursuant to the derivative contracts to be minimal.

Deferred gains or losses as of December 31, 1996, are included in Prepaid expenses and other current assets and Other accrued liabilities (See Note 9).

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates the fair value of its outstanding indebtedness to be $1,006.9 and $806.3 at December 31, 1996, and 1995, respectively, based on quoted market prices for KACC's 97/8% Senior Notes due 2002 (the "97/8% Notes") and 123/4% Senior Subordinated Notes due 2003 (the "123/4% Notes"), the issuance price of the 107/8% Notes (as defined in Note 4), and the discounted future cash flows for all other indebtedness, using the current rate for debt of similar maturities and terms. The Company believes that the carrying amount of other financial instruments is a reasonable estimate of their fair value, unless otherwise noted.

EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE

Primary--Earnings (loss) per common and common equivalent share are computed by deducting preferred stock dividends from net income (loss) in order to determine net income (loss) available to common shareholders. This amount is then divided by the weighted average number of common and common equivalent shares outstanding during the period. The weighted average number of common and common equivalent shares outstanding for the year ended December 31, 1996, excludes the impact of outstanding stock options since they were antidilutive. The impact of outstanding stock options on weighted average number of common and common equivalent shares on the other periods presented was immaterial.

Fully Diluted--The Company's 8.255% PRIDES, Convertible Preferred Stock ("PRIDES") were excluded from the calculation of the weighted average number of common and common equivalent shares outstanding for all periods presented because they were antidilutive. For the year ended December 31, 1995, dividends of $9.2 attributable to the Company's Mandatory Conversion Premium Dividend Preferred Stock (the "Series A Shares") which were exchanged for approximately 13.1 million shares of the Company's Common Stock and certain cash payments on September 19, 1995, have not been deducted from net income and the weighted average number of common and common equivalent shares outstanding have been adjusted to reflect the shares of common stock issued in the exchange as if they had been outstanding for the entire period. As a result of the conversion of the Series A Shares, fully diluted earnings per share for the 1995 periods are presented even though the results are antidilutive.

2. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Summary 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") (28.3% owned), Anglesey Aluminium Limited ("Anglesey") (49.0% owned), and Kaiser Jamaica Bauxite Company (49.0% owned). The equity in earnings (losses) before income taxes of such operations is treated as a reduction (increase) in cost of products sold. At December 31, 1996 and 1995, KACC's net receivables from these affiliates were not material.

SUMMARY OF COMBINED FINANCIAL POSITION

(In millions of dollars, except share amounts)

	December 31, 1996	1995
Current assets	$ 450.3	$ 429.0
Long-term assets (primarily property, plant, and equipment, net)	364.7	370.1
Total assets	$ 815.0	$ 799.1
Current liabilities	$ 116.9	$ 125.4
Long-term liabilities (primarily long-term debt)	386.7	367.4
Stockholders' equity	311.4	306.3
Total liabilities and stockholders' equity	$ 815.0	$ 799.1

SUMMARY OF COMBINED OPERATIONS

	Year Ended December 31, 1996	1995	1994
Net sales	$ 660.5	$ 685.9	$ 489.8
Costs and expenses	(631.5)	(618.7)	(494.8)
Provision for income taxes	(8.7)	(18.7)	(6.3)
Net income (loss)	$ 20.3	$ 48.5	$ (11.3)
Company's equity in income (loss)	$ 8.8	$ 19.2	$ (1.9)
Dividends received	$ 11.8		

The Company's equity in income (loss) differs from the summary net income (loss) due to various percentage ownerships in the entities and equity method accounting adjustments. At December 31, 1996, KACC's investment in its unconsolidated affiliates exceeded its equity in their net assets by approximately $42.0 which amount will be fully amortized over the next four years.

The Company and its affiliates have interrelated operations. KACC provides some of its affiliates with services such as financing, management, and engineering. Significant activities with affiliates include the acquisition and processing of bauxite, alumina, and primary aluminum. Purchases from these affiliates were $281.6, $284.4, and $219.7 in the years ended December 31, 1996, 1995, and 1994, respectively.

3. PROPERTY, PLANT, AND EQUIPMENT

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

	December 31, 1996	1995
Land and improvements	$ 157.5	$ 151.8
Buildings	216.0	198.5
Machinery and equipment	1,441.1	1,337.6
Construction in progress	84.7	59.6
	1,899.3	1,747.5
Accumulated depreciation	730.6	637.9
Property, plant, and equipment, net	$1,168.7	$1,109.6

4. LONG-TERM DEBT

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

	1997	1998	1999	2000	2001	2002 and After	December 31, 1996 Total	December 31, 1995 Total
Credit Agreement								$ 13.1
9-7/8% Senior Notes due 2002, net						$224.0	$224.0	223.8
10-7/8% Senior Notes due 2006, net						225.9	225.9	
Alpart CARIFA Loan - Series A, due 2008 (variable rates)						38.0	38.0	38.0
Alpart CARIFA Loan - Series B, due 2007 (8.25%)						22.0	22.0	22.0
12-3/4% Senior Subordinated Notes due 2003						400.0	400.0	400.0
Other borrowings (fixed and variable rates)	$ 8.9	$ 9.1	$ .4	$ .4	$ .4	32.8	52.0	61.2
Total	$ 8.9	$ 9.1	$ .4	$ .4	$ .4	$942.7	961.9	758.1
Less current portion							8.9	8.9
Long-term debt							$953.0	$749.2

CREDIT AGREEMENT

In February 1994, the Company and KACC entered into a credit agreement (as amended, the "Credit Agreement") which provides a $325.0 five-year secured, revolving line of credit. KACC is able to borrow under the facility by means of revolving credit advances and letters of credit (up to $125.0) in an aggregate amount equal to the lesser of $325.0 or a borrowing base relating to eligible accounts receivable plus eligible inventory. As of December 31, 1996, $269.7 (of which $71.9 could have been used for letters of credit) was available to KACC under the Credit Agreement. The Credit Agreement is unconditionally guaranteed by the Company and by certain significant subsidiaries of KACC. Interest on outstanding balances will bear a premium (which varies based on the results of a financial test) over either a base rate or LIBOR at the Company's option.

1996 ISSUANCES

During the fourth quarter of 1996, KACC sold a total of $225.0 principal amount of two separate series of 10 7/8% Senior Notes due 2006 (the "10 7/8% Notes") in separate transactions. A net premium of $.9 was realized from the issuance of the 10 7/8% Notes. The 10 7/8% Notes rank pari passu in right and priority of payment with the indebtedness under the Credit Agreement and the 9 7/8% Notes and are guaranteed on a senior, unsecured basis by certain of KACC's subsidiaries.

LOAN COVENANTS AND RESTRICTIONS

The Credit Agreement 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 Credit Agreement is secured by, among other things, (i) mortgages on KACC's major domestic plants (excluding KACC's Gramercy alumina plant and Nevada Micromill); (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 Kaiser; 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.

(In millions of dollars, except share amounts)

The obligations of KACC with respect to its 9 7/8% Notes, its 10 7/8% Notes and its 12 3/4% Notes are guaranteed, jointly and severally, by certain subsidiaries of KACC. 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), and the Credit Agreement provides that the occurrence of a Change in Control (as defined therein) shall constitute an Event of Default thereunder.

Under the most restrictive of the covenants in the Indentures and the Credit Agreement, neither the Company nor KACC currently is permitted to pay dividends on its common stock.

In December 1991, Alpart entered into a loan agreement with the Caribbean Basin Projects Financing Authority ("CARIFA"). Pursuant to the loan agreement, Alpart must remain a qualified recipient for Caribbean Basin Initiative funds as defined in applicable laws. 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. Alpart's obligations under the loan agreement are secured by a $64.2 letter of credit guaranteed by the partners in Alpart (of which $22.5 is guaranteed by the Company's minority partner in Alpart).

RESTRICTED NET ASSETS OF SUBSIDIARIES

Certain debt instruments restrict the ability of KACC to transfer assets, make loans and advances, and pay dividends to the Company. The restricted net assets of KACC totaled $56.1 and $24.0 at December 31, 1996 and 1995, respectively.

CAPITALIZED INTEREST

Interest capitalized in 1996, 1995, and 1994 was $4.9, $2.8, and $2.7, respectively.

EXTRAORDINARY ITEM

The Company recorded a pre-tax extraordinary loss of $5.4 (net of $2.9 of deferred income taxes provided at a rate which approximates the federal statutory rate) in the first quarter of 1994 when the Company entered into the Credit Agreement, as a result of the write-off of unamortized deferred financing costs related to the previous credit agreement.

5. INCOME TAXES

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

	Year Ended December 31,		
	1996	1995	1994
Domestic	$ (45.8)	$ (55.9)	$ (168.4)
Foreign	47.5	158.5	16.3
Total	$ 1.7	$ 102.6	$ (152.1)

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.

(In millions of dollars, except share amounts)

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

		Federal	Foreign	State	Total
1996	Current	$ (1.6)	$(21.8)	$ (.1)	$(23.5)
	Deferred	8.6	7.6	16.6	32.8
	Total	$ 7.0	$(14.2)	$ 16.5	$ 9.3
1995	Current	$ (4.3)	$(40.2)	$ (.1)	$(44.6)
	Deferred	15.2	(4.9)	(2.9)	7.4
	Total	$ 10.9	$(45.1)	$ (3.0)	$(37.2)
1994	Current		$(18.0)	$ (.1)	$(18.1)
	Deferred	$ 71.2	.6	.1	71.9
	Total	$ 71.2	$(17.4)	$ .0	$ 53.8

The 1994 federal deferred credit for income taxes of $71.2 includes $29.3 for the benefit of operating loss carryforwards generated in 1994.

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

	Year Ended December 31,		
	1996	1995	1994
Amount of federal income tax credit (provision) based on the statutory rate	$ (.6)	$(35.9)	$53.2
Revision of prior years' tax estimates and other changes in valuation allowances	10.0	1.5	.2
Percentage depletion	3.9	4.2	5.6
Foreign taxes, net of federal tax benefit	(5.5)	(5.4)	(5.3)
Other	1.5	(1.6)	.1
Credit (provision) for income taxes	$ 9.3	$(37.2)	$53.8

Included in revision of prior years' tax estimates and other changes in valuation allowances for 1996 shown above is $9.8 related to the resolution of certain income tax matters in the fourth quarter of 1996.

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

(In millions of dollars, except share amounts)

	December 31, 1996	December 31, 1995
Deferred income tax assets:		
Postretirement benefits other than pensions	$ 290.5	$ 289.9
Loss and credit carryforwards	135.1	156.1
Other liabilities	157.6	163.8
Other	86.7	66.2
Valuation allowances	(127.2)	(128.5)
Total deferred income tax assets-net	542.7	547.5
Deferred income tax liabilities:		
Property, plant, and equipment	(160.9)	(179.8)
Other	(72.6)	(75.9)
Total deferred income tax liabilities	(233.5)	(255.7)
Net deferred income tax assets	$ 309.2	$ 291.8

The principal component of the Company's net deferred income tax asset is the tax benefit, net of certain valuation allowances, associated with the accrued liability for postretirement benefits other than pensions. The future tax deductions with respect to the turnaround of this accrual will occur over a 30- to 40-year period. If such deductions create or increase a net operating loss in any one year, the Company has the ability to carry forward such loss for 15 taxable years. For these reasons, the Company believes that a long-term view of profitability is appropriate and has concluded that this net deferred income tax asset will more likely than not be realized.

A substantial portion of the valuation allowances provided by the Company relates to loss and credit carryforwards. To determine the proper amount of valuation allowances with respect to these carryforwards, the Company evaluated all appropriate factors, including any limitations concerning their use and the year the carryforwards expire, as well as the levels of taxable income necessary for utilization. For example, full valuation allowances were provided for certain credit carryforwards that expire in the near term. With regard to future levels of income, the Company believes, based on the cyclical nature of its business, its history of operating earnings, and its expectations for future years, that it will more likely than not generate sufficient taxable income to realize the benefit attributable to the loss and credit carryforwards for which valuation allowances were not provided.

As of December 31, 1996 and 1995, $69.7 and $53.5, respectively, of the net deferred income tax assets listed above are included on the Consolidated Balance Sheets in the caption entitled Prepaid expenses and other current assets. Certain other portions of the deferred income tax liabilities listed above are included on the Consolidated Balance Sheets in the captions entitled Other accrued liabilities and Long-term liabilities.

The Company and its subsidiaries file consolidated federal income tax returns. For the period from October 28, 1988 through June 30, 1993, the Company and its subsidiaries were included in the consolidated federal income tax returns of MAXXAM. Payments or refunds for periods ended prior to July 1, 1993, may still be required by or payable to the Company or KACC pursuant to their respective tax allocation agreements with MAXXAM due to the final resolution of audits, amended returns, and related matters. However, the Credit Agreement prohibits the payment by KACC to MAXXAM of any amounts due under KACC's tax allocation agreement with MAXXAM (the "KACC Tax Allocation Agreement"), except for certain payments that are required as a result of audits and only to the extent of any amounts paid after February 17, 1994, by MAXXAM to KACC under the KACC Tax

Allocation Agreement. The respective tax allocation agreements of the Company and KACC with MAXXAM terminated pursuant to their terms, effective for taxable periods beginning after June 30, 1993.

The following table presents the Company's tax attributes for federal income tax purposes as of December 31, 1996. The utilization of certain of these tax attributes is subject to limitations:

		Expiring Through
Regular tax attribute carryforwards:		
Net operating losses	$ 36.0	2010
General business tax credits	23.1	2010
Foreign tax credits	68.5	2001
Alternative minimum tax credits	19.9	Indefinite
Alternative minimum tax attribute carryforwards:		
Net operating losses	$ 26.6	2010
Foreign tax credits	72.2	2001

6. EMPLOYEE BENEFIT AND INCENTIVE PLANS

RETIREMENT PLANS

Retirement plans are non-contributory for salaried and hourly employees and generally provide for benefits based on a formula which considers length of service and earnings during years of service. The Company's funding policies meet or exceed all regulatory requirements.

The funded status of the employee pension benefit plans and the corresponding amounts that are included in the Company's Consolidated Balance Sheets are as follows:

	Plans with Accumulated Benefits Exceeding Assets(1) December 31,	
	1996	1995
Accumulated benefit obligation:		
Vested employees	$ 737.7	$ 753.0
Nonvested employees	38.5	28.7
Accumulated benefit obligation	776.2	781.7
Additional amounts related to projected salary increases	40.0	34.2
Projected benefit obligation	816.2	815.9
Plan assets (principally common stocks and fixed income obligations) at fair value	(662.0)	(592.3)
Plan assets less than projected benefit obligation	154.2	223.6
Unrecognized net losses	(13.6)	(54.7)
Unrecognized net obligations	(.4)	(.5)
Unrecognized prior-service cost	(26.9)	(28.2)
Adjustment required to recognize minimum liability	13.7	49.8
Accrued pension obligation included in the Consolidated Balance Sheets (principally in Long-term liabilities)	$ 127.0	$ 190.0

(1) Includes plans with assets exceeding accumulated benefits by approximately $.3 and $.1 in 1996 and 1995, respectively.

(In millions of dollars, except share amounts)

As required by Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions, the Company recorded an after-tax credit (charge) to equity of $11.0 and $(4.7) at December 31, 1996 and 1995, respectively, for the deficit (excess) of the minimum liability over the unrecognized net obligation and prior-service cost. These amounts were recorded net of the related income tax (provision) credit of $(6.5) and $2.8 as of December 31, 1996 and 1995, respectively, which approximated the federal and state statutory rates.

The components of net periodic pension cost are:

	Year Ended December 31,		
	1996	1995	1994
Service cost - benefits earned during the period	$ 12.9	$ 10.0	$ 11.2
Interest cost on projected benefit obligation	60.0	59.8	57.3
Return on assets:			
Actual gain	(89.8)	(112.2)	(.8)
Deferred gain (loss)	34.8	64.6	(53.0)
Net amortization and deferral	5.5	4.2	4.1
Net periodic pension cost	$ 23.4	$ 26.4	$ 18.8

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

	1996	1995	1994
Discount rate	7.75%	7.5%	8.5%
Expected long-term rate of return on assets	9.5%	9.5%	9.5%
Rate of increase in compensation levels	5.0%	5.0%	5.0%

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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.

In 1995, the Company adopted the Kaiser Aluminum Medicare Program ("KAMP"). KAMP is mandatory for all salaried retirees over 65 and for United Steelworkers of America ("USWA") retirees who retire after December 31, 1995, when they become 65, and voluntary for other hourly retirees of the Company's operations in the states of California, Louisiana, Pennsylvania, Rhode Island, and Washington.

The Company's accrued postretirement benefit obligation is composed of the following:

	December 31, 1996	1995
Accumulated postretirement benefit obligation:		
Retirees	$ 498.7	$ 557.6
Active employees eligible for postretirement benefits	36.7	30.7
Active employees not eligible for postretirement benefits	67.4	61.1
Accumulated postretirement benefit obligation	602.8	649.4
Unrecognized net gains	71.3	20.5
Unrecognized gains related to prior-service costs	98.5	110.9
Accrued postretirement benefit obligation	$ 772.6	$ 780.8

The components of net periodic postretirement benefit cost are:

	Year Ended December 31, 1996	1995	1994
Service cost	$ 3.8	$ 4.5	$ 8.2
Interest cost	46.9	52.3	56.9
Amortization of prior service cost	(12.4)	(8.9)	(3.2)
Net periodic postretirement benefit cost	$ 38.3	$ 47.9	$ 61.9

The 1997 annual assumed rates of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for non-HMO are 8.0% and 6.0% for retirees under 65 and over 65, respectively, and 5.5% for HMO at all ages. Non-HMO rates are assumed to decrease gradually to 5.5% in 2004 and remain at that level thereafter. The health care cost trend rate has a significant effect on the amounts reported. A one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation as of December 31, 1996, by approximately $60.4 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 1996 by approximately $6.1. The weighted average discount rate used to determine the accumulated postretirement benefit obligation at December 31, 1996 and 1995, was 7.75% and 7.5%, respectively.

POSTEMPLOYMENT BENEFITS

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

(In millions of dollars, except share amounts)

INCENTIVE PLANS

In 1993, the Company adopted the Kaiser 1993 Omnibus Stock Incentive Plan (the "1993 Incentive Plan"). A total of 2,500,000 shares of the Company's Common Stock were reserved for awards or for payment of rights granted under the 1993 Incentive Plan, of which 572,254 shares were available to be awarded at December 31, 1996. During 1994, under the 1993 Incentive Plan, 102,564 restricted shares, which are now fully vested, were distributed to two Company executives. Compensation expense recognized during 1996, 1995 and 1994 associated with the 1993 Incentive Plan and a prior long-term incentive plan (the "LTIP") was approximately $.7, $1.4 and $2.2, respectively.

In 1994, the Compensation Committee of the Board of Directors approved the award of "nonqualified stock options" to certain members of management. These options generally vest at the rate of 25% per year. Information relating to nonqualified stock option activity is shown below. The weighted average price per share is shown parenthetically.

	1996	1995	1994
Outstanding at beginning of year ($10.32, $9.85 and $7.55)	926,085	1,119,680	664,400
Granted ($12.75)			494,800
Exercised ($8.99, $7.32 and $7.25)	(8,275)	(155,500)	(6,920)
Expired or forfeited ($10.45, $8.88 and $7.46)	(27,415)	(38,095)	(32,600)
Outstanding at end of year ($10.33, $10.32 and $9.85)	890,395	926,085	1,119,680
Exercisable at end of year ($10.47, $10.73 and $7.57)	436,195	211,755	120,180

In 1995, the Company adopted the Kaiser Aluminum Total Compensation System, an unfunded incentive compensation program. The program provides incentive pay based on performance against annual plans and over rolling three-year periods. KACC also has a defined contribution plan for salaried employees. The Company's expense for these plans was $(2.1), $11.9 and $6.1 for the years ended December 31, 1996, 1995, and 1994, respectively.

(In millions of dollars, except share amounts)

7. STOCKHOLDERS' EQUITY AND MINORITY INTERESTS

Changes in stockholders' equity and minority interests were:

	Minority Interests		Stockholders' Equity				
	Redeemable Preference Stock	Other	Preferred Stock	Common Stock	Additional Capital	Accu-mulated Deficit	Additional Minimum Pension Liability
BALANCE, DECEMBER 31, 1993	$ 33.6	$ 71.4	$ .2	$ .6	$425.9	$(375.7)	$(21.6)
Net loss						(106.8)	
Redeemable preference stock:							
Accretion	4.0						
Stock redemption	(8.5)						
Common stock issued					2.2		
Preferred stock issued			.4		99.7		
Dividends on preferred stock						(20.1)	
Minority interests		15.7					
Reduction of minimum pension liability							12.5
BALANCE, DECEMBER 31, 1994	29.1	87.1	.6	.6	527.8	(502.6)	(9.1)
Net income						60.3	
Redeemable preference stock:							
Accretion	3.9						
Stock redemption	(8.7)						
Stock repurchase	5.4						
Conversions (1,222 preference shares into cash)		(.1)					
Common stock issued upon redemption and conversion of preferred stock			(.2)	.1	1.1		
Dividends on preferred stock						(17.6)	
Minority interests		6.0					
Incentive plans accretion					1.4		
Additional minimum pension liability							(4.7)
BALANCE, DECEMBER 31, 1995	29.7	93.0	.4	.7	530.3	(459.9)	(13.8)
Net Income						8.2	
Redeemable preference stock:							
Accretion	3.1						

(In millions of dollars, except share amounts)

Stock redemption	(5.3)						
Common stock issued upon redemption and conversion of preferred stock					.1		
Dividends on preferred stock						(8.4)	
Minority interests		1.2					
Incentive plan accretion					.7		
Reduction of minimum pension liability							11.0
BALANCE, DECEMBER 31, 1996	$ 27.5	$ 94.2	$ .4	$ .7	$531.1	$(460.1)	$ (2.8)

REDEEMABLE PREFERENCE STOCK

In 1985, KACC issued its Cumulative (1985 Series A) Preference Stock and its Cumulative (1985 Series B) Preference Stock (together, the "Redeemable Preference Stock") each of which has a par value of $1 per share and a liquidation and redemption value of $50 per share plus accrued dividends, if any. No additional Redeemable Preference Stock is expected to be issued. Holders of the Redeemable Preference Stock are entitled to an annual cash dividend of $5 per share, or an amount based on a formula tied to KACC's pre-tax income from aluminum operations, when and as declared by the Board of Directors.

The carrying values of the Redeemable Preference Stock are increased each year to recognize accretion between the fair value (at which the Redeemable Preference Stock was originally issued) and the redemption value. Changes in Redeemable Preference Stock are shown below.

	1996	1995	1994
Shares:			
Beginning of year	737,363	912,167	1,081,548
Redeemed	(102,679)	(174,804)	(169,381)
End of year	634,684	737,363	912,167

Redemption fund agreements require KACC to make annual payments by March 31 of the subsequent year based on a formula tied to consolidated net income until the redemption funds are sufficient to redeem all of the Redeemable Preference Stock. On an annual basis, the minimum payment is $4.3 and the maximum payment is $7.3. KACC also has certain additional repurchase requirements which are, among other things, based upon profitability tests.

The Redeemable Preference Stock is entitled to the same voting rights as KACC common stock and to certain additional voting rights under certain circumstances, including the right to elect, along with other KACC preference stockholders, two directors whenever accrued dividends have not been paid on two annual dividend payment dates or when accrued dividends in an amount equivalent to six full quarterly dividends are in arrears. The Redeemable Preference Stock restricts the ability of KACC to redeem or pay dividends on common stock if KACC is in default on any dividends payable on Redeemable Preference Stock.

PREFERENCE STOCK

KACC has four series of $100 par value Cumulative Convertible Preference Stock ("$100 Preference Stock") with annual dividend requirements of between 4 1/8%

and 4 3/4%. 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.

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, 1996, and 1995, outstanding shares of $100 Preference Stock were 21,630 and 22,214, respectively.

PREFERRED STOCK

Series A Convertible--In 1993, Kaiser issued 19,382,950 of its $.65 Depositary Shares (the "Depositary Shares"), each representing one-tenth of a share of Series A Mandatory Conversion Premium Dividend Preferred Stock (the "Series A Shares"). On September 19, 1995, the Company redeemed all 1,938,295 Series A Shares, which resulted in the simultaneous redemption of all Depositary Shares in exchange for (i) 13,126,521 shares of the Company's

Common Stock and (ii) $2.8 in cash in satisfaction of all accrued and unpaid dividends up to and including the day immediately prior to the redemption date and any fractional shares of common stock that would have otherwise been issuable.

PRIDES Convertible--In the first quarter of 1994, the Company consummated the public offering of 8,855,550 shares of the PRIDES. The net proceeds from the sale of the shares of PRIDES were approximately $100.1. The Company used such net proceeds to make non-interest bearing loans to KACC in the aggregate principal amount of $33.2 (the aggregate dividends scheduled to accrue on the shares of PRIDES from the issuance date until December 31, 1997, the date on which the outstanding PRIDES will be mandatorily converted into shares of the Company's Common Stock), evidenced by intercompany notes, and used the balance of such net proceeds to make capital contributions to KACC in the aggregate amount of $66.9. Holders of shares of PRIDES are entitled to receive (when, as, and if the Board of Directors declares dividends on the PRIDES) cumulative preferential cash dividends at a rate per annum of 8.255% of the per share offering price (equivalent to $.97 per annum for each share of PRIDES), from the date of initial issuance, payable quarterly in arrears. Holders of shares of PRIDES have a 4/5 vote for each share held of record and, except as required by law, are entitled to vote together with the holders of the Company's Common Stock and together with the holders of any other classes or series of stock who are entitled to vote in such manner on all matters submitted to a vote of common stockholders.

On December 31, 1997, unless either previously redeemed by the Company or converted at the option of the holder, each of the outstanding shares of PRIDES will mandatorily convert into one share of the Company's Common Stock, subject to adjustment in certain events, and the right to receive an amount in cash equal to all accrued and unpaid dividends thereon.

At any time and from time to time after December 31, 1996, the Company may redeem any or all of the outstanding shares of PRIDES. The number of shares of the Company's Common Stock a holder will receive upon redemption will vary depending on a formula and the market price of the Company's Common Stock from time to time, but in no event will be less than .8333 of a share of Common Stock, subject to adjustment in certain events. At any time prior to December 31, 1997, each share of PRIDES is convertible at the option of the holder thereof into .8333 of a share of Common Stock (equivalent to a conversion price of $14.10 per share of Common Stock), subject to adjustment in certain events. The value of the shares received by a holder will vary depending on the market price of the Company's Common Stock.

PLEDGED SHARES

At December 31, 1996, 27,938,250 shares of the Company's Common Stock (the

"Pledged Shares") beneficially owned by MAXXAM Group Holdings Inc. ("MGHI"), a wholly owned subsidiary of MAXXAM, were pledged as security for debt of MAXXAM Group Inc. ("MGI"), a wholly owned subsidiary of MGHI, consisting of $100.0 aggregate principal amount of 11 1/4% Senior Secured Notes due 2003 and $125.7 aggregate principal amount of 12 1/4% Senior Secured Discount Notes due 2003 (collectively the "MGI Secured Debt"). Additionally, up to 16,055,000 of the Pledged Shares are to be pledged by MGHI as security for $130.0 principal amount of 12% Senior Secured Notes due 2003 issued in December 1996 by MGHI, if any of the Pledged Shares are released as security for the MGI Secured Debt by reason of an early retirement of such indebtedness (other than by a refinancing).

PROPOSED RECAPITALIZATION

On February 5, 1996, the Company announced that it filed with the Securities and Exchange Commission ("SEC") a preliminary proxy statement relating to a proposed recapitalization and a special meeting of stockholders to consider and vote upon the proposal. The proposed recapitalization would have: (i) provided for two classes of

(In millions of dollars, except share amounts)

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common stock: Class A Common Shares, $.01 par value, with one vote per share and a new lesser-voting class designated as Common Stock, $.01 par value, with 1/10 vote per share; (ii) redesignated as Class A Common Shares the 100 million currently authorized shares of existing common stock and authorize an additional 250 million shares to be designated as Common Stock; and (iii) changed each issued share of the Company's existing common stock, par value $.01 per share, into (a) .33 of a Class A Common Share and (b) .67 of a share of Common Stock. Although approved by the Company's stockholders, the proposed recapitalization was not implemented and was ultimately abandoned as a result of an unfavorable court ruling in a suit that had challenged the plan. The decision to abandon the proposed recapitalization does not preclude a recapitalization from being proposed to the Company's stockholders in the future.

8. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

KACC has a variety of financial commitments, including purchase agreements, tolling arrangements, forward foreign exchange and forward sales contracts (see Note 9), 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 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. The aggregate minimum amount of required future principal payments at December 31, 1996, is $94.4, of which approximately $12.0 is due in each of 2000 and 2001 with the balance being due thereafter. KACC's share of payments, including operating costs and certain other expenses under the agreements, has ranged between $110.0-$120.0 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, 1996, are as follows: years ending December 31, 1997- $23.2; 1998-$25.8; 1999-$30.7; 2000-$27.6; 2001-$27.2; thereafter-$160.3. The future minimum rentals receivable under noncancelable subleases was $46.7 at December 31, 1996.

Rental expenses were $29.6, $29.0, and $26.8, for the years ended December 31, 1996, 1995, and 1994, respectively.

ENVIRONMENTAL CONTINGENCIES

(In millions of dollars, except share amounts)

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 lawsuits 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. The following table presents the changes in such accruals, which are primarily included in Long-term liabilities, for the years ended December 31, 1996, 1995, and 1994:

	1996	1995	1994
Balance at beginning of period	$ 38.9	$ 40.1	$ 40.9
Additional amounts	3.2	3.3	2.8
Less expenditures	(8.8)	(4.5)	(3.6)
Balance at end of period	$ 33.3	$ 38.9	$ 40.1

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 $3.0 to $9.0 for the years 1997 through 2001 and an aggregate of approximately $6.0 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 $24.0 and that, subject to further regulatory review and approval, the factors upon which a substantial portion of this estimate is based are expected to be resolved over the next twelve months. 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 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 at least 15 years.

The following table presents the changes in number of such claims pending for the years ended December 31, 1996, 1995, and 1994.

(In millions of dollars, except share amounts)

	1996	1995	1994
Number of claims at beginning of period	59,700	25,200	23,400
Claims received	21,100	41,700	14,300
Claims settled or dismissed	(9,700)	(7,200)	(12,500)
Number of claims at end of period	71,100	59,700	25,200

A substantial portion of the asbestos-related claims that were filed and served on KACC during 1995 and 1996 were filed in Texas. KACC has been advised by its counsel that, although there can be no assurance, the increase in pending claims may have been attributable in part to tort reform legislation in Texas. Although asbestos-related claims are currently exempt from certain aspects of the Texas tort reform legislation, management has been advised that efforts to remove the asbestos-related exemption in the tort reform legislation relating to the doctrine of forum non conveniens, as well as other developments in the legislative and legal environment in Texas, may be responsible for the accelerated pace of new claims experienced in late 1995 and its continuance in 1996, albeit at a somewhat reduced rate.

Based on past experience and reasonably anticipated future activity, the Company has established an accrual for estimated asbestos-related costs for claims filed and estimated to be filed through 2008. There are inherent uncertainties involved in estimating asbestos-related costs, and the Company's actual costs could exceed these estimates. The Company's accrual was calculated based on the current and anticipated number of asbestos-related claims, the

prior timing and amounts of asbestos-related payments, and the advice of Wharton Levin Ehrmantraut Klein & Nash, P.A. with respect to the current state of the law related to asbestos claims. Accordingly, an estimated asbestos-related cost accrual of $136.7, before consideration of insurance recoveries, is included primarily in Long-term liabilities at December 31, 1996. While the Company does not presently believe there is a reasonable basis for estimating such costs beyond 2008 and, accordingly, no accrual has been recorded for such costs which may be incurred beyond 2008, there is a reasonable possibility that such costs may continue beyond 2008, and such costs may be substantial. The Company estimates that annual future cash payments in connection with such litigation will be approximately $8.0 to $17.0 for each of the years 1997 through 2001, and an aggregate of approximately $80.0 thereafter.

The Company believes that KACC has insurance coverage available to recover a substantial portion of its asbestos-related costs. Claims for recovery from some of KACC's insurance carriers are currently subject to pending litigation and other carriers have raised certain defenses, which have resulted in delays in recovering costs from the insurance carriers. The timing and amount of ultimate recoveries from these insurance carriers are dependent upon the resolution of these disputes. The Company believes, based on prior insurance-related recoveries in respect of asbestos-related claims, existing insurance policies, and the advice of Thelen, Marrin, Johnson & Bridges LLP with respect to applicable insurance coverage law relating to the terms and conditions of those policies, that substantial recoveries from the insurance carriers are probable. Accordingly, an estimated aggregate insurance recovery of $109.8, determined on the same basis as the asbestos-related cost accrual, is recorded primarily in Other assets at December 31, 1996.

Management continues to monitor claims activity, the status of lawsuits (including settlement initiatives), legislative progress, 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. While uncertainties are inherent in the final outcome of these asbestos matters and it is presently impossible to determine the actual costs that ultimately may be incurred and insurance recoveries that will be received, management currently believes that, based on the factors discussed in the preceding paragraphs, the resolution of asbestos-related uncertainties and the incurrence of asbestos-related costs net of related insurance recoveries should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

OTHER CONTINGENCIES

The Company or KACC is involved in various other claims, lawsuits, and other proceedings relating to a wide variety of matters. 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.

9. DERIVATIVE FINANCIAL INSTRUMENTS AND RELATED HEDGING PROGRAMS

At December 31, 1996, the net unrealized gain on KACC's position in aluminum forward sales and option contracts, (based on an average price of $1,610 per ton ($.73 per pound) of primary aluminum), natural gas and fuel oil forward purchase and option contracts, and forward foreign exchange contracts, was approximately $10.5. However, increases in the price of primary aluminum during January 1997 caused KACC's net hedging position at January 31, 1997, to change to an unrealized loss of approximately $2.2. Any gains or losses on the derivative contracts utilized in KACC's hedging activities are offset by losses or gains, respectively, on the transactions being hedged.

ALUMINA AND ALUMINUM

The Company's earnings 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 price 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 but generally lag behind primary aluminum price changes by up to three months. During the period January 1, 1993 through December 31, 1996, the Average Midwest United States transaction price for primary aluminum has ranged from approximately $.50 to $1.00 per pound.

From time to time in the ordinary course of business, KACC enters into hedging transactions 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 market price of primary aluminum. Forward sales contracts are used by KACC to effectively lock-in or fix the price that KACC will receive for its shipments. KACC also uses option contracts (i) to establish a minimum price for its product shipments, (ii) to establish a "collar" or range of price for KACC's anticipated sales, and/or (iii) to permit KACC to realize possible upside price movements. As of December 31, 1996, KACC had sold forward, at fixed prices, approximately 70,000 and 93,600 tons of primary aluminum with respect to 1997 and 1998, respectively. As of December 31, 1996, KACC had also purchased put options to establish a minimum price for approximately 202,700 and 52,000 tons with respect to 1997 and 1998, respectively, and had entered into option contracts that established a price range for an additional 165,600 tons with respect to 1998. During January 1997, the Company entered into additional option contracts that establish a price range for 51,500, 60,000 and 51,000 tons with respect to 1997, 1998 and 1999, respectively. During January 1997 KACC also sold forward, at fixed prices, an additional 24,000 tons with respect to 1999.

As of December 31, 1996, KACC had sold forward approximately 90% of the alumina available to it in excess of its projected internal smelting requirements for 1997 and 1998. Virtually all of such 1997 and 1998 sales were made at prices indexed to future prices of primary aluminum.

ENERGY

KACC is exposed to energy price risk from fluctuating prices for fuel oil and natural gas consumed in the production process. Accordingly, 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. As of December 31, 1996, KACC had a combination of fixed price purchase and option contracts for the purchase of approximately 40,000 MMBtu of natural gas per day during the first and second quarter of 1997, and for 25,000 MMBtu of natural gas per day for the period July 1997 through December 1998. At December 31, 1996, KACC also held option contracts for an average of 152,000 barrels of fuel oil per month for 1997 and 174,000 barrels of fuel oil per month for 1998.

FOREIGN CURRENCY

KACC enters into forward exchange contracts to hedge material cash commitments to foreign subsidiaries or affiliates. At December 31, 1996, KACC had net forward foreign exchange contracts totaling approximately $81.6 for the purchase of 110.0 Australian dollars from January 1997 through June 1998, in respect of its commitments for 1997 and 1998 expenditures denominated in Australian dollars.

10. SEGMENT AND GEOGRAPHICAL AREA INFORMATION

The Company's operations are located in many foreign countries, including Australia, Canada, the People's Republic of China, 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.

(In millions of dollars, except share amounts)

The aggregate foreign currency gain included in determining net income was $5.3 for the year ended December 31, 1995, and was immaterial in 1996 and 1994.

No single customer accounted for sales in excess of 10% of total revenue in 1996 and 1995. Sales of more than 10% of total revenue to a single customer were $58.2 of bauxite and alumina and $147.7 of aluminum processing for the year ended December 31, 1994, respectively.

Export sales were less than 10% of total revenue during the years ended December 31, 1996, 1995, and 1994, respectively.

Geographical area information relative to operations is summarized as follows:

	Year Ended December 31,	Domestic	Caribbean	Africa	Other Foreign	Eliminations	Total

Net sales to unaffiliated customers	1996	$1,610.0	$ 201.8	$ 198.3	$ 180.4		$2,190.5
	1995	1,589.5	191.7	239.4	217.2		2,237.8
	1994	1,263.2	169.9	180.0	168.4		1,781.5
Sales and transfers among geographic areas	1996		$ 116.9		$ 206.0	$(322.9)	
	1995		79.6		191.5	(271.1)	
	1994		98.7		139.4	(238.1)	
Equity in income (losses) of unconsolidated affiliates	1996	$ .3			$ 8.5		$ 8.8
	1995	(.2)			19.4		19.2
	1994	.2			(2.1)		(1.9)
Operating income (loss)	1996	$ 4.4	$ 1.6	$ 27.8	$ 64.0		$ 97.8
	1995	32.0	9.8	83.5	85.3		210.6
	1994	(128.8)	9.9	18.3	44.4		(56.2)
Investment in and advances to unconsolidated affiliates	1996	$ .5	$ 25.3		$ 142.6		$ 168.4
	1995	1.2	27.1		149.9		178.2
Identifiable assets	1996	$2,136.7	$ 391.2	$ 194.7	$ 211.4		$2,934.0
	1995	2,017.9	381.9	196.5	216.9		2,813.2

(In millions of dollars, except share amounts)

Financial information by industry segment at December 31, 1996 and 1995, and for the years ended December 31, 1996, 1995, and 1994, is as follows:

	Year Ended December 31,	Bauxite & Alumina	Aluminum Processing	Corporate	Total
Net sales to unaffiliated customers	1996	$ 508.0	$1,682.5		$2,190.5
	1995	514.2	1,723.6		2,237.8
	1994	432.5	1,349.0		1,781.5
Intersegment sales	1996	$ 181.6			$ 181.6
	1995	159.7			159.7
	1994	146.8			146.8
Equity in income (losses) of unconsolidated affiliates	1996	$ 1.7	$ 6.7	$ .4	$ 8.8
	1995	3.6	15.8	(.2)	19.2
	1994	(4.7)	2.6	.2	(1.9)
Operating income (loss)	1996	$ 1.1	$ 156.5	$ (59.8)	$ 97.8
	1995	54.0	238.9	(82.3)	210.6
	1994	19.8	(8.4)	(67.6)	(56.2)
Depreciation	1996	$ 31.2	$ 61.7	$ 3.1	$ 96.0
	1995	31.1	60.4	2.8	94.3
	1994	33.5	59.1	2.8	95.4
Capital expenditures	1996	$ 29.9	$ 126.9	$ 4.7	$ 161.5
	1995	27.3	53.0	8.1	88.4
	1994	28.9	39.9	1.2	70.0
Investment in and advances to unconsolidated affiliates	1996	$ 121.3	$ 46.6	$ .5	$ 168.4
	1995	129.9	47.1	1.2	178.2
Identifiable assets	1996	$ 784.6	$1,408.5	$ 740.9	$2,934.0
	1995	746.0	1,341.2	726.0	2,813.2

Kaiser Aluminum Corporation and Subsidiary Companies

Five-Year Financial Data--Consolidated Balance Sheets

(In millions of dollars, except share amounts)	December 31, 1996	1995	1994	1993	1992
ASSETS					
Current assets:					
Cash and cash equivalents	$ 81.3	$ 21.9	$ 17.6	$ 14.7	$ 19.1
Receivables	252.4	308.6	199.2	234.7	270.0
Inventories	562.2	525.7	468.0	426.9	439.9
Prepaid expenses and other current assets	127.8	76.6	158.0	60.7	37.0
Total current assets	1,023.7	932.8	842.8	737.0	766.0
Investments in and advances to unconsolidated affiliates	168.4	178.2	169.7	183.2	150.1
Property, plant, and equipment-net	1,168.7	1,109.6	1,133.2	1,163.7	1,066.8
Deferred income taxes	264.5	269.1	271.2	210.8	
Other assets	308.7	323.5	281.2	233.2	189.7
Total	$2,934.0	$2,813.2	$2,698.1	$2,527.9	$2,172.6
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accruals	$453.4	$451.2	$439.3	$339.7	$351.4
Accrued postretirement medical benefit obligation-current portion	50.1	46.8	47.0	47.6	
Payable to affiliates	97.0	94.2	85.3	62.4	78.4
Long-term debt-current portion	8.9	8.9	11.5	8.7	25.9
Total current liabilities	609.4	601.1	583.1	458.4	455.7
Long-term liabilities	458.1	548.5	495.5	501.8	281.7
Accrued postretirement medical benefit obligation	722.5	734.0	734.9	713.1	
Long-term debt	953.0	749.2	751.1	720.2	765.1
Minority interests	121.7	122.7	116.2	105.0	104.9
Stockholders' equity:					
Preferred stock	.4	.4	.6	.2	
Common stock	.7	.7	.6	.6	.6
Additional capital	531.1	530.3	527.8	425.9	288.5
Retained earnings (accumulated deficit)	(460.1)	(459.9)	(502.6)	(375.7)	282.8
Additional minimum pension liability	(2.8)	(13.8)	(9.1)	(21.6)	(6.7)
Total stockholders' equity	69.3	57.7	17.3	29.4	565.2
Total	$2,934.0	$2,813.2	$2,698.1	$2,527.9	$2,172.6
Debt-to-capital ratio(1)	81.2	78.1	82.4	81.3	54.1

(1) Total of long-term debt--current portion and long-term debt (collectively "total debt") as a ratio of total debt, deferred income tax liabilities, minority interests, and stockholders' equity.

Five-Year Financial Data--Statements of Consolidated Income (Loss)

Year Ended December 31, (In millions of dollars, except share amounts)	1996	1995	1994	1993	1992
Net sales	$2,190.5	$2,237.8	$ 1,781.5	$1,719.1	$1,909.1
Costs and expenses:					
Cost of products sold	1,869.1	1,798.4	1,625.5	1,587.7	1,619.3
Depreciation	96.0	94.3	95.4	97.1	80.3
Selling, administrative, research and development, and general	127.6	134.5	116.8	121.9	119.6
Restructuring of operations				35.8	
Total costs and expenses	2,092.7	2,027.2	1,837.7	1,842.5	1,819.2
Operating income (loss)	97.8	210.6	(56.2)	(123.4)	89.9
Other income (expense):					
Interest expense	(93.4)	(93.9)	(88.6)	(84.2)	(78.7)
Other-net	(2.7)	(14.1)	(7.3)	(.9)	20.9
Income (loss) before income taxes, minority interests, extraordinary loss, and cumulative effect of changes in accounting principles	1.7	102.6	(152.1)	(208.5)	32.1
Credit (provision) for income taxes	9.3	(37.2)	53.8	86.9	(5.3)
Minority interests	(2.8)	(5.1)	(3.1)	(1.5)	.1
Income (loss) before extraordinary loss and					

cumulative effect of changes in accounting principles	8.2	60.3	(101.4)	(123.1)	26.9
Extraordinary loss on early extinguishment of debt, net of tax benefit of $2.9 and $11.2 for 1994 and 1993, respectively			(5.4)	(21.8)	
Cumulative effect of changes in accounting principles, net of tax benefit of $237.7				(507.3)	
Net income (loss)	$ 8.2	$ 60.3	$ (106.8)	$ (652.2)	$ 26.9
Per common and common equivalent share:					
Net income (loss):					
Primary	$ .00	$ .69	$ (2.18)	$ (11.47)	$ .47
Fully diluted		.72			
Dividends declared					.20

Kaiser Aluminum Corporation and Subsidiary Companies

Quarterly Financial Data (unaudited)

	Quarter Ended			
(In millions of dollars, except share amounts)	March 31	June 30	September 30	December 31
1996				
Net Sales	$ 531.1	$ 567.6	$ 553.4	$ 538.4
Operating income	40.3	36.6	10.5	10.4
Net Income (loss)	9.9	8.2	(6.6)	(3.3)(1)
Earnings (loss) per common and common equivalent shares:				
Primary	.11	.09	(.12)	(.08)(1)
Common stock market price:				
High	16 1/8	15 3/4	12 1/2	12
Low	12	10 7/8	9 3/4	10 1/8
1995				
Net sales	$ 513.0	$ 583.4	$ 550.3	$ 591.1
Operating income	32.6	63.6	53.2	61.2
Net income	3.5	23.3	12.5	21.0
Earnings (loss) per common and common equivalent share:				
Primary	(.03)(2)	.31	.13	.26
Fully diluted			.14	
Common stock market price:				
High	11 7/8	14	21	15 3/4
Low	10 1/8	10 1/2	13 7/8	10 3/4

(1) Includes approximately $17.0 on an after tax basis resulting from settlements of certain tax matters. Excluding these items, primary loss per common and common equivalent share would have been approximately $.32.

(2) After deduction of $5.3 of dividends on preferred stock from net income.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included and incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statements File No.'s 333-71, 333-16239 and 33-49889.

ARTHUR ANDERSEN LLP

Houston, Texas
March 26, 1997

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, 1996, which is incorporated into the company's previously filed Registration Statements on Form S-3 No.'s 333-16239 and 333-71 and Registration Statement on Form S-8 No. 33-49889.

WHARTON LEVIN EHRMANTRAUT
KLEIN & NASH, P.A.

March 26, 1997

EXHIBIT 23.3

With respect to the Registration Statements on Form S-3 (No.'s 333-16239 and 333-71) and on Form S-8 (No. 33-49889) filed by Kaiser Aluminum Corporation, a Delaware corporation (the "Registration Statements"), we hereby consent to 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, 1996, under the headings (i) Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital resources - Asbestos Contingencies and (ii) Note 8 of the Notes to Consolidated Financial Statements.

THELEN, MARRIN, JOHNSON &
BRIDGES LLP

March 26, 1997

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This schedule contains summary financial information extracted from the
consolidated financial statements of the Company for the twelve months ended
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