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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

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 77057-3268
(Address of principal executive offices) (Zip Code)

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

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes /X/ No / /

At July 31, 2001, the registrant had 80,838,252 shares of Common Stock outstanding.

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KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(In millions of dollars)

	June 30, 2001	December 31, 2000
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 65.6	$ 23.4
Receivables:		
Trade, net	168.3	188.7
Other	174.1	241.1
Inventories	373.6	396.2
Prepaid expenses and other current assets	122.1	162.7
Total current assets	903.7	1,012.1
Investments in and advances to unconsolidated affiliates	74.2	77.8
Property, plant, and equipment - net	1,219.1	1,176.1
Deferred income taxes	446.3	454.2
Other assets	699.5	622.9
Total	$ 3,342.8	$ 3,343.1

LIABILITIES & STOCKHOLDERS' EQUITY
Current liabilities:

Accounts payable	$ 188.9	$ 236.8
Accrued interest	37.1	37.5
Accrued salaries, wages, and related expenses	84.9	110.3
Accrued postretirement medical benefit obligation - current portion	58.0	58.0
Other accrued liabilities	215.2	288.9
Payable to affiliates	74.2	78.3
Long-term debt - current portion	224.5	31.6
Total current liabilities	882.8	841.4
Long-term liabilities	870.1	703.7
Accrued postretirement medical benefit obligation	647.6	656.9
Long-term debt	698.8	957.8
Minority interests	113.9	101.1
Commitments and contingencies		
Stockholders' equity:		
Common stock	.8	.8
Additional capital	537.7	537.5
Accumulated deficit	(398.8)	(454.3)
Accumulated other comprehensive income (loss)	(10.1)	(1.8)
Total stockholders' equity	129.6	82.2
Total	$ 3,342.8	$ 3,343.1

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED INCOME (LOSS)
(Unaudited)
(In millions of dollars, except share amounts)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net sales	$ 446.8	$ 552.8	$ 927.1	$ 1,128.5
Costs and expenses:				
Cost of products sold	418.8	469.5	863.3	960.2
Depreciation and amortization	22.2	19.6	43.5	39.2
Selling, administrative, research and development, and general	25.4	25.8	52.7	52.3
Other non-recurring operating items	8.0	(13.6)	(220.2)	(11.6)
Total costs and expenses	474.4	501.3	739.3	1,040.1
Operating income (loss)	(27.6)	51.5	187.8	88.4
Other income (expense):				
Interest expense	(27.1)	(28.2)	(55.0)	(56.6)
Other - net	(51.7)	(6.5)	(44.4)	3.6
Income (loss) before income taxes and minority interests	(106.4)	16.8	88.4	35.4
Benefit (provision) for income taxes	41.5	(6.4)	(34.5)	(13.7)
Minority interests	.8	.6	1.6	1.0
Net income (loss)	$ (64.1)	$ 11.0	$ 55.5	$ 22.7
Earnings (loss) per share:				
Basic/Diluted	$ (.80)	$ .14	$ .70	$ .29
Weighted average shares outstanding (000):				
Basic/Diluted	79,780	79,541	79,696	79,474

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In millions of dollars)

For the Six Months Ended June 30, 2000

	Common Stock	Additional Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, DECEMBER 31, 1999	$ .8	$ 536.8	$ (471.1)	$ (1.2)	$ 65.3
Net income/comprehensive income	-	-	22.7	-	22.7
Incentive plan accretion	-	.7	-	-	.7
BALANCE, JUNE 30, 2000	$ .8	$ 537.5	$ (448.4)	$ (1.2)	$ 88.7

For the Six Months Ended June 30, 2001

	Common Stock	Additional Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, DECEMBER 31, 2000	$ .8	$ 537.5	$ (454.3)	$ (1.8)	$ 82.2
Net income	-	-	55.5	-	55.5
Cumulative effect of accounting change, net of income tax provision of $.5	-	-	-	1.8	1.8
Unrealized losses on derivative instruments arising during the period, net of income tax benefit of $4.4 (including unrealized net losses of $4.2 for the quarter ended June 30, 2001)	-	-	-	(7.5)	(7.5)
Less reclassification adjustment for net realized gains on derivative instruments included in net income, net of income tax provision of $.9 (including realized net losses of $8.8 for the quarter ended June 30, 2001)	-	-	-	(2.6)	(2.6)
Comprehensive income	-	-	-	-	47.2
Incentive plan accretion	-	.2	-	-	.2
BALANCE, JUNE 30, 2001	$ .8	$ 537.7	$ (398.8)	$ (10.1)	$ 129.6

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED CASH FLOWS
(Unaudited)
(In millions of dollars)

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Cash flows from operating activities:		
Net income	$ 55.5	$ 22.7
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization (including deferred financing costs of $3.2 and $2.2)	46.7	42.1
Equity in loss of unconsolidated affiliates, net of distributions	.4	7.9
Minority interests	(1.6)	(1.0)
Decrease (increase) in trade and other receivables	87.4	(104.1)
Decrease in inventories	22.6	66.5
(Increase) decrease in prepaid expenses and other current assets	(4.5)	30.4
Decrease in accounts payable (associated with operating activities) and accrued interest	(24.8)	(12.1)
Decrease in payable to affiliates and other accrued liabilities	(42.4)	(10.1)
Increase in accrued and deferred income taxes	4.2	4.7
Net cash provided (used) by long-term assets and liabilities	61.2	(49.1)
Other	2.5	(.2)

Net cash provided (used) by operating activities	207.2	(2.3)
Cash flows from investing activities:		
Capital expenditures (including $61.8 and $54.9 related to Gramercy facility)	(86.8)	(85.8)
(Decrease) increase in accounts payable - Gramercy-related capital expenditures	(23.5)	23.9
Gramercy-related property damage insurance recoveries	-	24.0
Net proceeds from disposition of property and investments and other	4.4	17.1
Net cash used by investing activities	(105.9)	(20.8)
Cash flows from financing activities:		
(Repayments) borrowings under revolving credit facility, net	(30.4)	27.2
Repayments of long-term debt	(23.2)	(2.9)
Redemption of minority interests' preference stock	(5.5)	(2.5)
Net cash (used) provided by financing activities	(59.1)	21.8
Net increase (decrease) in cash and cash equivalents during the period	42.2	(1.3)
Cash and cash equivalents at beginning of period	23.4	21.2
Cash and cash equivalents at end of period	$ 65.6	$ 19.9
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalized interest of $2.8 and $1.4	$ 52.2	$ 54.5
Income taxes paid	29.5	7.6

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (In millions of dollars, except prices and per share amounts)

1. GENERAL

Kaiser Aluminum Corporation (the "Company") is a subsidiary of MAXXAM Inc. ("MAXXAM"). MAXXAM and one of its wholly owned subsidiaries together own approximately 62% of the Company's Common Stock with the remaining approximately 38% publicly held. The Company operates through its subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC").

The foregoing unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the rules and regulations of the Securities and Exchange Commission. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles for complete financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2000. In the opinion of management, the unaudited interim consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented.

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 operations.

Operating results for the quarter and six-month periods ended June 30, 2001, are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

Liquidity.
Near-Term Debt Maturities. KACC has significant near-term debt maturities including $224.2 of 97/8% Senior Notes due February 2002 (the "97/8% Senior Notes") and $400.0 of 12 3/4% Senior Subordinated Notes due February 2003 (the "12 3/4% Senior Subordinated Notes"). Also, KACC's credit agreement, as amended (the "Credit Agreement"), will expire November 2, 2001 unless it is extended, replaced or renewed. See Note 5 for a discussion of the Company's and KACC's plans with respect to near-term debt maturities.

Cash Flow, Other than Near-Term Debt Maturities. KACC's ability to make payments on and refinance its debt depends on its ability to generate cash in the future. In addition to being impacted by normal operating items, the Company's and KACC's near-term liquidity and cash flows will be affected by the remaining proceeds to be received from power sales, the expected third quarter 2001 sale of a portion of KACC's interest in Queensland Alumina Limited ("QAL"), the restart of the Gramercy facility and net payments for asbestos-related liabilities. For a discussion of these matters, see Notes 2, 4, 7 and 9.

Absent an improvement in the markets in which KACC operates or faster than expected improvement in the operating performance of the Gramercy refinery (as a result of its completion) and other facilities (as a result of the Company's performance improvement initiative), KACC's cash flows during the balance of 2001 (before considering the pending third quarter 2001 sale of a portion of KACC's interest in QAL and near-term debt maturities) may fully utilize the cash balance reported at June 30, 2001 in order to satisfy interest and expected tax payments, the funding of pension, post-retirement medical and net asbestos-related liabilities, capital spending and other previously accrued obligations. The Company expects KACC's cash flow in 2002 to improve substantially over the run rate expected to be experienced during the last six months of 2001 as a result of the Gramercy alumina refinery reaching its full operating rate and full efficiency, operating improvements resulting from KACC's performance improvement initiative and as certain of its other previously accrued, non-recurring, near-term obligations are satisfied. However, no assurances can be given in this regard.

Earnings per Share. Basic earnings per share is computed by dividing net income by the weighted average number of shares of Common Stock outstanding during the period including the weighted average impact of the shares of Common Stock issued during the year from the date(s) of issuance. The impact of outstanding stock options was excluded from the computation of diluted earnings per share for the quarter and six-month periods ended June 30, 2001 and 2000, as its effect would have been antidilutive.

Restricted Common Stock. During June 2001, KACC completed an exchange with certain employees who held stock options to purchase the Company's common stock whereby a total of approximately 3,538,000 options were exchanged (on a fair value basis) for approximately 1,056,000 restricted shares of the Company's common stock. The fair value of the restricted shares issued will be amortized to expense over the three-year period during which the restrictions lapse.

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

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

Current Accounting. Effective January 1, 2001, the Company began reporting derivative activities pursuant to Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 requires companies to recognize all derivative instruments as assets or liabilities in the balance sheet and to measure those instruments at fair value by "marking-to-market" all of their hedging positions at each period-end (see Note 8). This contrasts with pre-2001 accounting principles, which generally only required certain "non-qualifying" hedging positions to be marked-to-market. Changes in the market value of the Company's open hedging positions resulting from the mark-to-market process represent unrealized gains or losses. Such unrealized gains or losses will fluctuate, based on prevailing market prices at each subsequent balance sheet date, until the transaction date occurs. Under SFAS No. 133, these changes are recorded as an increase or reduction in stockholders' equity through either other comprehensive income or net income, depending on the facts and circumstances with respect to the hedge and its documentation. To the extent that changes in market values of the Company's hedging positions are initially recorded in other comprehensive income, such changes reverse out of other comprehensive income (offset by any fluctuations in other "open" positions) and are recorded in net income (included in net sales or cost of products sold, as applicable) when the subsequent physical transactions occur. Additionally, under SFAS No. 133, if the level of physical transactions ever falls below the net exposure hedged, "hedge" accounting must be terminated for such "excess" hedges. In such an instance, the mark-to-market changes on such excess hedges would be recorded in the income statement rather than in other comprehensive income. This did not occur in the first six months of 2001.

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

SFAS No. 133 requires that, as of the date of the initial adoption, the difference between the market value of derivative instruments recorded on the Company's consolidated balance sheet and the previous carrying amount of those derivatives be reported in net income or other comprehensive income, as appropriate, as the cumulative effect of a change in accounting principle. Based on authoritative accounting literature issued during the first quarter of 2001, it was determined that all of the cumulative impact of adopting SFAS No. 133 should be recorded in other comprehensive income. Based on the applicable prices and exchange rates in effect at the adoption date, a pre-tax charge of approximately $1.3 is expected to be reclassified from accumulated other comprehensive income to net income during 2001.

2. INCIDENT AT GRAMERCY FACILITY

Initial production at KACC's Gramercy, Louisiana alumina refinery, which had been curtailed since July 1999 as a result of an explosion in the digestion area of the plant, commenced during the middle of December 2000. During the second quarter of 2001, the plant operated at approximately 60% of its newly-rated estimated annual capacity of 1,250,000 tons. Based on current estimates, construction at the facility is expected to be completed during the third quarter of 2001 and the facility is expected to reach its full operating rate and full efficiency by the end of 2001 or early 2002.

As of June 30, 2001, KACC had collected $269.5 of estimated insurance recoveries related to the property damage, business interruption and clean-up and site preparation aspects of the Gramercy incident ($.9 of which was collected in the second quarter of 2001). During July 2001, KACC and its insurers reached a global settlement agreement in respect of all of KACC's business interruption and property damage claims under which KACC will receive: (1) an additional $35.0 during the third quarter of 2001 related to losses/costs incurred prior to June 30, 2001; and (2) an agreed allocation from any recoveries that may result from joint actions against certain third parties. KACC cannot predict the likelihood or timing of any such incremental recoveries. Since the minimum expected recoveries of $304.5 exceeded KACC's previous accrual of $289.3, KACC recognized $15.2 of additional insurance benefit (as a reduction of Bauxite and alumina business unit's cost of products sold) during the quarter ended June 30, 2001.

During the quarter and six-month periods ended June 30, 2001, abnormal Gramercy-related start-up costs totaled approximately $22.0 and $41.0, respectively. These abnormal costs result from operating the plant in an interim mode pending the completion of construction. The Company's and KACC's future operating results will continue to be adversely affected until the Gramercy plant is operating at its intended production rate and at full efficiency. As discussed above, the Company currently anticipates that the Gramercy facility will reach its full production rate and full efficiency by the end of 2001 or early 2002.

The incident at the Gramercy facility resulted in a significant number of individual and class action lawsuits being filed against KACC and others, alleging, among other things, property damage, business interruption losses by other businesses and personal injury. The aggregate amount of damages sought in the lawsuits and other claims cannot be determined at this time; however, KACC does not currently believe the damages will exceed the amount of coverage under its liability policies.

See Note 2 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2000 for additional information regarding the Gramercy incident.

3. INVENTORIES

The classification of inventories is as follows:

	June 30, 2001	December 31, 2000
Finished fabricated aluminum products	$ 49.4	$ 54.6
Primary aluminum and work in process	115.7	126.9
Bauxite and alumina	95.5	88.6
Operating supplies and repair and maintenance parts	113.0	126.1
Total	$ 373.6	$ 396.2

Substantially all product inventories are stated at last-in, first-out (LIFO) cost, not in excess of market. Replacement cost is not in excess of LIFO cost.

4. PACIFIC NORTHWEST POWER SALES AND OPERATING LEVEL

Power Sales. During the first quarter of 2001, KACC, in a series of transactions, sold a substantial majority of the remaining power available for its Northwest smelters that it had under contract through September 2001 and recorded net pre-tax gains of approximately $228.2. The gains were net of approximately $25.0 of employee-related expenses and other fixed or incremental costs associated with the continuing curtailment of its Northwest smelters. During the second quarter of 2001, KACC sold a portion of the remaining Northwest power that it had under contract for gross proceeds of approximately $2.5. These proceeds were offset by certain curtailment and other costs of approximately $8.0. The resulting net gains have been recorded in Other non-recurring operating items (see Note 10). Approximately $298.0 of power proceeds were received during the first six months of 2001 ($88.0 related to 2000 power sales and the balance related to 2001 power sales). The balance of the power proceeds from prior sales of power (approximately $45.0) will be received periodically through October 2001. In addition, KACC expects to receive between $3.0 and $7.0 with respect to the remaining third quarter 2001 power that it had under contract and which KACC agreed to sell at prevailing third quarter power prices.

Future Power Supply and its Impact on Future Operating Rate. During October 2000, KACC signed a new power contract with the Bonneville Power Administration ("BPA") under which the BPA will provide KACC's operations in the State of Washington with power during the period from October 2001 through September 2006. The contract will provide KACC with sufficient power to fully operate KACC's Trentwood facility as well as approximately 40% of the combined capacity of KACC's Mead and Tacoma aluminum smelting operations. The new BPA contract also includes a take-or-pay requirement and clauses under which KACC's power allocation could be curtailed, or its costs increased, in certain instances. Under the new contract, KACC can only remarket its power allocation to reduce or eliminate take-or-pay requirements. KACC is not entitled to receive any profits from any such remarketing efforts. KACC has a short period of time after the Federal Energy Regulatory Commission ("FERC") affirms the power rate submitted by the BPA during which it can exercise its right to terminate the contract. The FERC's affirmation could occur as soon as August 2001.

The BPA has announced that it currently intends to set rates under the new contract in six month increments. The rate for the initial period (from October 1, 2001 through March 31, 2002) was announced by the BPA in June 2001 and will be approximately 46% higher than power costs under the existing contract. KACC cannot predict what rates will be charged in future periods. Such rates will be dependent on such factors as the availability of and demand for electrical power, which are largely dependent on weather, the price for alternative fuels, particularly natural gas, as well as general and regional economic and ecological factors. KACC has made proposals to the BPA under which KACC would continue to fully curtail its Northwest smelters through March 2002 or longer in return for compensation commensurate with KACC's costs and lost profit opportunities. Although discussions in this regard continue, such proposals have, to date, been rejected by the BPA. In addition, in public statements, the BPA has from time to time publicly asserted that KACC may be in violation of certain aspects of the October 2001 contract (governing the use of proceeds from power sales) and that the BPA may decrement KACC's power supply. KACC believes that such claims are without merit. While uncertainties are inherent in matters such as this, KACC believes that, absent a negotiated settlement, the BPA is obligated to, and will, deliver the contractual amount of power stipulated in KACC's contract.

Absent an acceptable negotiated payment from the BPA, KACC retains the ability to restart up to 40% (4.75 potlines) of its Northwest smelting capacity on or after October 1, 2001. Were KACC to restart all or a portion of such capacity, it would take between three to six months to reach the full operating rate for such operations, depending upon the number of lines restarted. Even after achieving the full operating rate, operating only a portion of the Northwest capacity would result in production/cost inefficiencies such that operating results would, at best be breakeven to modestly negative at recent market conditions. However, operating at such a reduced rate could, depending on prevailing economics, result in improved cash flows as opposed to remaining curtailed and incurring the Company's fixed and continuing labor and other costs. This is because KACC is contractually liable for certain severance, supplemental unemployment benefits and early retirement benefits for laid-off workers under KACC's contract with the United Steelworkers of America ("USWA") during periods of curtailment. As of June 30, 2001, all such contractual compensation costs have been accrued for all USWA workers in excess of those expected to be required to run the Northwest smelters at the above stated 40% smelter operating rate. These costs are expected to be incurred periodically through September 2002. Costs associated with the USWA workers that KACC estimates would be required to operate at the 40% smelter operating rate have been accrued through September 2001 (the period through which KACC has sold power). If KACC does not restart and begin operating at the 40% smelter operating rate beginning October 2001, it could become liable for additional supplemental unemployment benefits for these workers. Additionally, if such workers are not recalled prior to early 2003, KACC could become liable for additional early retirement costs. Such costs could be significant and would adversely impact the Company's operating results and liquidity.

5. DEBT

Current Maturities and Liquidity. The Company and KACC have a Credit Agreement, which provides a secured, revolving line of credit. In July 2001, the expiration date of the Credit Agreement was extended from August 15, 2001 to November 2, 2001. KACC sought the extension in order to gain additional flexibility in advance of the February 2002 maturity date of its 97/8% Senior Notes as more fully discussed below. In connection with the above- mentioned extension of the Credit Agreement, KACC agreed to hold half of the proceeds to be received from the sale of an 8.3% interest in QAL in a separate bank account until the earlier of (1) lender approval, (2) November 2, 2001, or (3) renewal or further extension of the Credit Agreement.

KACC is able to utilize the Credit Agreement by means of revolving credit advances or letters of credit (up to $125.0) in an aggregate amount equal to the lesser of $300.0 or a borrowing base relating to eligible accounts receivable and eligible inventory. At June 30, 2001, $190.9 (of which $80.6 could have been used for letters of credit) was available to KACC under the Credit Agreement and no amounts were outstanding under the revolving credit facility. Interest on any outstanding amounts bear a spread (which varies based on the results of a financial test) over either a base rate or LIBOR, at KACC's option. KACC typically chooses base rate based borrowings for shorter term Credit Agreement uses and LIBOR based loans for more extended Credit Agreement uses. The average interest rate on loans outstanding under the Credit Agreement during the first six months of 2001 was approximately 10.0% per annum. As of July 31, 2001, there were no revolving credit borrowings outstanding under the Credit Agreement. At July 31, 2001, outstanding letters of credit were approximately $32.2.

The Company and KACC intend to extend, replace or renew the Credit Agreement prior to its expiration. However, in order for the Credit Agreement to be extended, on a short-term basis, beyond November 2001, KACC will have to have a demonstrable way to mitigate the maturity of the $225.0 of 97/8% Senior Notes. For the Credit Agreement to be extended past February 2003, both the 97/8% Senior Notes and the $400.0 of 12 3/4% Senior Subordinated Notes will have to be retired and/or refinanced. It is possible that KACC may use a portion of the availability under the Credit Agreement (or any extension, replacement or renewal thereof) to augment other cash resources in the mitigation of the 97/8% Senior Notes. As of June 30, 2001, KACC had approval from the Credit Agreement lenders to purchase up to $50.0 of the 97/8% Senior Notes. As of June 30, 2001, KACC has purchased approximately $.8 of 97/8% Senior Notes.

As previously announced, the Company is working with financial advisors to review its options for addressing its near- term debt maturities and its overall capital structure. While the Company continues to consider potential asset transactions (beyond the recently announced agreement to sell an 8.3% interest in QAL - see Note 9), the Company intends to pursue only those transactions that would create long-term value through strategic positioning and/or the generation of acceptable levels of earnings or cash. The Company cannot predict if any such transactions will materialize. While the Company believes it will be successful in addressing its near-term debt maturities and overall capital structure, as the Company's operating and non-recurring cash flows are subject to inherent uncertainties, no assurances in this regard can be given.

Alpart CARIFA Loans. During the first quarter of 2001, Alumina Partners of Jamaica ("Alpart"; of which KACC owns 65%) redeemed $34.0 principal amount of the Caribbean Basin Projects Financing Authority loans. KACC and its partner in Alpart both funded their respective share of the redemption. The redemption had a modest beneficial effect on the unused availability remaining under the Credit Agreement as the additional Credit Agreement borrowings of $22.1 required for KACC's share of the redemption were more than offset by a reduction in the amount of letters of credit outstanding that supported the loan.

6. CUMULATIVE PREFERENCE STOCK

In connection with the settlement of the labor dispute with the USWA, during March 2001, KACC redeemed all of its outstanding Cumulative (1985 Series A) Preference Stock and Cumulative (1985 Series B) Preference Stock ($17.5 at December 31, 2000). The net cash impact of the redemption on KACC was only approximately $5.5 because approximately $12.0 of the redemption amount had previously been funded into redemption funds.

7. CONTINGENCIES

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

Based on the Company's evaluation of these and other environmental matters, the Company has established environmental accruals, primarily related to potential solid waste disposal and soil and groundwater remediation matters. During the second quarter of 2001, KACC's ongoing assessment process resulted in KACC recording an $8.0 charge to increase its environmental accrual. Additionally, KACC's environmental accruals were increased during the second quarter of 2001 by approximately $6.0 in connection with the purchase of certain property. At June 30, 2001, the balance of the Company's accruals for these and other matters, which are primarily included in Long-term liabilities, totaled $58.4. 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 $4.0 to $13.0 for the years 2001 through 2005 and an aggregate of approximately $24.0 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 $20.0. As the resolution of these matters is subject to further regulatory review and approval, no specific assurance can be given as to when the factors upon which a substantial portion of this estimate is based can be expected to be resolved. However, the Company is currently working to resolve certain of these matters.

The Company believes that KACC has insurance coverage available to recover certain incurred and future environmental costs and is actively pursuing claims in this regard. No assurances can be given that KACC will be successful in its attempts to recover incurred or future costs from insurers or that the amount of recoveries received will ultimately be adequate to cover costs incurred.

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 sold for more than 20 years.

The following table presents the changes in the number of such claims pending for the six months ended June 30, 2001 and the year ended December 31, 2000.

	Six Months Ended June 30, 2001	Year Ended December 31, 2000
Number of claims at beginning of period	110,800	100,000
Claims received	17,000	30,600
Claims settled or dismissed	(19,800)	(19,800)
Number of claims at end of period	108,000	110,800
Number of claims at end of period (included above) covered by agreements under which KACC expects to settle over an extended period	66,200	66,900

The Company maintains a liability for estimated asbestos-related costs for claims filed to date and an estimate of claims to be filed over a 10 year period (i.e., through the comparable period in 2011). The Company's estimate is based on the Company's view, at each balance sheet date, of the current and an anticipated number of asbestos-related claims, the timing and amounts of asbestos-related payments, the status of ongoing litigation and settlement initiatives, and the advice of Wharton Levin Ehrmantraut Klein & Nash, P.A., with respect to the current state of the law related to asbestos claims. However, there are inherent uncertainties involved in estimating asbestos-related costs and the Company's actual costs could exceed the Company's estimates due to changes in facts and circumstances after the date of each estimate. Further, while the Company does not presently believe there is a reasonable basis for estimating asbestos-related costs beyond 2011 and, accordingly, no accrual has been recorded for any costs which may be incurred beyond 2011, the Company expects that such costs are likely to continue beyond 2011, and that such costs could be substantial.

The Company believes that KACC has insurance coverage available to recover a substantial portion of its asbestos- related costs. Although the Company has settled asbestos-related coverage matters with certain of its insurance carriers, other carriers have not yet agreed to settlements and disputes with certain carriers exist. The timing and amount of future recoveries from these and other insurance carriers will depend on the pace of claims review and processing by such carriers and on the resolution of any disputes regarding coverage under such policies. The Company believes that substantial recoveries from the insurance carriers are probable. The Company reached this conclusion after considering its prior insurance-related recoveries in respect of asbestos-related claims, existing insurance policies, and the advice of Heller Ehrman White & McAuliffe LLP with respect to applicable insurance coverage law relating to the terms and conditions of those policies. During 2000, KACC filed suit against a group of its insurers, after negotiations with certain of the insurers regarding an agreement covering both reimbursement amounts and the timing of reimbursement payments were unsuccessful. The litigation is intended, among other things, to: (1) ensure that the insurers provide KACC with timely and appropriate reimbursements for asbestos-related settlements and related legal costs incurred; and (2) to resolve certain issues between the parties with respect to how specific provisions of the applicable insurance policies are to be applied. Given the significance of expected asbestos-related payments in 2001 and 2002 based on settlement agreements in place at June 30, 2001, the receipt of timely and appropriate reimbursements from such insurers is critical to

KACC's liquidity. The court is expected to try certain aspects of the case in late 2001 and the remaining issues in 2002. KACC is continuing to receive cash reimbursements from the insurers.

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

	June 30, 2001	December 31, 2000
Liability (current portion of $130.0 in both periods)	$ 650.4	$ 492.4
Receivable (included in Other assets)(1)	504.7	406.3
	$ 145.7	$ 86.1

(1) The asbestos-related receivable was determined on the same basis as the asbestos-related cost accrual. As of June 30, 2001 and December 31, 2000, $16.3 and $36.9, respectively, of the receivable amounts relate to costs paid. The remaining receivable amounts relate to costs that are expected to be paid by KACC in the future. No assurances can be given that KACC will be able to project similar recovery percentages for additional asbestos-related liabilities recognized in future periods or that the amounts related to incremental asbestos-related liabilities will not ultimately exceed KACC's aggregate insurance coverage.

	Six Months Ended June 30, 2001	Inception To Date
Payments made, including related legal costs................................	$ 59.2	$ 280.4
Insurance recoveries...	65.0	196.3
	$ (5.8)	$ 84.1

	As of June 30, 2001		
	2001 and 2002	2003 to 2005	Thereafter
Expected annual payment amounts, before considering insurance recoveries..........................	$125.0 - $150.0	$40.0 - $60.0	$290.0

Management continues to monitor claims activity, the status of lawsuits (including settlement initiatives), legislative developments, and costs incurred in order to ascertain whether an adjustment to the existing accruals should be made to the extent that historical experience may differ significantly from the Company's underlying assumptions. This process resulted in the Company recording charges of $45.8 and $53.3 (included in Other income (expense) - see Note 10) in the quarter and six-month periods ended June 30, 2001, respectively, for asbestos-related claims, net of expected insurance recoveries, based on recent cost and other trends experienced by KACC and other companies. 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 or liquidity. However, as the Company's estimates are periodically re-evaluated, additional charges may be necessary and such charges could be material to the results of the period in which they are recorded.

Labor Matters. In connection with the USWA strike and subsequent lock-out by KACC, which was settled in September 2000, certain allegations of unfair labor practices ("ULPs") were filed with the National Labor Relations Board ("NLRB") by the USWA. As previously disclosed, KACC responded to all such allegations and believes that they were without merit. Twenty-two of twenty-four allegations of ULPs previously brought against KACC by the USWA have been dismissed. A trial before an administrative law judge for the two remaining allegations commenced in November 2000 and is continuing. The Company is unable to estimate when the trial will be completed. Any outcome from the trial before the administrative law judge would be subject to additional appeals by the general counsel of the NLRB, the USWA or KACC. This process could take months or years. If these proceedings eventually result in a final ruling against KACC with respect to either allegation, it could be obligated to provide back pay to USWA members at the five plants for an approximate twenty-month period (plus interest and minus any wages the USWA workers earned during the twenty-month period). Such amounts could be material. However, the Company continues to believe that the charges are without merit. While uncertainties are inherent in matters such as this and it is presently impossible to determine the actual costs, if any, that may ultimately arise in connection with this matter, the Company does not believe that the ultimate outcome of this matter will have a material adverse impact on the Company's liquidity or financial position. However, amounts paid, if any, in satisfaction of this matter could be significant to the results of the period in which they are recorded.

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.

See Note 12 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2000.

8. DERIVATIVE FINANCIAL INSTRUMENTS AND RELATED HEDGING PROGRAMS

In conducting its business, KACC uses various instruments to manage the risks arising from fluctuations in aluminum prices, energy prices and exchange rates. KACC enters into hedging transactions to limit its exposure resulting from (1) its anticipated sales of alumina, primary aluminum, and fabricated aluminum products, net of expected purchase costs for items that fluctuate with aluminum prices, (2) the energy price risk from fluctuating prices for natural gas, fuel oil and diesel oil used in its production process, and (3) foreign currency requirements with respect to its cash commitments to foreign subsidiaries and affiliates.

As KACC's hedging activities are generally designed to lock-in a specified price or range of prices, realized gains or losses on the derivative contracts utilized in these hedging activities (except the impact of those contracts discussed below which have been marked-to-market) will generally offset at least a portion of any losses or gains, respectively, on the transactions being hedged. See Note 1 for a discussion of the effects of the new accounting requirements under SFAS No. 133, which is being used for reporting results beginning with the first quarter of 2001. The following table summarizes KACC's derivative hedging positions at June 30, 2001:

Commodity	Period	Notional Amount of Contracts	Estimated % of Annual Sales/Purchases Hedged	Carrying/ Market Value
Aluminum (in tons*) -				
Option contracts	7/01 to 12/01	181,000	90%(1)	$ 8.0
Option contracts	2002	319,000	61%(1)	21.0
Option contracts	2003	90,000	16%(1)	6.6
Natural gas (in MMBtus per day) -				
Option contracts and swaps	7/01 to 8/01	33,500	93%(2)	(.9)
Option contracts and swaps	11/01 to 3/02	10,000	25%	(.2)
Australian dollars (average A$ per month) -				
Forwards and option contracts	7/01 to 12/01	A$ 17.4	75%(1)	(2.3)
Option contracts	2002 to 2005	A$ 7.5	56%(1)	5.5

(1) Had the expected sale of the 8.3% interest in QAL (see Note 9) been effective as of June 30, 2001: (a) the estimated percentages of annual sales of aluminum hedged for the remainder of 2001 and for 2002 and 2003, would have been 93%, 66% and 17%, respectively; and (b) the estimated percentages of annual purchases of Australian dollars hedged for the remainder of 2001 and for the period 2002 to 2005 would have been 96% and 77%, respectively.

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

(2) During July 2001, KACC added natural gas hedging positions for approximately 90% of its requirements for September 2001 and October 2001. In addition, KACC also added fuel oil hedges for approximately 65% of its requirements for the period August 2001 through December 2001.

During the first quarter of 2001, market value changes in derivative hedging positions included in the above table resulted in benefits to earnings (included in Other income (expense)) of $6.8 (see Note 10). Based on new accounting literature released in April 2001, starting in the second quarter of 2001, the income statement impact of mark-to-market changes was essentially eliminated as unrealized gains or losses resulting from changes in the value of these hedges are now recorded in other comprehensive income.

During late 1999 and early 2000, KACC also entered into a series of transactions with a counterparty that provided KACC with a premium over the forward market prices at the date of these transactions for 2,000 tons of primary aluminum per month during the period January 2000 through June 2001. KACC also contracted with the counterparty to receive certain fixed prices (also above the forward market prices at the date of these transactions) on 4,000 tons of primary aluminum per month over a three year period commencing October 2001, unless market prices during certain periods decline below a stipulated "floor" price, in which case the fixed price sales portion of the transactions terminate. The price at which the October 2001 and after transactions terminate is well below current market prices. These transactions do not qualify for treatment as a "hedge" under previous or current accounting guidelines. Accordingly, the mark-to-market impacts of these transactions due to fluctuations in primary aluminum prices are recorded in other income (expense) in the Company's statements of consolidated income. For the quarter and six- month periods ended June 30, 2001, the Company recorded pre-tax mark-to-market gains of $3.1 and $11.6, respectively, in Other income (expense) associated with these transactions (see Note 10). For the quarter and six- month periods ended June 30, 2000, the Company recorded pre-tax mark-to-market gains (losses) of $(6.0) and $8.4, respectively, in Other income (expense) associated with these transactions (see Note 10).

As of June 30, 2001, KACC had sold forward virtually all of the alumina available to it in excess of its projected internal smelting requirements for the balance of 2001 and for 2002 and 2003 at prices indexed to future prices of primary aluminum.

9. EXPECTED THIRD QUARTER 2001 SALE OF 8.3% INTEREST IN QAL

In June 2001, KACC entered into an agreement to sell an approximate 8.3% interest in QAL. The total value of the transaction is approximately $189.0, consisting of a cash payment of approximately $159.0 plus the purchaser's assumption of approximately $30.0 of off-balance sheet QAL indebtedness currently guaranteed by KACC. The Company expects the transaction to close in the third quarter of 2001 and to result in a favorable, one-time, after-tax net income impact of at least $75.0. Following the completion of the transaction, KACC will own a 20% interest in QAL.

QAL, which is located in Queensland, Australia, owns one of the largest and most competitive alumina refineries in the world. KACC's share (28.3%) of QAL's production for the first six months of 2001 and for the year 2000 was approximately 494,000 tons and 1,064,000 tons, respectively. Had the sale of the QAL interest been effective as of the beginning of 2000, KACC's share of QAL's production for the first six months of 2001 and for the year 2000 would have been reduced by approximately 145,000 tons and 312,000 tons, respectively. Historically, KACC has sold about half of its share of QAL's production to third parties and has used the remainder to supply its Northwest smelters, which are temporarily curtailed (see Note 4). The reduction in KACC's alumina supply associated with this transaction is expected to be substantially offset by the expected return of its Gramercy alumina refinery to full operations by the end of 2001 or early 2002 at a higher capacity and, as recently announced, by planned increases in capacity at its Alpart alumina refinery in Jamaica. The QAL transaction is not expected to have an adverse impact on KACC's ability to satisfy existing third-party alumina customer contracts.

10. OTHER NON-RECURRING ITEMS

Non-Recurring Operating Items. The income (loss) impact associated with non-recurring operating items for the quarter and six-month periods ended June 30, 2001 and 2000, was as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net gains (losses) on power sales (Primary Aluminum segment) (Note 4)	$ (5.5)	$ 15.8	$ 222.7	$ 15.8
Restructuring initiatives -				
Corporate segment	(.5)	(1.5)	(.5)	(3.5)
Bauxite & Alumina segment	(2.0)	-	(2.0)	-
Impairment charge associated with product line exit (Engineered Products segment)	-	(.7)	-	(.7)
	$ (8.0)	$ 13.6	$ 220.2	$ 11.6

The restructuring charges recorded by the Company's Corporate and Bauxite and alumina segments in 2001 represent third party costs incurred in connection with its performance improvement initiative (as discussed below).

The prior year restructuring charges were part of the Primary aluminum and Corporate segments' ongoing efficiency initiatives. During 2000, these initiatives resulted in restructuring charges totaling $8.6 for employee benefit and other costs for approximately 50 job eliminations at KACC's Tacoma facility and approximately 50 employee eliminations due to the consolidation or elimination of certain corporate staff functions. As of June 30, 2001, the total remaining liability associated with these restructuring efforts was $.4 as the vast majority of the previously accrued job eliminations have occurred. It is anticipated that all such remaining costs will be incurred during 2001.

The $.7 impairment charge recorded by KACC's Engineered products segment in the second quarter of 2000 represents a severance-related charge resulting from a product line exit.

In May 2001, the Company announced that it had launched a performance improvement initiative (the "program") designed to increase operating cash flow, generate cash from inventory reduction and improve the Company's financial flexibility. The Company has not yet determined the size or timing of any cash or non-cash charges that may be required in connection with the program. Such charges could be material. Additionally, as the Company's fabricated products business units address their cost structures in light of recent product transitions and reduced demand, additional charges could be required and such amounts could also be material.

Other Income (Expense). Amounts included in other income (expense), other than interest expense, for the quarter and six-month periods ended June 30, 2001 and 2000, included the following pre-tax gains (losses):

	Quarter Ended June 30, 2001	Quarter Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Mark-to-market gains (losses) (Note 8)	$ 3.1	$ (6.0)	$ 18.4	$ 8.4
Asbestos-related charges (Note 7)	(45.8)	-	(53.3)	-
Adjustment to environmental liabilities	(8.0)	-	(8.0)	-
MetalSpectrum investment write-off	(2.8)	-	(2.8)	-
All other, net	1.8	(.5)	1.3	(4.8)
	$ (51.7)	$ (6.5)	$ (44.4)	$ 3.6

The adjustment to environmental liabilities of $8.0 resulted from the Company's ongoing assessment of the estimated costs reasonably expected to be incurred to remediate non-operating properties based on current facts and circumstances. See Note 7 for additional information regarding environmental contingencies.

In June 2001, the Company wrote-off its investment of $2.8 in MetalSpectrum LLC, a start-up, e-commerce entity in which the Company was a partner. During the second quarter of 2001, MetalSpectrum ceased operations and was dissolved.

11. INTERIM OPERATING SEGMENT INFORMATION

The Company uses a portion of its bauxite, alumina and primary aluminum production for additional processing at its downstream facilities. Transfers between business units are made at estimated market prices. The accounting policies of the segments are the same as those described in Note 1 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2000. Business unit results are evaluated internally by management before any allocation of corporate overhead and without any charge for income taxes or interest expense. See Note 14 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2000.

Financial information by operating segment for the quarter and six-month periods ended June 30, 2001 and 2000 is as follows:

	Quarter Ended June 30, 2001	Quarter Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Net Sales:				
Bauxite and Alumina: (1)				
Net sales to unaffiliated customers	$ 132.7	$ 122.2	$ 270.3	$ 229.8
Intersegment sales	9.9	29.5	45.9	86.3
	142.6	151.7	316.2	316.1
Primary Aluminum:(2)				
Net sales to unaffiliated customers	96.1	135.3	199.1	273.3
Intersegment sales	.8	57.5	3.3	139.6
	96.9	192.8	202.4	412.9
Flat-Rolled Products	76.9	125.4	172.8	283.3
Engineered Products	115.9	148.7	236.5	312.4
Commodities Marketing	(1.0)	(4.1)	(3.6)	(20.2)
Minority Interests	26.2	25.3	52.0	49.9
Eliminations	(10.7)	(87.0)	(49.2)	(225.9)
	$ 446.8	$ 552.8	$ 927.1	$ 1,128.5
Operating income (loss):				
Bauxite and Alumina (3)	$ (6.0)	$ 16.2	$ (12.8)	$ 43.7
Primary Aluminum	3.9	22.7	8.4	64.7
Flat-Rolled Products	3.1	7.2	6.3	10.3
Engineered Products	2.4	12.6	5.1	25.9
Commodities Marketing	(7.0)	(6.8)	(9.0)	(34.4)
Eliminations	1.7	1.2	5.5	(2.9)
Corporate and Other	(17.7)	(15.2)	(35.9)	(30.5)
Other Non-Recurring Operating Items (Note 10)	(8.0)	13.6	220.2	11.6
	$ (27.6)	$ 51.5	$ 187.8	$ 88.4
Depreciation and amortization:				
Bauxite and Alumina (3)	$ 9.1	$ 6.0	$ 17.6	$ 12.0
Primary Aluminum	5.7	6.2	11.0	12.4

Flat-Rolled Products	3.9	4.1	8.0	8.2
Engineered Products	3.2	3.5	6.3	6.3
Corporate and Other	.3	.5	.6	1.0
	$ 22.2	$ 20.3	$ 43.5	$ 39.9

(1) Net sales for the quarter and six-month periods ended June 30, 2001, included approximately 26,400 tons and 66,100 tons, respectively, of alumina purchased from third parties. Net sales for the quarter and six-month periods ended June 30, 2000, included approximately 83,000 tons and 199,000 tons, respectively, of alumina purchased from third parties.

(2) Beginning in the first quarter of 2001, as a result of the continuing curtailment of KACC's Northwest smelters, the Flat-rolled products business unit began purchasing its own primary aluminum rather than relying on the Primary aluminum business unit to supply its aluminum requirements through production or third party purchases. The Engineered products business unit was already responsible for purchasing the majority of its primary aluminum requirements. During the quarter and six-month periods ended June 30, 2001, the Primary aluminum business unit purchased approximately 6,600 tons and 23,800 tons, respectively, of primary aluminum from third parties to meet existing third party commitments.

(3) During the quarter and six-month periods ended June 30, 2001, approximately $22.0 and $41.0, respectively, of abnormal Gramercy start-up costs were incurred. Operating income (loss) for both the quarter and six-month periods ended June 30, 2001, also included additional accrued business interruption recoveries related to the Gramercy facility of $15.2 based on a recent agreement with KACC's insurers. Depreciation was suspended for the Gramercy facility during the first six months of 2000 as a result of the July 1999 incident. Depreciation expense for the Gramercy facility for the first six months of 1999 was $6.0. See Note 2 for additional information.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section should be read in conjunction with the response to Item 1, Part I, of this Report.

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, for example, "Recent Events and Developments," "Results of Operations," "Possible Third Quarter 2001 Trends as Compared to Actual Second Quarter 2001 Results," and "Liquidity and Capital Resources"). 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 Part I, Item 1. "Business - Factors Affecting Future Performance" in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, each identify other factors that could cause actual results to vary. 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.

RECENT EVENTS AND DEVELOPMENTS

Liquidity.
Near-Term Debt Maturities. KACC has significant near-term debt maturities including $224.4 of 97/8% Senior Notes due February 2002 (the "97/8% Senior Notes") and $400.0 of 12 3/4% Senior Subordinated Notes due February 2003 (the "12 3/4% Senior Subordinated Notes"). Also, KACC's credit agreement, as amended (the "Credit Agreement"), will expire November 2, 2001 unless it is extended, replaced or renewed. See Note 5 of Notes to Interim Consolidated Financial Statements for a discussion of the Company's and KACC's plans with respect to near-term debt maturities.

Cash Flow, Other than Near-Term Debt Maturities. KACC's ability to make payments on and refinance its debt depends on its ability to generate cash in the future. In addition to being impacted by normal operating items, the Company's and KACC's near-term liquidity and cash flows will also be affected by the remaining proceeds to be received from power sales, the expected third quarter 2001 sale of a portion of KACC's interest in Queensland Alumina Limited ("QAL"), the restart of the Gramercy facility and net payments for asbestos-related liabilities. See "Liquidity and Capital Resources -- Financing Activities and Liquidity" for a discussion of these matters.

As previously announced, the Company is working with financial advisors to review its options for addressing its near- term debt maturities and its overall capital structure. While the Company continues to consider potential asset transactions (beyond the recently announced agreement to sell an 8.3% interest in QAL - see Expected Third Quarter 2001 Sale of 8.3% Interest in QAL below), the Company intends to pursue only those transactions that would create long-term value through strategic positioning and/or the generation of acceptable levels of earnings or cash. The Company cannot predict if any such transactions will materialize. While the Company believes it will be successful in addressing its near-term debt maturities and overall capital structure, as the Company's operating and non-recurring cash flows are subject to inherent uncertainties, no assurances in this regard can be given.

Absent an improvement in the markets in which KACC operates or faster than expected improvement in the operating performance of the Gramercy refinery (as a result of its completion) and other facilities (as a result of the Company's performance improvement initiative), KACC's cash flows during the balance of 2001 (before considering the pending third quarter 2001 sale of a portion of KACC's interest in QAL and near-term debt maturities) may fully utilize the cash balance reported at June 30, 2001 in order to satisfy interest and expected tax payments, the funding of pension, post-retirement medical and net asbestos-related liabilities, capital spending and other previously accrued obligations. The Company expects KACC's cash flow in 2002 to improve substantially over the run rate expected to be experienced during the last six months of 2001 as a result of the Gramercy alumina refinery reaching its full operating rate and full efficiency, operating improvements resulting from KACC's performance improvement initiative and as certain of its other previously accrued, non-recurring, near-term obligations are satisfied. However, no assurances can be given in this regard.

Expected Third Quarter 2001 Sale of 8.3% Interest in QAL. In June 2001, KACC entered into an agreement to sell an approximate 8.3% interest in QAL. The total value of the transaction is approximately $189.0 million, consisting of a cash payment of approximately $159.0 million plus the purchaser's assumption of approximately $30.0 million of off-balance sheet QAL indebtedness currently guaranteed by KACC. The Company expects the transaction to close in the third quarter of 2001 and to result in a favorable, one-time, after-tax net income impact of at least $75.0 million. Following the completion of the transaction, KACC will own a 20% interest in QAL. See Note 9 of Notes to Interim Consolidated Financial Statements for additional discussion of the sale of a portion of KACC's interest in QAL.

Incident at Gramercy Facility. Initial production at KACC's Gramercy, Louisiana, alumina refinery, which had been curtailed since July 1999 as a result of an explosion in the digestion area of the plant, commenced during the middle of December 2000. During the second quarter of 2001, the plant operated at approximately 60% of its newly-rated estimated capacity of 1,250,000 tons. Based on current estimates, construction at the facility is expected to be completed during the third quarter of 2001 and the facility is expected to reach its full operating rate and full efficiency by the end of 2001 or early 2002.

Through June 30, 2001, KACC had collected $269.5 million of estimated insurance recoveries related to the Gramercy incident. During July 2001, KACC and its insurers reached a global settlement agreement in respect of all of KACC's business interruption and property damage claims under which KACC will receive an additional $35.0 million during the third quarter of 2001 related to losses/costs incurred prior to June 30, 2001, as well as the right to certain contingent payments. Since the minimum expected recoveries of $304.5 million exceeded KACC's cumulative insurance accrual of $289.3 million, KACC recognized $15.2 million of additional insurance benefit (as a reduction of Bauxite and alumina business unit's cost of products sold) during the quarter ended June 30, 2001.

See Note 2 of Notes to Interim Consolidated Financial Statements for additional discussion of the incident at the Gramercy facility.

Labor Matters. Although the United Steelworkers of America ("USWA") dispute has been settled and the workers have returned to the facilities, two allegations of unfair labor practices ("ULPs") in connection with the USWA strike and subsequent lock-out by KACC remain to be resolved. The Company believes that the remaining charges made against KACC by the USWA are without merit. See Note 7 of Notes to Interim Consolidated Financial Statements for additional discussion on the ULP charges.

Pacific Northwest Power Sales and Operating Level. During the first six months of 2001, KACC, in a series of transactions, sold a substantial majority of the remaining power available for its Northwest smelters that it had under contract through September 2001. As a result of such power sales, the Northwest smelters are expected to remain curtailed at least through that date.

KACC has the right to purchase power under a separate contract with the Bonneville Power Administration ("BPA") that would, starting October 1, 2001, provide sufficient power to operate KACC's Trentwood facility as well as approximately 40% of the capacity of its Northwest aluminum smelting operations. The rate for power for the initial period of the contract (from October 1, 2001 through March 31, 2002) was announced by the BPA in June 2001 and will be approximately 46% higher than power costs under the existing contract. KACC cannot predict what rates will be charged in future periods. Such rates will be dependent on such factors as the availability of and demand for electrical power, which are largely dependent on weather, the price for alternative fuels, particularly natural gas, as well as general and regional economic and ecological factors. There are other terms of the new BPA contract which are also less favorable than the current BPA contract, including the fact that KACC is not entitled to receive any profits from its limited remarketing rights under the new BPA contract. KACC has a short period of time after the Federal Energy Regulatory Commission affirms BPA's rates during which it can exercise its right to terminate the contract.

KACC is liable for certain severance, supplemental unemployment and early retirement benefits for the USWA workers at the curtailed smelters. A substantial portion of such costs have been accrued as of June 30, 2001.

However, additional accruals may be required depending on when the USWA workers are recalled and when the smelting operations are restarted.

See Note 4 of Notes to Interim Consolidated Financial Statements for additional information on the power sales, the new BPA contract and additional detail regarding accrued liabilities with respect to the USWA workers.

Strategic Initiatives. KACC's strategy is to improve its financial results by: increasing the competitiveness of its existing plants; continuing its cost reduction initiatives; adding assets to businesses it expects to grow; pursuing divestitures of its non-core businesses; and strengthening its financial position by divesting of part or all of its interests in certain operating assets.

In May 2001, the Company announced that it had launched a performance improvement initiative (the "program") designed to increase operating cash flow, generate cash from inventory reduction and improve the Company's financial flexibility. The program aims to generate a sustainable annual operating EBITDA (operating income plus depreciation) run rate of approximately $225.0 million to $235.0 million by the first quarter of 2003. This represents a substantial improvement compared to the Company's adjusted first quarter 2001 annualized operating EBITDA run rate of approximately $135.0 million.

The program aims to achieve the following five specific objectives:

- Significant and systemic reductions in unit production costs through the expanded use of lean manufacturing initiatives at Company-managed facilities. The Company expects to see the biggest incremental improvements at the 65%-owned Alumina Partners of Jamaica ("Alpart") alumina refinery in Jamaica and the 90%-owned Volta Aluminium Company Limited ("Valco") primary aluminum smelter in Ghana;

- Additional efficiencies at the Gramercy facility that are incremental to those efficiencies already included in the Company's adjusted first quarter 2001 annual operating cash flow run rate;

- Increased production at the Alpart alumina refinery through improved efficiency and de-bottlenecking. Alpart's production is expected to reach an annualized run rate of more than 1.7 million tons by the end of 2002 or early 2003, up from the facility's current annual rated capacity of 1.45 million tons. As a result, KACC's share of Alpart's annual production would increase by more than 160,000 tons. This would substantially offset the impact of the pending sale of an 8.3% interest in QAL on alumina available to KACC for internal use or third party sales;

- A sustained reduction in annualized overhead-related expenses or related cash outflows at the Corporate office and in the commodities businesses through redesign of work and consolidation of functions primarily in the Corporate office; and

- A one-time cash benefit from reduction in inventories, primarily at the Company's majority-owned, non-U.S. commodity operations, and through disposition of non-operating properties and equipment.

The Company has not yet determined the size or timing of any cash or non-cash charges that may be required in connection with the program. Such charges could be material.

See Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview, Strategic Initiatives in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, for additional information regarding strategic initiatives.

RESULTS OF OPERATIONS

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 downstream facilities. Intersegment transfers are valued at estimated market prices. The following table provides selected operational and financial information on a consolidated basis with respect to the Company for the quarter and six-month periods ended June 30, 2001 and 2000. The following data should be read in conjunction with the Company's interim consolidated financial statements and the notes thereto, contained elsewhere herein. See Note 14 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2000, for further information regarding segments.

Interim results are not necessarily indicative of those for a full year. Average realized prices for the Company's Flat- rolled products and Engineered products segments are not presented in the following table as such prices are subject to fluctuations due to changes in product mix.

SELECTED OPERATIONAL AND FINANCIAL INFORMATION
(Unaudited)
(In millions of dollars, except shipments and prices)

	Quarter Ended June 30,	Six Months Ended June 30,

	2001	2000	2001	2000
Shipments: (000 tons)				
Alumina (1)				
Third Party	664.9	538.9	1,328.9	976.4
Intersegment	51.9	156.7	234.8	434.3
Total Alumina	716.8	695.6	1,563.7	1,410.7
Primary Aluminum(2)				
Third Party	62.8	86.1	126.7	165.5
Intersegment	.5	37.5	2.0	85.4
Total Primary Aluminum	63.3	123.6	128.7	250.9
Flat-Rolled Products	17.8	39.0	42.8	90.8
Engineered Products	31.3	44.3	64.2	91.6
Average Realized Third Party Sales Price:				
Alumina (per ton)	$ 190	$ 208	$ 192	$ 213
Primary Aluminum (per pound)	$ .69	$ .71	$ .71	$ .75
Net Sales:				
Bauxite and Alumina (1)				
Third Party (includes net sales of bauxite)	$ 132.7	$ 122.2	$ 270.3	$ 229.8
Intersegment	9.9	29.5	45.9	86.3
Total Bauxite & Alumina	142.6	151.7	316.2	316.1
Primary Aluminum(2)				
Third Party	96.1	135.3	199.1	273.3
Intersegment	.8	57.5	3.3	139.6
Total Primary Aluminum	96.9	192.8	202.4	412.9
Flat-Rolled Products	76.9	125.4	172.8	283.3
Engineered Products	115.9	148.7	236.5	312.4
Commodities Marketing	(1.0)	(4.1)	(3.6)	(20.2)
Minority Interests	26.2	25.3	52.0	49.9
Eliminations	(10.7)	(87.0)	(49.2)	(225.9)
Total Net Sales	$ 446.8	$ 552.8	$ 927.1	$ 1,128.5
Operating Income (Loss):				
Bauxite & Alumina (3)	$ (6.0)	$ 16.2	$ (12.8)	$ 43.7
Primary Aluminum	3.9	22.7	8.4	64.7
Flat-Rolled Products	3.1	7.2	6.3	10.3
Engineered Products	2.4	12.6	5.1	25.9
Commodities Marketing	(7.0)	(6.8)	(9.0)	(34.4)
Eliminations	1.7	1.2	5.5	(2.9)
Corporate and Other	(17.7)	(15.2)	(35.9)	(30.5)
Other Non-Recurring Operating Items (Note 10)	(8.0)	13.6	220.2	11.6
Total Operating Income (Loss)	$ (27.6)	$ 51.5	$ 187.8	$ 88.4
Net Income (Loss)	$ (64.1)	$ 11.0	$ 55.5	$ 22.7
Capital Expenditures	$ 42.8	$ 69.1	$ 86.8	$ 85.8

(1) Net sales for the quarter and six-month periods ended June 30, 2001, included approximately 26,400 tons and 66,100 tons, respectively, of alumina purchased from third parties. Net sales for the quarter and six-month periods ended June 30, 2000, included approximately 83,000 tons and 199,000 tons, respectively, of alumina purchased from third parties.

(2) Beginning in the first quarter of 2001, as a result of the continuing curtailment of KACC's Northwest smelters, the Flat-rolled products business unit began purchasing its own primary aluminum rather than relying on the Primary aluminum business unit to supply its aluminum requirements through production or third party purchases. The Engineered products business unit was already responsible for purchasing the majority of its primary aluminum requirements. During the quarter and six-month periods ended June 30, 2001, the Primary aluminum business unit purchased approximately 6,600 tons and 23,800 tons, respectively, of primary aluminum from third parties to meet existing third party requirements.

(3) During the quarter and six-month periods ended June 30, 2001 approximately $22.0 and $41.0, respectively, of abnormal Gramercy start-up costs were incurred. Operating income (loss) for both the quarter and six-month periods ended June 30, 2001, also included additional accrued business interruption recoveries related to the Gramercy facility of $15.2 based on a recent agreement with KACC's insurers. Depreciation was suspended for the Gramercy facility during the first six months of 2000 as a result of the July 1999 incident. Depreciation expense for the Gramercy facility for the first six months of 1999 was $6.0. See Note 2 of Notes to Interim Consolidated Financial Statements for additional information.

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 8 of Notes to Interim Consolidated Financial Statements for a discussion of KACC's hedging activities.

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

During the six months ended June 30, 2000, the Average Midwest United States transaction price ("AMT price") per pound of primary aluminum was $.75 per pound. During the six months ended June 30, 2001, the average AMT price was $.73 per pound. The average AMT price for primary aluminum for the week ended July 27, 2001 was $.67 per pound.

QUARTER AND SIX MONTHS ENDED JUNE 30, 2001, COMPARED TO QUARTER AND SIX MONTHS ENDED JUNE 30, 2000

SUMMARY
The Company reported a net loss of $64.1 million, or $.80 of basic loss per common share, for the second quarter of 2001, compared to a net income of $11.0 million, or $.14 of basic income per common share, for the same period of 2000. For the six months ended June 30, 2001, the Company reported net income of $55.5 million or $.70 of basic income per common share, compared to net income of $22.7 million, or $.29 of basic income per common share, for the six-month period ended June 30, 2000. However, results for the quarter and six-month periods ended June 30, 2001 and 2000 included material special items as summarized below:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
As reported, earnings (loss) per common share	$ (.80)	$ .14	$ .70	$ .29
Less material special (gains) losses:				
Net (gains) losses from power sales	.04	(.12)	(1.70)	(.12)
Excess overhead and other fixed costs associated with curtailed Northwest smelting operations	.03	-	.08	-
Mark-to-market (gains) losses	(.02)	.05	(.14)	(.06)
Asbestos-related charges	.35	-	.41	-
Adjustment to environmental liabilities	.06	-	.06	-
MetalSpectrum investment write-off	.02	-	.02	-
Additional Gramercy business interruption recoveries	(.12)	-	(.12)	-
Abnormal Gramercy start-up costs	.17	-	.31	-
Other non-recurring operating charges	.02	.01	.02	.02
	$ (.25)	$ .08	$ (.36)	$ .13

Net sales in the second quarter of 2001 totaled $446.8 million compared to $552.8 million in the second quarter of 2000. Net sales for the six-month period ended June 30, 2001, totaled $927.1 million compared to $1,128.5 million for the six-month period ended June 30, 2000.

Bauxite and Alumina. Third party net sales of alumina increased 9% for the quarter ended June 30, 2001, as compared to the same period in 2000. A 23% increase in third party shipments was partially offset by a 9% decrease in third party average realized prices. The increase in quarter-over-quarter shipments resulted primarily from the timing of shipments as well as the restart of production at the Gramercy refinery in December 2000. The decrease in average realized prices was due to a decrease in primary aluminum market prices to which the Company's third-party alumina sales contracts are linked.

Intersegment net sales of alumina for the quarter ended June 30, 2001 decreased 66% as compared to the same period in 2000 primarily as the result of a 67% decrease in intersegment shipments. The decrease in shipments was primarily due to the potline curtailments at the Company's Washington smelters.

Net sales for the quarters ended June 30, 2001 and 2000 included approximately 26,400 tons and 83,000 tons, respectively, of alumina purchased from third parties to satisfy third party sales and transfers to the Company's Primary aluminum business unit.

For the six-month period ended June 30, 2001, third party net sales of alumina were 18% higher than the comparable period in 2000 as a 36% increase in third party shipments was partially offset by an 10% decrease in third party average realized prices. The increase in third party shipments and decrease in average realized prices during the first six months of 2001 as compared to 2000 was attributable to the same volume and price factors discussed above.

Intersegment net sales for the six-month period ended June 30, 2001, decreased 47% as compared to the same period in 2000. The decrease was primarily due to a 46% decrease in the intersegment shipments. The decrease in intersegment shipments was attributable to the same volume factor discussed above.

Net sales for the six month periods ended June 30, 2001 and 2000 included approximately 66,100 tons and 199,000 tons, respectively, of alumina purchased from third-parties to satisfy third party sales and transfers to the Primary aluminum business unit.

Segment operating results (excluding non-recurring items) for the quarter and six-month periods ended June 30, 2001 decreased significantly compared to the comparable periods in 2000. Increase in net shipments only partially offset the decrease in the average realized sales prices. Additionally, operating income for 2001 was adversely affected by abnormal Gramercy related start-up costs during the quarter and six-month periods ended June 30, 2001 of approximately $22.0 million and $41.0 million, respectively, non-recurring operating issues at the Alpart alumina refinery and higher energy prices, offset in part in both periods by a $15.2 million additional insurance benefit resulting from an agreement between KACC and its insurers related to the Gramercy incident. As discussed more fully in Note 2 of Notes to Interim Consolidated Financial Statements, abnormal Gramercy-related costs in 2000 were offset by estimated business interruption insurance recoveries.

Segment operating income for the quarter and six-month periods, discussed above, exclude costs of $2.0 million incurred in connection with the Company's performance improvement initiative program, which amounts are included in other non-recurring operating items (see Note 10 of Notes to Interim Consolidated Financial Statements).

Primary Aluminum. Third party net sales of primary aluminum decreased 29% for the second quarter of 2001 as compared to the same period in 2000 as a result of a 27% decrease in third party shipments and a 3% decrease in third party averaged realized prices. The decrease in shipments was primarily due to the curtailment of the Washington smelters during the last half of 2000. The decrease in the average realized prices was primarily due to the decrease in primary aluminum market prices.

Intersegment net sales of primary aluminum for the quarter ended June 30, 2001 decreased significantly compared to the same period in 2000 primarily as a result of a substantial decrease in intersegment shipments. This change resulted primarily from a change in the Company's methodology for handling aluminum supply logistics for the Flat-rolled products business unit as a result of the continuing curtailment of KACC's Northwest smelters. Beginning in the first quarter of 2001, the Flat-rolled products business unit began purchasing its own primary aluminum rather than relying on the Primary aluminum business unit to supply its aluminum requirements through production or third party purchases. The Engineered products business unit was already responsible for purchasing the majority of its primary aluminum requirements.

For the six-month period ended June 30, 2001, third party sales of primary aluminum decreased approximately 27% from the comparable period in 2000, reflecting a 23% decrease in third party shipments and a 5% decrease in third-party average realized prices. The decreases in year-to-date 2001 shipments and prices compared to 2000 were attributable to the same factors described above. Intersegment net sales for the first half of 2001 decreased significantly compared to the same period in 2000. This decrease was attributable to the same factors described above.

Segment operating income (excluding non-recurring items) for the quarter and six-month periods ended June 30, 2001, was down from the comparable periods in 2000. The primary reasons for the decreases were the decreases in the average realized prices and shipments discussed above as well as overhead and other fixed costs associated with the curtailed Northwest smelting operations, which totaled approximately $9.0 million and $21.0 million during the quarter and six-month periods ended June 30, 2001. The Company believes that approximately half of such costs incurred are "excess" to the run rate that can be achieved during a prolonged curtailment period. Management is in the process of determining the appropriate actions to minimize the excess outflows associated with the curtailed operations. Period over period results were also unfavorably impacted by higher energy costs at the 49%-owned Anglesey Aluminium Limited ("Anglesey") aluminum smelter, resulting from a new power contract entered into by Anglesey at the end of the first quarter of 2000.

Segment operating income for the quarter and the six-month periods ended June 30, 2001, discussed above, excludes non-recurring net power sales gains (losses) of $(5.5) million and $222.7 million, respectively.

Flat-Rolled Products. Net sales of flat-rolled products decreased approximately 39% during the second quarter 2001 as compared to 2000 as a 54% decrease in shipments was partially offset by a 34% increase in average realized prices. The decrease in shipments was primarily due to reduced shipments of can body stock as a part of the planned exit from this product line. Current period shipments were also adversely affected by reduced general engineering heat- treat products and can lid and tab stock, due to weak market demand. These decreases were modestly offset by strong aerospace demand. The increase in average realized prices primarily reflects the change in product mix from the can body stock to heat-treat products (which have a higher price and operating margin as compared to other products).

For the six-month period ended June 30, 2001, net sales of flat-rolled products decreased by approximately 39% as compared to the same period in 2000 as a 53% decrease in shipments was offset by an 29% increase in average realized prices. The decline in year-to-date 2001 shipments and increase in average realized prices were primarily attributable to the same factors described above.

Segment operating income for the quarter and six-month periods ended June 30, 2001, was down from the comparable periods in 2000. The primary reasons for the decreases were the decreases in shipments offset in part by the increase in prices described above. Operating results were also adversely impacted by a less than favorable cost performance associated with the product mix changes discussed above. Higher period over period natural gas prices were only partially offset by modest benefits from power load shedding by the business unit.

Engineered Products. Net sales of engineered products decreased by approximately 22% during the second quarter 2001 as compared to 2000, as a 29% decrease in product shipments was offset by a 11% increase in average realized prices. The decrease in product shipments was the result of reduced transportation and electrical product shipments due to weak market demand. The increase in average realized prices reflects a shift in product mix to higher value- added products.

For the six-month period ended June 30, 2001, net sales of engineered products decreased by approximately 24% as a 30% decrease in product shipments was offset by an 8% increase in average realized prices. The decrease in shipments and increase in sales prices is attributable to the same factors listed above.

The decreases in segment operating income for the quarter and six-month periods ended June 30, 2001, as compared to the comparable periods in 2000 were primarily attributable to the price and volume factors described above. The segment's operating results were also adversely impacted by higher period over period energy prices and because the business unit was unable to reduce costs to match the market related volume declines.

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

Segment operating loss for the quarter ended June 30, 2001 was essentially flat as compared to the comparable period in 2000. While the second quarter of 2001 hedging positions had a higher minimum price than the hedging positions in the second quarter of 2000, market prices in both periods were above both periods' minimum price. Segment operating loss for the six-month period ended June 30, 2001 decreased as compared to the same period in 2000. This is primarily the result of first quarter 2001 hedging positions having higher minimum prices than the positions in the first quarter of 2000, combined with the fact that first quarter 2000 market prices were higher than those experienced in the first quarter of 2001.

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

Corporate and Other. Corporate operating expenses (excluding non-recurring items) represent corporate general and administrative expenses which are not allocated to the Company's business segments. The increase in corporate operating expenses in the quarter and six-month periods ended June 30, 2001, as compared to the comparable periods in 2000 was primarily due to increased pension cost accruals for active and retired employees.

Corporate operating results for the quarter and six-month periods ended June 30, 2001, exclude costs of $.5 million in connection with the Company's performance improvement initiative program and for the quarter and six-month periods ended June 30, 2000, exclude costs related to staff reduction and efficiency initiatives of $1.5 million and $3.5 million, respectively, which amounts are included in other non-recurring operating items (see Note 10 of Notes to Interim Consolidated Financial Statements).

POSSIBLE THIRD QUARTER 2001 TRENDS AS COMPARED TO ACTUAL SECOND QUARTER 2001 RESULTS

This section contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions that such forward-looking statements are not guarantees of future results and involve significant risks and uncertainties, and that actual results may vary materially from those expressed or implied in the forward-looking statements as a result of various factors. The Company is under no obligation to update these forward-looking statements to reflect future events or circumstances.

Bauxite and Alumina. Total shipment volumes are expected to be flat. Third-party price realizations are contractually linked to LME aluminum prices generally on a one-to-three month lag. As a result, recent weakness in LME prices would tend to dampen alumina price realizations in the third quarter. Operating costs are expected to be better but will largely be determined by the speed at which Gramercy completes its transition from its interim operating mode to its anticipated operating mode. A planned maintenance outage at Alpart is expected to be somewhat offset by improved energy prices at all three alumina refineries.

Primary Aluminum. Shipment volumes are expected to be down modestly, reflecting curtailment of aluminum rod production at the Tacoma, Washington, smelter. Price realizations are reflective of commodity pricing as determined by LME and

Midwest markets. KACC's realizations also typically reflect some product premiums. Costs are expected to be flat.

Commodity Marketing. As the primary component of this segment is KACC's metal hedging activities, the segment's results will vary depending on prevailing primary aluminum prices. The hedging impacts in this segment will tend to offset certain of the price impacts experienced in the Bauxite and Alumina and Primary Aluminum segments. For a discussion of the possible impacts of price changes on KACC's derivative instruments, see "Item 3. Qualitative and Quantitative Disclosures About Market Risk."

Flat-Rolled Products. Shipment volumes are expected to be affected by the prospect of continued weakness in general engineering and lid and tab stock; offset somewhat by the prospect of continued firm demand in the aerospace market. Average price realizations are expected to be flat, reflecting a product mix reasonably similar to that of the second quarter. Costs are expected to be flat/favorable as the facility adjusts its costs in response to the mix shift. As the Company addresses these issues, non-recurring restructuring charges are possible and such amounts could be material.

Engineered Products. Shipment volumes are expected to be flat/down, reflecting continued weakness in ground transportation markets as well as seasonality. Average price realizations are expected to be flat due to relatively stable mix. Costs are expected to be flat/favorable due to moderation in energy prices as well as improved variable cost performance.

Corporate. Corporate expenses are expected to remain flat/favorable as the Company continues to seek reductions in overhead expenses.

LIQUIDITY AND CAPITAL RESOURCES

See Note 8 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2000, for a listing of the Company's indebtedness and information concerning certain restrictive debt covenants.

Operating Activities. At June 30, 2001, the Company had working capital of $20.9 million, compared with working capital of $170.7 million at December 31, 2000. The decrease in working capital primarily resulted from:

- - an increase in the current portion of long-term debt due to the reclassification of the $224.2 million principal amount of the 97/8% Senior Notes to current liabilities offset by KACC's repayment of $30.4 million of outstanding borrowings under its Credit Agreement.

- - a decrease in accrued salaries, wages and related expenses resulting primarily from the payment of previously accrued employee-related compensation applicable to job reductions as a part of the September 2000 labor settlement or associated with workers at the curtailed Northwest smelters.

- - a decrease in other receivables primarily due to receipt of previously accrued power sales (reflecting the difference between the $88.0 million receivable at year-end 2000, which was collected in the first quarter of 2001, and the $45.0 million receivable at June 30, 2001, reflecting amounts related to 2001 power sales that will be collected periodically through October 2001).

Investing Activities. Capital expenditures during the six months ended June 30, 2001, were $86.8 million, including $61.8 million for the rebuilding of the Gramercy facility. The remainder of the year-to-date 2001 capital expenditures were incurred to improve production efficiency and reduce operating costs at the Company's other facilities. Total consolidated capital expenditures, excluding capital expenditures in 2001 to finish rebuilding the Gramercy facility, are expected to be between $80.0 and $95.0 million per annum in each of 2001 and 2002 (of which approximately 15% is expected to be funded by the Company's minority partners in certain foreign joint ventures).

Management continues to evaluate numerous projects all of which would require substantial capital, both in the United States and overseas. The level of capital expenditures may be adjusted from time to time depending on the Company's price outlook for primary aluminum and other products, KACC's ability to assure future cash flows through hedging or other means, the Company's financial position and other factors.

Financing Activities and Liquidity: Short-Term. KACC uses its Credit Agreement to provide short-term liquidity requirements and for letters of credit to support operations. During the second quarter of 2001, there were no month- end borrowings outstanding under the Credit Agreement. The average amount of borrowings outstanding under the Credit Agreement during the second quarter of 2001 was less than $1.0 million. During the first quarter of 2001, month-end borrowing amounts outstanding under the Credit Agreement were as high as approximately $94.0 million, which occurred in February 2001, primarily as a result of costs incurred and capital spending related to the Gramercy rebuild, net of insurance reimbursements. The average amount of borrowings outstanding under the Credit Agreement during the first quarter of 2001 was approximately $47.5 million. Outstanding letters of credit at June 30, 2001, were approximately $44.4 million.

In July 2001, the expiration date of the Credit Agreement was extended from August 15, 2001 to November 2, 2001. KACC sought the extension in order to gain additional flexibility in advance of the February 2002 maturity date of its

97/8% Senior Notes. The Company and KACC intend to extend, replace or renew the Credit Agreement prior to its expiration. However, in order for the Credit Agreement to be extended, on a short-term basis, beyond November 2001, KACC will have to have a demonstrable way to mitigate the maturity of the $225.0 million of 97/8% Senior Notes. For the Credit Agreement to be extended past February 2003, both the 97/8% Senior Notes and the $400.0 million of 12 3/4% Senior Subordinated Notes, due February 2003, will have to be retired and/or refinanced.

The Company currently expects limited, if any, borrowings for the balance of the Credit Agreement term, except it is possible that KACC may use availability under the Credit Agreement (or any extension, replacement or renewal thereof) to augment other cash resources to mitigate the maturity of the 97/8% Senior Notes. As of June 30, 2001, KACC had approval from the Credit Agreement lenders to purchase up to $50.0 million of the 97/8% Senior Notes. As of June 30, 2001, KACC had purchased approximately $.8 million of 97/8% Senior Notes.

As previously announced, the Company is working with financial advisors to review its options for addressing its near- term debt maturities and its overall capital structure. While the Company continues to consider potential asset transactions (beyond the recently announced agreement to sell an 8.3% interest in QAL), the Company intends to pursue only those transactions that would create long-term value through strategic positioning and/or the generation of acceptable levels of earnings or cash. The Company cannot predict if any such transactions will materialize.

In addition to being impacted by normal operating items, the Company's and KACC's near-term liquidity and cash flow will be affected by remaining net proceeds from power sales (see Note 4 of Notes to Interim Consolidated Financial Statements), the expected third quarter 2001 sale of a portion of KACC's interest in QAL (see Note 9 of Notes to Interim Consolidated Financial Statements), the restart of the Gramercy facility and the amount of net payments for asbestos-related liabilities.

KACC will continue to incur abnormal start-up costs and capital spending until all construction activity at the Gramercy facility is completed and full production volume and efficiency is restored. The amount of abnormal costs incurred during the balance of 2001 will depend upon the speed at which the Gramercy facility transitions from its interim operating mode and the extent to which any unanticipated start-up issues may occur. The Company expects the Gramercy facility to reach its full production rate and full efficiency by the end of 2001 or early 2002.

During the six months ended June 30, 2001, KACC paid $59.2 million of asbestos-related settlement and defense costs and received insurance reimbursement of $65.0 million for asbestos-related matters. KACC's 2001 and 2002 cash payments, prior to insurance recoveries, for asbestos-related costs are estimated to be between $125.0 million and $150.0 million per year. The Company believes that KACC will continue to recover a substantial portion of asbestos payments from insurance. However, insurance reimbursements have historically lagged KACC's payments. Delays in receiving future insurance repayments would have an adverse impact on KACC's liquidity. During 2000, KACC filed suit against a group of its insurers, after negotiations with certain of the insurers regarding an agreement covering both reimbursement amounts and the timing of reimbursement payments were unsuccessful. The litigation is intended, among other things, to: (1) ensure that the insurers provide KACC with timely and appropriate reimbursements for asbestos-related settlements and related legal costs incurred; and (2) to resolve certain issues between the parties with respect to how specific provisions of the applicable insurance policies are to be applied. Given the significance of expected asbestos-related payments in 2001 and 2002 based on settlement agreements in place at June 30, 2001, the receipt of timely and appropriate reimbursements from such insurers is critical to KACC's liquidity. The court is expected to try certain aspects of the case in late 2001 and the remaining issues in 2002. KACC is continuing to receive cash reimbursements from the insurers.

Absent an improvement in the markets in which KACC operates or faster than expected improvement in the operating performance of the Gramercy refinery (as a result of its completion) and other facilities (as a result of the Company's performance improvement initiative), KACC's cash flows during the balance of 2001 (before considering the pending third quarter 2001 sale of a portion of KACC's interest in QAL and near-term debt maturities) may fully utilize the cash balance reported at June 30, 2001 in order to satisfy interest and expected tax payments, the funding of pension, post-retirement medical and net asbestos-related liabilities, capital spending and other previously accrued obligations. The Company expects KACC's cash flow in 2002 to improve substantially over the run rate expected to be experienced during the last six months of 2001 as a result of the Gramercy alumina refinery reaching its full operating rate and full efficiency, operating improvements resulting from KACC's performance improvement initiative and as certain of its other previously accrued, non-recurring, near-term obligations are satisfied. However, no assurances can be given in this regard.

Management believes that the Company's existing cash resources, together with cash flows from operations, power sales and the sale of the 8.3% interest in QAL, as well as borrowings under the Credit Agreement (which the Company intends to extend, replace or renew as discussed above), will be sufficient to satisfy its working capital, debt maturities and capital expenditure requirements for the next year. However, no assurance can be given that existing and anticipated cash sources will be sufficient to meet the Company's short-term liquidity requirements or that additional sources of cash will not be required.

Long-Term. As of June 30, 2001, the Company's total consolidated indebtedness was $923.3 million. There were no revolving credit borrowings outstanding under the Credit Agreement. KACC's ability to make payments on and to refinance its debt on a long-term basis depends on its ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors beyond KACC's control. With respect to long-term liquidity, management believes that operating cash flow, together with the ability to obtain both short and long-term financing, should provide sufficient funds to meet KACC's and the Company's working capital, financing and capital expenditure requirements. However, no assurance can be given that KACC will be able to refinance its debt on acceptable terms.

CAPITAL STRUCTURE

MAXXAM Inc. ("MAXXAM") and one of its wholly owned subsidiaries collectively own approximately 62% of the Company's Common Stock, with the remaining approximately 38% of the Company's Common Stock being publicly held. Certain of the shares of the Company's Common Stock beneficially owned by MAXXAM are subject to a pledge agreement by MAXXAM and its subsidiary.

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. The Company will not receive any of the net proceeds from any transaction initiated by MAXXAM pursuant to this registration statement.

The Credit Agreement does not permit the Company, and significantly restricts KACC's ability, to pay any dividends on their common stocks.

ITEM 3.   QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This section contains forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those projected in these forward-looking statements.

The Company's operating results are sensitive to changes in the prices of alumina, primary aluminum, and fabricated aluminum products, and also depend to a significant degree upon the volume and mix of all products sold. As discussed more fully in Notes 1 and 8 of Notes to Interim Consolidated Financial Statements, KACC utilizes hedging transactions to lock-in a specified price or range of prices for certain products which it sells or consumes in its production process and to mitigate KACC's exposure to changes in foreign currency exchange rates. The following sets forth the impact on future earnings of adverse market changes related to KACC's hedging positions with respect to commodity, foreign exchange and energy contracts described more fully in Note 8 of Notes to Interim Consolidated Financial Statements.

Alumina and Primary Aluminum. Alumina and primary aluminum production in excess of internal requirements is sold in domestic and international markets, exposing the Company to commodity price opportunities and risks. KACC's hedging transactions are intended to provide price risk management in respect of the net exposure of earnings resulting from (i) anticipated sales of alumina, primary aluminum and fabricated aluminum products, less (ii) expected purchases of certain items, such as aluminum scrap, rolling ingot, and bauxite, whose prices fluctuate with the price of primary aluminum. On average, before consideration of hedging activities, any fixed price contracts with fabricated aluminum products customers, variations in production and shipment levels, and timing issues related to price changes, the Company estimates that each $.01 increase (decrease) in the market price per price-equivalent pound of primary aluminum increases (decreases) the Company's annual pre-tax earnings by approximately $10.0 - $15.0 million, based on recent fluctuations in operating levels.

Based on the average July 2001 London Metal Exchange ("LME") cash price for primary aluminum of approximately $.64 per pound, the Company estimates that it would realize approximately $19.0 million of net aggregate pre-tax benefits from its hedging positions and fixed price customer contracts during the remainder of 2001 and the period 2002 through 2003. The Company estimates that a hypothetical $.10 increase from the above stated July 2001 price would result in a net aggregate pre-tax reduction in operating income of approximately $46.0 million being realized during the remainder of 2001 and the period 2002 through 2003 from KACC's hedging positions and fixed price customer contracts. Conversely, the Company estimates that a hypothetical $.10 decrease from the above stated July 2001 price level would result in an aggregate pre-tax increase in operating income of approximately $159.0 million being realized during the remainder of 2001 and the period 2002 through 2003 from KACC's hedging positions and fixed price customer contracts. Both of the foregoing hypothetical amounts are versus what the Company's results would have been without the derivative commodity contracts and fixed price customer contracts discussed above. It should be noted, however, that, since the hedging positions and fixed price customer contracts lock-in a specified price or range of prices, increases or decreases in earnings attributable to KACC's hedging positions or fixed price customer contracts are significantly offset by a decrease or increase in the proceeds to be realized on the underlying physical transactions.

As stated in Note 8 of Notes to Interim Consolidated Financial Statements, KACC has certain hedging positions which do not qualify for treatment as a "hedge" under current accounting guidelines and thus must be marked-to-market each period. Fluctuations in forward market prices for primary aluminum would likely result in additional earnings volatility as a result of these positions. The Company estimates that a hypothetical $.10 change in spot market prices from the July 31, 2001, LME cash price of $.63 per pound would, depending on the shape of the forward curve, result in additional aggregate mark-to-market impacts of between $10.0 - $30.0 million during any period through 2003.

In addition to having an impact on the Company's earnings, a hypothetical $.10-per-pound change in primary aluminum prices would also impact the Company's cash flows and liquidity through changes in possible margin advance requirements. At July 31, 2001, KACC had received margin advances of $20.7 million. Increases in primary aluminum prices subsequent to July 31, 2001, could result in KACC having to refund and, depending on the amount of the increase, make margin advances and such amounts could be significant. If primary aluminum prices increased by $.10 per pound (from the July 31, 2001 price) by December 31, 2001 and the forward curve were as described above, it is estimated that KACC could be required to pay in the range of $40.0 to $60.0 million in respect of both refunds of margin advances from brokers and to make margin advances to the brokers. Management considers credit risk related to possible failure of the counterparties to perform their obligations pursuant to the derivative contracts to be minimal.

Foreign Currency. KACC enters into forward exchange contracts to hedge material cash commitments for foreign currencies. KACC's primary foreign exchange exposure is related to KACC's Australian Dollar (A$) commitments in respect of activities associated with its 28.3%-owned affiliate, Queensland Alumina Limited. The Company estimates that, before consideration of any hedging activities, a US $0.01 increase (decrease) in the value of the A$ results in an approximate $2 million (decrease) increase in the Company's annual pre-tax operating income.

Based on the July 31, 2001 US$ to A$ exchange rate of $.51, KACC's foreign currency hedges would result in a net aggregate pre-tax reduction of operating income of approximately $10.0 million for the remainder of 2001 and for the period 2002 through 2005. The Company estimates that a hypothetical 10% decrease in the A$ exchange rate would result in the Company recognizing a net aggregate pre-tax reduction of operating income of approximately $12.0 million for the remainder of 2001 and for the period 2002 through 2005 from KACC's foreign currency hedging positions. Conversely, the Company estimates that a hypothetical 10% increase in the A$ exchange rate (from $.51) would result in the Company realizing a net pre-tax aggregate reduction of operating income of approximately $5.0 million during the remainder of 2001 and for the period 2002 through 2005. These hypothetical impacts are versus what the Company's results would have been without the Company's derivative foreign currency contracts. It should be noted, however, that, since the hedging positions lock-in specified rates, increases or decreases in earnings attributable to currency hedging instruments would be significantly offset by a corresponding decrease or increase in the value of the hedged commitments.

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

KACC from time to time in the ordinary course of business enters into hedging transactions with major suppliers of energy and energy related financial instruments. As of July 31, 2001, KACC held option and swap contracts hedging for a majority of its August 2001 to October 2001 natural gas requirements and a portion of its November 2001 to March 2002 natural gas requirements. Based on an average July 2001 settlement price (per mcf) of approximately $3.17, the Company expects to realize a pre-tax reduction of operating income of approximately $1.2 million for the period from August 2001 through March 2002 associated with these hedging positions. The Company estimates that a hypothetical $1.00 decrease in the average July 2001 settlement price would result in the Company recognizing a net aggregate pre-tax reduction of operating income of $3.3 million for the period from August 2001 through March 2002 associated with these hedging positions. Conversely, the Company estimates that a hypothetical $1.00 increase in the average July 2001 settlement price would result in the Company realizing a net pre-tax aggregate increase of operating income of approximately $1.6 million for the period August 2001 through March 2002. These hypothetical impacts are versus what the Company's results would have been without the Company's derivative natural gas contracts. It should be noted, however, that, since the hedging positions lock-in specified rates, increases or decreases in earnings attributable to currency hedging instruments would be significantly offset by a corresponding decrease or increase in the value of the hedged commitments.

As of July 31, 2001, KACC also held option and swap contracts hedging a majority of its August 2001 through December 2001 fuel oil requirements. Based on the average July 2001 settlement price (per barrel) of approximately $17.38, the Company estimates the hedges would not have a material net aggregate pre-tax impact on its operating income.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Part I, Item 3. "LEGAL PROCEEDINGS" in the Company's Form 10-K for the year ended December 31, 2000 for information concerning other material legal proceedings with respect to the Company.

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

The annual meeting of stockholders of the Company was held on May 23, 2001, at which meeting the stockholders voted to elect management's slate of nominees as directors of the Company. The nominees for election as directors of the Company are listed below, together with the number of votes cast for, against, and withheld with respect to each such nominees, as well as the number of abstentions and broker nonvotes with respect to each such nominee:

Robert J. Cruikshank	
Votes For:	77,479,320
Votes Against:	
Votes Withheld:	580,294
Abstentions:	
Broker Nonvotes:	
James T. Hackett	
Votes For:	77,482,641
Votes Against:	
Votes Withheld:	576,973
Abstentions:	
Broker Nonvotes:	
George T. Haymaker, Jr.	
Votes For:	77,484,111
Votes Against:	
Votes Withheld:	575,503
Abstentions:	
Broker Nonvotes:	
Charles E. Hurwitz	
Votes For:	76,350,814
Votes Against:	
Votes Withheld:	1,708,800
Abstentions:	
Broker Nonvotes:	
Ezra G. Levin	
Votes For:	77,483,540
Votes Against:	
Votes Withheld:	576,074
Abstentions:	
Broker Nonvotes:	
Raymond J. Milchovich	
Votes For:	76,259,164
Votes Against:	
Votes Withheld:	1,800,450
Abstentions:	
Broker Nonvotes:	
James D. Woods	
Votes For:	77,488,590
Votes Against:	
Votes Withheld:	571,024
Abstentions:	
Broker Nonvotes:	

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

*4.1 Twenty-First Amendment to Credit Agreement and Consent, dated as of July 18, 2001, amending the Credit Agreement, dated as of February 15, 1994, as amended, among Kaiser Aluminum & Chemical Corporation, Kaiser Aluminum Corporation, the financial institutions party thereto, and Bank of America, N.A. (successor to BankAmerica Business Credit, Inc.), as Agent.

*10.1 Form of Non-Employee Director Stock Option Grant for options issued commencing January 1, 2001 under the 1997 Kaiser Omnibus Stock Incentive Plan.

*10.2 Form of Stock Option Grant for options issued commencing January 1, 2001 under the 1997 Kaiser Omnibus Stock Incentive Plan.

*10.3 Form of Restricted Stock Agreement for restricted shares issued commencing January 1, 2001 under the 1997 Kaiser Omnibus Stock Incentive Plan.

(b) Reports on Form 8-K.

No Report on Form 8-K was filed by the Company during the quarter ended June 30, 2001.

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* Filed herewith

SIGNATURE

Pursuant to the requirements 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, who have signed this report on behalf of the registrant as the principal financial officer and principal accounting officer of the registrant, respectively.

KAISER ALUMINUM CORPORATION

By: /s/ John T. La Duc

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

KAISER ALUMINUM CORPORATION

By: /s/ Daniel D. Maddox

Daniel D. Maddox
Vice President and Controller
(Principal Accounting Officer)

Dated: August 13, 2001

Exhibit 4.1

TWENTY-FIRST AMENDMENT TO CREDIT AGREEMENT AND CONSENT

THIS TWENTY-FIRST AMENDMENT TO CREDIT AGREEMENT AND CONSENT (this "Amendment"), dated as of July 18, 2001 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 Bank of America, N.A. (successor to 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, the Seventh Amendment to Credit Agreement, dated as of December 17, 1996, the Eighth Amendment to Credit Agreement, dated as of February 24, 1997, the Ninth Amendment to Credit Agreement and Acknowledgment, dated as of April 21, 1997, the Tenth Amendment to Credit Agreement and Assignment, dated as of June 25, 1997, the Eleventh Amendment to Credit Agreement and Limited Waivers, dated as of October 20, 1997, the Twelfth Amendment to Credit Agreement, dated as of January 13, 1998, the Thirteenth Amendment to Credit Agreement, dated as of July 20, 1998, the Fourteenth Amendment to Credit Agreement, dated as of December 11, 1998, the Fifteenth Amendment to Credit Agreement, dated as of February 23, 1999, the Sixteenth Amendment to Credit Agreement, dated as of March 26, 1999, the Seventeenth Amendment to Credit Agreement, dated as of September 24, 1999, the Eighteenth Amendment to Credit Agreement, dated as of February 11, 2000, the Nineteenth Amendment to Credit Agreement and Limited Waiver, dated as of December 27, 2000, and the Twentieth Amendment to Credit Agreement dated as of January 26, 2001 (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. Amendments to Credit Agreement.

1.1 Amendment to Article I: Definitions and Accounting Terms

Section 1.1 of the Credit Agreement is hereby amended by deleting the reference to "August 15, 2001" each time it appears in the definitions of "Revolving Commitment Termination Date" and "Stated Maturity Date" contained therein and substituting a reference to "November 2, 2001" therefor.

1.2 Amendment to Article V: Letters of Credit

Section 5.1 of the Credit Agreement is hereby amended by deleting the reference to "August 15, 2001" contained in clause (b)(iii) thereof and substituting a reference to "November 2, 2001" therefor.

1.3 Amendments to Article IX: Covenants

Section 9.1 of the Credit Agreement is hereby amended by adding the following as new Section 9.1.13 thereof:

"SECTION 9.1.13. SALE PROCEEDS ACCOUNT. The Company shall, on the date of receipt of the cash proceeds from the sale of the 8.2778% interest in QAL permitted by the Twenty-First Amendment to Credit Agreement and Consent dated as of July 18, 2001 (the "Twenty-First Amendment"), deposit 50% of such cash proceeds in Account No. 876636 maintained by the Company with Bank of America pursuant to a control agreement in form and substance satisfactory to the Agent, which agreement shall (i) confirm the Agent's security interest in such account, (ii) provide for the investment of amounts in such account in cash and Cash Equivalent Investments as directed from time to time by the Company, and (iii) provide that the Company shall have no right to withdraw funds from such account until the earliest of (A) receipt of the consent of all Lenders to such withdrawal, (B) November 2, 2001, or (C) the renewal or refinancing of this Agreement; provided, however, that the extension of the Revolving Commitment Termination Date and the Stated Maturity Date effected by the Twenty-First Amendment shall not constitute such a renewal or refinancing."

1.4 Amendment to Article X. Defaults

Section 10.1.3 of the Credit Agreement is hereby amended by adding the phrase "9.1.13," prior to the phrase "9.2.4," contained therein.

Section 2. Consent

The Company has informed the Agent and the Lenders that the Company and KAAC intend to sell an 8.2778% interest in QAL for a purchase price of approximately $189,000,000, consisting of approximately $159,000,000 of cash and the assumption of approximately $30,000,000 of off-balance sheet Indebtedness. At the request of the Company, the Lenders hereby consent to such sale notwithstanding the provisions of Section 9.2.11 of the Credit Agreement.

Section 3. 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 "Twenty-First 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 Lenders (or notice of the approval of this Amendment by the 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 Board of Directors of the Company and the Parent Guarantor approving and authorizing the execution, delivery and performance of this Amendment, certified by their respective corporate secretaries or assistant secretaries 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 & Frankel LLP, in form and substance satisfactory to the Agent;

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

(5) For the pro rata benefit of the Lenders, a fee in the amount of $100,000.

Section 4. 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 Twenty-First 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 Indenture, 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 5. 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 6. Miscellaneous.

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

(1) On and after the Twenty-First 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 amended by this Amendment, 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

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER ALUMINUM & CHEMICAL CORPORATION

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

BANK OF AMERICA, N.A. (successor to BankAmerica Business Credit, Inc.), as Agent

By: /S/ MICHAEL J. JASAITIS
Name: Michael J. Jasaitis
Its: Vice President

BANK OF AMERICA, N.A. (successor to BankAmerica Business Credit, Inc.)

By: /S/ MICHAEL J. JASAITIS
Name: Michael J. Jasaitis
Its: Vice President

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /S/ NEAL T. LEGAN
Name Printed: Neal T. Legan
Its: Vice President

HELLER FINANCIAL, INC.

By: /S/ RICHARD J. HOLSTON
Name Printed: Richard J. Holston
Its: Assistant Vice President

CONGRESS FINANCIAL CORPORATION (WESTERN)

By: /S/ GARY D. CASSIANNI
Name Printed: Gary D. Cassianni
Its: Vice President

TRANSAMERICA BUSINESS CAPITAL CORPORATION

By: /S/ ARI KAPLAN
Name Printed: Ari Kaplan
Its: Vice President

LA SALLE BANK NATIONAL ASSOCIATION (formerly known as La Salle National Bank)

By: /S/ DOUGLAS C. COLLETTI
Name Printed: Douglas C. Colletti
Its: First V.P.

ABN AMRO BANK N.V.

By: /S/ JEFFREY DODD
Name Printed: Jeffrey Dodd
Its: Group Vice President

By: /S/ L. DAVID WRIGHT
Name Printed: L. David Wright
Its: Senior Vice President

ACKNOWLEDGED AND AGREED TO:

AKRON HOLDING CORPORATION

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER ALUMINUM & CHEMICAL INVESTMENT, INC.

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER ALUMINUM PROPERTIES, INC.

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER ALUMINUM TECHNICAL SERVICES, INC.

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

OXNARD FORGE DIE COMPANY, INC.

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER ALUMINIUM INTERNATIONAL, INC.

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER ALUMINA AUSTRALIA CORPORATION

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER FINANCE CORPORATION

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

ALPART JAMAICA INC.

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle

KAISER JAMAICA CORPORATION

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle

Its: Assistant Treasurer

Its: Assistant Treasurer

KAISER BAUXITE COMPANY

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER EXPORT COMPANY

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER MICROMILL HOLDINGS, LLC

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER SIERRA MICROMILLS, LLC

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
its: Assistant Treasurer

KAISER TEXAS SIERRA MICROMILLS, LLC

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER TEXAS MICROMILL HOLDINGS, LLC

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

KAISER BELLWOOD CORPORATION

By: /S/ DAVID A. CHEADLE
Name Printed: David A. Cheadle
Its: Assistant Treasurer

Exhibit 10.1

Form of Non-Employee Director Stock Option Grant
(for options issued commencing January 1, 2001)

NON-EMPLOYEE DIRECTOR
STOCK OPTION GRANT
PURSUANT TO THE KAISER
1997 OMNIBUS STOCK INCENTIVE PLAN

1) GRANT OF STOCK OPTION. Kaiser Aluminum Corporation ("KAC") and Kaiser Aluminum & Chemical Corporation ("KACC"), both Delaware corporations (collectively, the "Company"), hereby evidence that the Company has granted to ___________________ ("Optionee") the right, privilege and option as herein set forth (the "Stock Option") to purchase ______ shares of common stock, $.01 par value per share, of KAC (as more fully defined in Attachment I - "Definitions Applicable to Certain Terms", which is incorporated herein and made a part hereof, the "Option Shares") in accordance with the terms of this document (this "Stock Option Grant").

The Stock Option is granted pursuant to the Kaiser 1997 Omnibus Stock Incentive Plan (the "Plan") and is subject to the provisions of the Plan, a copy of which has been furnished to Optionee and which is hereby incorporated in and made a part of this Stock Option Grant, as well as to the provisions of this Stock Option Grant. By acceptance of the Stock Option, Optionee agrees to be bound by all of the terms, provisions, conditions and limitations of the Plan and this Stock Option Grant.

All capitalized terms used herein shall have the meanings provided in the Plan document unless otherwise specifically provided in this Stock Option Grant, including Attachment I. The Stock Option is a Nonqualified Stock Option under the Plan and is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.

All Option Shares, when issued to Optionee upon the exercise of this Stock Option, shall be fully paid and nonassessable.

2) OPTION TERM. Subject to earlier termination as provided herein, or in the Plan, the Stock Option shall expire on ____________ ("Expiration Date"). The period during which the Stock Option is in effect shall be referred to as the "Option Period".

3) OPTION EXERCISE PRICE. The exercise price per Option Share (the "Option Price") at which Optionee may purchase such Option Shares subject to the Stock Option shall be $______ per Option Share. Such Option Price shall be subject to adjustment as provided in the Plan and this Stock Option Grant. The Company shall notify Optionee within thirty (30) days of any change in the Option Price.

4) VESTING. The Stock Option may be exercised during the Option Period only to the extent it has become a "Vested Option." Subject to the terms of Paragraph 6 below, the Stock Option shall become a Vested Option ______________.

5) METHOD OF EXERCISE. To exercise the Stock Option, Optionee shall deliver written notice to the Company stating the number of Option Shares with respect to which the Stock Option is being exercised together with payment for such Option Shares. Payment shall be made (i) in cash or its equivalent, (ii) by tendering previously acquired Shares having an aggregate Fair Market Value (as defined in the Plan) at the time of exercise equal to the total Option Price (provided that the Shares which are tendered must have been held by Optionee for at least six months prior to their tender to satisfy the Option Price) or (iii) by a combination of (i) and (ii).

The Stock Option may be exercised by Optionee or, in the case of death, by the executor or administrator of Optionee's estate, or the person or persons to whom Optionee's rights under the Stock Option shall pass by will or by the applicable laws of descent and distribution, or in the case of Disability (as defined in the Plan), by Optionee's personal representative.

6) TERMINATION OF DIRECTORSHIP. Termination of Optionee as a member of the Boards of Directors of KAC and KACC shall affect Optionee's rights under the Stock Option as follows:

(a) Termination by Death. If Optionee's membership on the Boards of Directors of KAC and KACC is terminated as a result of the death of Optionee, the Stock Option shall be exercisable as to all Option Shares from date of death through and including the end of the Option Period.

(b) Termination as a Result of Disability. If Optionee's membership on the Boards of Directors of KAC and KACC is terminated as a result of the Disability of Optionee, the Stock Option shall be exercisable as to all Option Shares from the date the Optionee terminates his membership on the Boards of Directors of KAC and KACC as a result of such Disability through and including the end of the Option Period.(1)

(c) Termination Other than by Death or Disability. If Optionee's membership on the Boards of Directors of KAC and KACC is terminated prior to the earlier of (i) ____________ or (ii) the ______ annual meeting of sharehholders of KAC for any reason other than the death or Disability of Optionee, the Stock Option shall terminate and be of no further effect immediately upon Optionee's termination of membership on the Boards of Directors of KAC and KACC.(1)

7) REORGANIZATIONS. The existence of the Stock Option shall not affect in any way the right or power of the Company and its Subsidiaries (as defined in Attachment I) or the issuers of Attributable Securities or its or their stockholders to make or authorize any and all Distribution Events (as defined in Attachment I) and any and all other adjustments or other changes in the capital structure or business of the Company or its Subsidiaries or the issuers of Attributable Securities (as defined in Attachment I), any and all issuances of bonds, debentures, common stock, preferred or prior preference stock, warrants, rights or other securities, whether or not affecting the Option Shares or the rights thereof, any dissolution or liquidation of the Company or any Subsidiary, any sale or other divestiture or transfer of all or any part of the assets or business of the Company or any Subsidiary or any issuer of Attributable Securities and any and all other corporate acts or proceedings, whether of a similar character or otherwise.

8) ADJUSTMENTS. If any one or more Distribution Events affects the Shares such that an adjustment in the Stock Option is appropriate in order to prevent dilution or enlargement of the rights of Optionee, the Board shall make appropriate adjustment to the number and kind of Shares or securities issuable in respect of the Stock Option and to the Option Price, or if deemed appropriate, make provision for the payment of cash or other property in respect of the Stock Option. In addition, the Board may make adjustments in the terms and conditions of the Stock Option in recognition of unusual or nonrecurring events affecting the Company or its financial statements or of changes in applicable laws, regulations or accounting principles in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available to Optionee under this Stock Option Grant and the Plan.

9) NO RIGHTS IN OPTION SHARES. Optionee shall have no rights as a stockholder in respect of Option Shares until Optionee becomes the holder of record of such Option Shares.

10) OPTION SHARES RESERVED. The Company shall at all times during the Option Period reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Stock Option.

11) NONTRANSFERABILITY OF STOCK OPTION. The Stock Option granted pursuant to this Stock Option Grant is not transferable other than by will, the laws of descent and distribution or by qualified domestic relations order. The Stock Option will be exercisable during Optionee's lifetime only by Optionee or by Optionee's guardian or legal representative. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Optionee.

12) AMENDMENT AND TERMINATION. Except as permitted herein or by the Plan, no amendment or termination of the Stock Option shall be made by the Board at any time without the written consent of Optionee. No amendment of the Plan will adversely affect the rights, privileges and options of Optionee under the Stock Option without the written consent of Optionee.

13) NO GUARANTEE OF DIRECTORSHIP. The Stock Option shall not confer upon Optionee any right with respect to continuance as a member of the Board, nor shall it interfere in any way with any right the Company would otherwise have to terminate Optionee's membership on the Board or other service at any time.

14) WITHHOLDING OF TAXES. The Company shall have the right to deduct or withhold, or require Optionee to remit to the Company, an amount sufficient to satisfy all federal, state and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising under this Stock Option Grant or any exercise or other action or event hereunder.

15) NO GUARANTEE OF TAX CONSEQUENCES. Neither the Company nor the Board makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person eligible for benefits under the Stock Option.

16) SEVERABILITY. In the event that any provision of the Stock Option shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Stock Option, and the Stock Option shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

17) GOVERNING LAW. The Stock Option shall be construed in accordance with the laws of the State of Texas to the extent federal law does not supersede and preempt Texas law.

Executed effective as of the _____ day of ___________, ____.

"COMPANY"

KAISER ALUMINUM CORPORATION

By:________________________________
Printed Name:______________________
Title:_____________________________

KAISER ALUMINUM & CHEMICAL
CORPORATION

By:________________________________
Printed Name:______________________
Title:_____________________________

Accepted effective as of the ____ day of ____________, ____.

"OPTIONEE"

By:________________________________
Printed Name:______________________
Title:_____________________________

ATTACHMENT I

NON-EMPLOYEE DIRECTOR STOCK OPTION GRANT

DEFINITIONS APPLICABLE TO CERTAIN TERMS

"ATTRIBUTABLE SECURITIES" - see the definition of "Option Share".

"DISTRIBUTION EVENTS" means any and all distributions, dividends, recapitalizations, forward or reverse splits, reorganizations, mergers, consolidations, spin-offs, combinations, repurchases, share exchanges or other similar corporate transactions or events.

"MARKETABLE SECURITIES" means securities (a) of a class that is registered under the Securities Exchange Act of 1934, as amended, (b) for which sales prices or bid and asked prices are regularly quoted and (c) that, if issued and delivered to Optionee upon exercise of the Stock Option, would not be subject to any restriction on resale, other than any restriction arising from Optionee's being an Affiliate or Insider (as defined in the Plan) of the issuer of such Marketable Securities.

"OPTION SHARE" means (a) one Share as constituted on ____________ (an "Original Share") and (b) in the event of any one or more successive Distribution Events, all Marketable Securities ("Attributable Securities") into which or for which an Original Share or any Attributable Securities may be converted or exchanged or that a stockholder may have the right to receive in respect of such Original Share or Attributable Securities.

"ORIGINAL SHARE" - see the definition of "Option Share".

"SHARE" means one share of common stock, par value $.01 per share, of KAC.

"SUBSIDIARY" - see Section 2.32 of the Plan. For avoidance of doubt, KACC shall be considered a Subsidiary of KAC so long as KAC has a majority voting interest in KACC, and KAC shall be considered to have a majority voting interest whether it holds such interest directly or indirectly through one or more Subsidiaries.

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(1) For Stock Options granted to non-employee directors prior to June 1, 2001, Paragraph 6 provides that if the Optionee's membership on the Board of Directors of KAC and KACC terminates for any reason other than death, the Stock Option continues to vest in accordance with Paragraph 4 and all vested options shall be exercisable through the end of the Option Period. For Stock Options issued after June 1, 2001, Paragraph 6 reads as shown above.

Form of Employee Stock Option Grant
(for options issued commencing January 1, 2001)

STOCK OPTION GRANT
PURSUANT TO THE KAISER
1997 OMNIBUS STOCK INCENTIVE PLAN

1. GRANT OF STOCK OPTION. Kaiser Aluminum Corporation ("KAC") and Kaiser Aluminum & Chemical Corporation ("KACC"), both Delaware corporations (collectively, the "Company"), hereby evidence that the Company has granted to __________ ("Optionee") the right, privilege and option as herein set forth (the "Stock Option") to purchase ______ shares of common stock, $.01 par value per share, of KAC (as more fully defined in Attachment I - "Definitions Applicable to Certain Terms", which is incorporated herein and made a part hereof, the "Option Shares") in accordance with the terms of this document (this "Stock Option Grant").

The Stock Option is granted pursuant to the Kaiser 1997 Omnibus Stock Incentive Plan (the "Plan") and is subject to the provisions of the Plan, a copy of which has been furnished to Optionee and which is hereby incorporated in and made a part of this Stock Option Grant, as well as to the provisions of this Stock Option Grant. By acceptance of the Stock Option, Optionee agrees to be bound by all of the terms, provisions, conditions and limitations of the Plan and this Stock Option Grant.

All capitalized terms used herein shall have the meanings provided in the Plan document unless otherwise specifically provided in this Stock Option Grant, including Attachment I. The Stock Option is a Nonqualified Stock Option under the Plan and is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.

All Option Shares, when issued to Optionee upon the exercise of this Stock Option, shall be fully paid and nonassessable.

2. OPTION TERM. Subject to earlier termination as provided herein, or in the Plan, the Stock Option shall expire on ___________ ("Expiration Date"). The period during which the Stock Option is in effect shall be referred to as the "Option Period".

3. OPTION EXERCISE PRICE. The exercise price per Option Share (including any Attributable Securities, as defined in Attachment I) (the "Option Price") at which Optionee may purchase such Option Shares subject to the Stock Option shall be equal to the remainder of (i) $_____per Option Share minus (ii) the amount per Option Share of Distributed Cash Value (as defined in Attachment I) determined as of the date of exercise. Such Option Price shall also be subject to adjustment as provided in the Plan and this Stock Option Grant. The Company shall notify Optionee within thirty (30) days of each change in the Option Price.

4. VESTING. The Stock Option may be exercised during the Option Period only to the extent it has become a "Vested Option." Subject to the terms of Paragraphs 6 and 7 below, the Stock Option shall become a Vested Option _______________________.

5. METHOD OF EXERCISE. To exercise the Stock Option, Optionee shall deliver written notice to the Company stating the number of Option Shares with respect to which the Stock Option is being exercised together with payment for such Option Shares. Payment shall be made (i) in cash or its equivalent, (ii) by tendering previously acquired Shares having an aggregate Fair Market Value (as defined in the Plan) at the time of exercise equal to the total Option Price (provided that the Shares which are tendered must have been held by Optionee for at least six months prior to their tender to satisfy the Option Price) or (iii) by a combination of (i) and (ii).

6. TERMINATION OF OPTIONEE'S EMPLOYMENT. Termination of Optionee's employment as a regular full-time salaried employee of KAC, a Subsidiary (as defined in Attachment I), or any branch, unit or division of KAC or any Subsidiary ("Employment") shall affect Optionee's rights under the Stock Option as follows:

(1) Termination by the Company for Cause. If Optionee's Employment is terminated by the Company for Cause, then (i) the Option Period shall terminate and (ii) Optionee's right to exercise the Stock Option shall terminate, in each case immediately upon Optionee's becoming subject to termination of Employment for Cause. Optionee shall be terminated for "Cause" if terminated as a result of Optionee's breach of Optionee's written employment or other engagement agreement (if any), or if the Board of Directors determines that Optionee is being terminated as a result of misconduct, dishonesty, disloyalty, disobedience or action that might reasonably be expected to injure KAC or any Subsidiary or their business interests or reputation.

(2) Termination by the Company Other than for Cause. If Optionee's Employment is terminated by the Company other than as a result of termination of Optionee's Employment for Cause, then (i) the Option Period shall terminate upon the earlier of the Expiration Date or one year from the date Employment is terminated, (ii) the Stock Option shall continue to vest in accordance with Paragraph 4 above

through and including the end of such Option Period, and (iii) Vested Options shall be exercisable through and including the end of such Option Period.

(3) Termination by Death. If Optionee's Employment is terminated as a result of death, then (i) the Option Period shall terminate upon the earlier of the Expiration Date or three years from the date of death, and (ii) the Stock Option shall be exercisable as to all Option Shares from date of death through and including the end of such Option Period.(1)

(4) Termination by Retirement. If Optionee's Employment is terminated as a result of Optionee's retirement under any of the early or normal retirement provisions of the Kaiser Aluminum Salaried Employees Retirement Plan, then (i) the Option Period shall terminate upon the earlier of the Expiration Date or three years from the date of retirement, (ii) the Stock Option shall continue to vest in accordance with Paragraph 4 above through and including the end of such Option Period, and (iii) Vested Options shall continue to be exercisable through and including the end of such Option Period.

(5) Termination by Employee. If Optionee's Employment is terminated other than as a result of termination of Optionee's Employment by the Company, death or retirement, then (i) the Option Period shall terminate upon the earlier of the Expiration Date or three months from the date Employment is terminated, and (ii) the Stock Option shall be exercisable only to the extent it has become a Vested Option as of the date Employment is terminated.

The Stock Option may be exercised by Optionee or, in the case of death, by the executor or administrator of Optionee's estate, or the person or persons to whom Optionee's rights under the Stock Option shall pass by will or by the applicable laws of descent and distribution, or in the case of Disability, by Optionee's personal representative.

7. CHANGE OF CONTROL. If KAC experiences a Change in Control (as defined in Attachment I), then (i) the Option Period shall terminate upon the earlier of the Expiration Date or one year from the date of the Change in Control, and (ii) the Stock Option shall immediately become a Vested Option, exercisable as to all Option Shares through and including the end of such Option Period.

8. REORGANIZATIONS; REPURCHASE OF STOCK OPTION.

1. Freedom to Reorganize the Company and Subsidiaries. The existence of the Stock Option shall not affect in any way the right or power of the Company and its Subsidiaries or the issuers of Attributable Securities or its or their stockholders to make or authorize any and all Distribution Events (as defined in Attachment I) and any and all other adjustments, recapitalizations, reorganizations or other changes in the capital structure or business of the Company or its Subsidiaries or the issuers of Attributable Securities, any and all issuances of bonds, debentures, common stock, preferred or prior preference stock, warrants, rights or other securities, whether or not affecting the Option Shares or the rights thereof, any dissolution or liquidation of the Company or any Subsidiary, any sale or other divestiture or transfer of all or any part of the assets or business of the Company or any Subsidiary or any issuer of Attributable Securities and any and all other corporate acts or proceedings, whether of a similar character or otherwise (collectively, including any Distribution Events, collectively, "Reorganizations").

2. Spin-Offs. If the Board of Directors authorizes any Distribution Event or other Reorganization as a result of which holders of Shares become entitled, in their capacities as holders, to receive Marketable Securities (as defined in Attachment I), the Board of Directors shall, to the extent reasonably practicable, cause the Company to provide for or require: (i) that the issuer(s) of such Marketable Securities shall undertake to issue and deliver to Optionee, upon any subsequent exercise of the Stock Option, such Marketable Securities as Optionee would have received if Optionee had so exercised the Stock Option prior to such Distribution Event or other Reorganization and had participated therein (and in any and all subsequent Distribution Events or other Reorganizations) to the maximum extent allowed to holders of Shares (including any Attributable Securities) outstanding at the time of such Distribution Event or other Reorganization; (ii) that such Marketable Securities shall be so issued and delivered to Optionee pursuant to an effective registration statement under the Securities Act of 1933, as amended, or otherwise free of any restriction on resale thereof by Optionee, other than any restriction on resale arising from Optionee's being an Affiliate or Insider (as such terms are defined in the Plan) of such issuer; (iii) that such Marketable Securities shall be so issued and delivered without any agreement, condition, payment or other consideration being required of Optionee or the Company; (iv) that such issuer(s) shall at all times reserve for issuance a sufficient amount of such Marketable Securities to fulfill all obligations contemplated hereunder; and (v) that upon each such issuance, such Marketable Securities shall be duly authorized, validly issued, fully paid and nonassessable. The Company shall also provide for or require that: (x) in the event any such issuer shall fail or be unable to issue and deliver to Optionee any

Marketable Securities as provided in the preceding sentence, such issuer shall be obligated, in lieu of issuing and delivering such Marketable Securities, to pay to Optionee in cash, immediately upon exercise of the Stock Option, the Market Value of such Marketable Securities determined as of the date of exercise of the Stock Option; and (y) in the event the Company is obligated to make a cash payment to Optionee pursuant to Paragraph 9(b), such issuer shall be obligated to reimburse the Company for a part of such payment proportionate to the Distributed Cash Value attributable to Attributable Securities of such issuer compared to the total amount of Distributed Cash Value.

3. Right to Repurchase Stock Option. Upon receipt of a notice of exercise, the Company shall have the right but not the obligation to repurchase, and thereby to satisfy all of the Company's obligations under, the Stock Option as to the number of Option Shares as to which the Stock Option is exercised by paying Optionee in cash an amount, net of any taxes required to be withheld, equal to the sum of (A) the product of (i) the number of Option Shares as to which the Stock Option is exercised multiplied by (ii) the amount, determined as of such date of exercise, equal to the remainder of (x) the Market Value of one Option Share minus (y) the Option Price plus (B) the amount of cash, if any, payable to Optionee pursuant to Paragraph 9(b).

9. ADJUSTMENTS.

(a) In the event of any one or more Distribution Events or other Reorganizations affecting the Stock Option not already adjusted for under Paragraph 8, the Option Price and the number of Option Shares subject to the Stock Option shall be appropriately adjusted by the Board of Directors. In addition, the Board of Directors shall, as permitted by Section 3.2, Section 16.2 and other provisions of the Plan, construe and interpret the Plan and this Stock Option Grant and make all appropriate adjustments in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available to Optionee under this Stock Option Grant and the Plan.

(b) Without limitation to the foregoing, in the event that the amount of Distributed Cash Value as of any date of exercise of the Stock Option is equal to or greater than $ _________ per Option Share, the Option Price shall be deemed to be $.01 per Option Share and the Company, in addition to issuing Option Shares to Optionee, shall pay to Optionee in respect of each Option Share as to which the Stock Option is exercised an amount of cash equal to the remainder of (i) such amount of Distributed Cash Value per Option Share minus (ii) $________.

10. NO RIGHTS IN OPTION SHARES. Optionee shall have no rights as a stockholder in respect of Option Shares until such Optionee becomes the holder of record of such Option Shares.

11. OPTION SHARES RESERVED. The Company shall at all times during the Option Period reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Stock Option.

12. NONTRANSFERABILITY OF STOCK OPTION. The Stock Option granted pursuant to this Stock Option Grant is not transferable other than by will, the laws of descent and distribution or by qualified domestic relations order. The Stock Option will be exercisable during Optionee's lifetime only by Optionee or by Optionee's guardian or legal representative. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Optionee.

13. AMENDMENT AND TERMINATION. No amendment or termination of the Stock Option shall be made by the Board of Directors or the Committee (as defined in the Plan) at any time without the written consent of Optionee. No amendment of the Plan will adversely affect the rights, privileges and options of Optionee under the Stock Option without the written consent of Optionee.

14. NO GUARANTEE OF EMPLOYMENT. The Stock Option shall not confer upon Optionee any right with respect to continuance of Employment or other service with the Company or any Subsidiary or Affiliate, nor shall it interfere in any way with any right the Company or any Subsidiary or Affiliate would otherwise have to terminate such Optionee's Employment or other service at any time.

15. WITHHOLDING OF TAXES. The Company shall have the right to deduct or withhold, or require Optionee to remit to the Company, an amount sufficient to satisfy all federal, state and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising under this Stock Option Grant or any exercise or other action or event hereunder.

16. NO GUARANTEE OF TAX CONSEQUENCES. Neither the Company nor any Subsidiary or Affiliate, nor the Board of Directors or any Committee, makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person eligible for benefits under the Stock Option.

17. SEVERABILITY. In the event that any provision of the Stock Option shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Stock Option, and the Stock Option shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been

included herein.

18. GOVERNING LAW. The Stock Option shall be construed in accordance with the laws of the State of Texas to the extent federal law does not supersede and preempt Texas law.

Executed effective as of the ___ day of _______, ____.

"COMPANY"

KAISER ALUMINUM CORPORATION

By:_________________________________
Printed Name:_______________________
Title:______________________________

KAISER ALUMINUM & CHEMICAL CORPORATION

By:_________________________________
Printed Name:_______________________
Title:______________________________

Accepted effective as of the ___ day of _______, ____.

"OPTIONEE"

____
Printed Name:______________________
Title:_____________________________

ATTACHMENT I

STOCK OPTION GRANT

DEFINITIONS APPLICABLE TO CERTAIN TERMS

"AFFILIATE" - see Section 2.1 of the Plan.

"ATTRIBUTABLE SECURITIES" - see the definition of "Option Share".

"CAUSE" - see Paragraph 6(1) of this Stock Option Grant.

"CHANGE IN CONTROL" means (a) the sale, lease, conveyance, or other disposition of all or substantially all of KAC's or KACC's assets as an entirety or substantially as an entirety to any person, entity, or group of persons acting in concert other than in the ordinary course of business; (b) any transaction or series of related transactions (as a result of a tender offer, merger, consolidation or otherwise) that results in any person (as defined in Section 13(h)(8)(E) under the Securities Exchange Act of 1934) becoming the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) directly or indirectly, of more than 50% of the aggregate voting power of all classes of common equity of KAC or KACC, except if such person is (i) a Subsidiary of KAC, or (ii) an employee stock ownership plan for employees of KAC or KACC, or (iii) a company formed to hold KAC's or KACC's common equity securities and whose shareholders constituted, at the time such company became such holding company, substantially all the shareholders of KAC or KACC, respectively; or (c) a change in the composition of KAC's or KACC's Board of Directors over a period of thirty-six (36) consecutive months or less such that a majority of the then current Board members ceases to be comprised of individuals who either (x) have been Board members continuously since the beginning of such period, or (y) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (x) who were still in office at the time such election or nomination was approved by the Board.

"DISABILITY" - see Section 2.12 of the Plan.

"DISTRIBUTED CASH VALUE" means, as of any determination date, the aggregate amount of cash (other than regular quarterly cash dividends, if any) plus the aggregate value, as determined by the Board of Directors as of the date of distribution, of all property (other than cash and Attributable Securities) distributed or set aside for distribution to the holder of one Original Share and all Attributable Securities, if any, during the period commencing ___________ and ending on the determination date.

"DISTRIBUTION EVENTS" means any and all distributions, dividends, recapitalizations, forward or reverse splits, reorganizations, mergers, consolidations, spin-offs, combinations, repurchases, share exchanges, or other similar or substantially equivalent corporate transactions or events in which the holder of a security becomes, as such, entitled to receive cash, securities or other property in addition to or in exchange for or upon conversion of such security.

"EMPLOYMENT" - see Paragraph 6 of this Stock Option Grant.

"INSIDER" - see Section 2.19 of the Plan.

"KAC" - see Paragraph 1 of this Stock Option Grant.

"KACC" - see Paragraph 1 of this Stock Option Grant.

"MARKET VALUE" means, as of any Trading Day, the average of the highest and lowest sales prices as reported by the consolidated tape (or, if such prices are not quoted, the average of the quoted closing bid and asked prices) on such Trading Day for one Option Share (including, as applicable, the Market Values of any Attributable Securities). In the event that sales prices or closing bid and asked prices are not quoted on a particular Trading Day, the Market Value for that Trading Day shall be deemed to be the Market Value for the immediately preceding Trading Day. In the event that any Attributable Security shall cease to be a Marketable Security, it shall thereupon be deemed to have no further Market Value and shall be deemed instead to have, as of the date it ceases to be a Marketable Security, such Distributed Cash Value as shall be determined by the Board of Directors.

"MARKETABLE SECURITIES" means securities (a) of a class that is registered under the Securities Exchange Act of 1934, as amended, (b) for which sales prices or bid and asked prices are regularly quoted and (c) that, if issued and delivered to Optionee upon exercise of the Stock Option, would not be subject to any restriction on resale, other than any restriction arising from Optionee's being an Affiliate or Insider (as such terms are defined in the Plan) of the issuer of such Marketable Securities.

"OPTION PERIOD" - see Paragraph 2 of this Stock Option Grant.

"OPTION PRICE" - see Paragraph 3 of this Stock Option Grant.

"OPTION SHARE" means (a) one Share as constituted on ___________ (an "Original Share") and (b) in the event of any one or more successive Distribution Events, all Marketable Securities ("Attributable Securities") into which or for which an Original Share or any Attributable Securities may be converted or exchanged or that a stockholder may have the right to receive in respect of such Original Share or Attributable Securities.

"OPTIONEE" - see Paragraph 1 of this Stock Option Grant.

"ORIGINAL SHARE" - see the definition of "Option Share".

"PLAN" - see Paragraph 1 of this Stock Option Grant.

"REORGANIZATION" - see Paragraph 8(1) of this Stock Option Grant.

"SHARE" means one share of common stock, par value $.01 per share, of KAC.

"STOCK OPTION" - see Paragraph 1 of this Stock Option Grant.

"SUBSIDIARY" - see Section 2.32 of the Plan. For avoidance of doubt, KACC shall be considered a Subsidiary of KAC so long as KAC has a majority voting interest in KACC, and KAC shall be considered to have a majority voting interest whether it holds such interest directly or indirectly through one or more Subsidiaries.

"TRADING DAY" means as to an Option Share (including any Attributable Securities) a day when the New York Stock Exchange (or other principal securities exchange, including NASDAQ, on which such securities are traded) is open.

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(1) For Stock Options granted to employee Optionees other than the Company's Chief Executive Officer and his direct reports, if the Optionee's Employment is terminated as a result of death, the Stock Option shall be exercisable only to the extent that it has become a Vested Option as of the date of death. The Option Period for such Vested Options shall be the same as in Paragraph 6(2) above.

Exhibit 10.3

Form of Restricted Stock Agreement
(for restricted shares issued commencing January 1, 2001)

KAISER 1997 OMNIBUS STOCK INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

RESTRICTED STOCK AGREEMENT (the "Agreement"), dated as of _________, among Kaiser Aluminum Corporation, a Delaware corporation ("KAC"), its subsidiary Kaiser Aluminum & Chemical Corporation, a Delaware corporation ("KACC") (together, the "Company"), and ________________ (the "Grantee").

The Company has determined that the objectives of the Kaiser 1997 Omnibus Stock Incentive Plan (the "Plan") will be furthered by the grant to the Grantee of ________ shares of Common Stock of KAC ("Common Stock") subject to the restrictions set out in this Agreement (the "Restricted Shares"), effective on _________, ____ (the "Grant Date").

Notwithstanding any provision hereof, this Agreement shall become effective only as, when and if the Grantee shall have executed and delivered to the Company (i) this Agreement and (ii) the stock power referenced below.

In connection with the grant of the Restricted Shares, the Grantee has delivered to the Company herewith a stock power duly endorsed in blank, which will be returned to the Grantee when the restrictions on the Restricted Shares covered thereby have expired as provided in Section 2.

In consideration of the foregoing and of the mutual undertakings set forth in this Agreement, the Company and the Grantee agree as follows:

SECTION 1. Issuance of Restricted Shares.

As soon as practicable after receipt from the Grantee of this executed Agreement and signed stock power, the Company shall cause to be issued under the Plan in the name of the Grantee a Restricted Share stock certificate, representing _____________ shares of Common Stock. Such certificate shall remain in the possession of the Company until the Restricted Shares represented thereby are free of the restrictions set forth in Section 2. Upon the issuance of such certificate, the Grantee shall have the rights of a stockholder with respect to the Restricted Shares, including the right to vote such shares, subject to the restrictions set forth in this Agreement and the Plan.

SECTION 2. Restrictions.

2.1 Restricted Shares may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of prior to the date provided for in Section 2.2 or Section 2.3. These restrictions shall apply as well to any shares of Common Stock or other securities of the Company which may be acquired by the Grantee in respect of the Restricted Shares as a result of any stock split, stock dividend, combination of shares or other change, or any exchange, reclassification or conversion of securities.

2.2 The Grantee shall vest in the Restricted Shares and the restrictions set forth in Section 2.1 shall expire in accordance with the following schedule, (rounded, if necessary, to avoid fractional shares), provided that the Grantee is then an employee of KAC, KACC, or of an Affiliate or Subsidiary of KAC or KACC(1):

"Vesting Date"	Percentage of Award

As soon as practicable after each Vesting Date, the Company shall deliver to the Grantee, subject to the provisions of Section 4, a stock certificate representing the Restricted Shares which became free of restrictions on such Vesting Date.

2.3 Notwithstanding any other provisions of this Agreement, all restrictions on all of the Restricted Shares shall lapse on the earliest of (a) the date the Grantee dies while an employee of the Company or a Subsidiary or Affiliate of the Company, (b) the Grantee terminates employment with the Company or a Subsidiary or Affiliate of the Company on account of Disability, or (c) the occurrence of a Change in Control while the Grantee is an employee of the Company or a Subsidiary or Affiliate of the Company. For this purpose, "Change in Control" means (a) the sale, lease, conveyance, or other disposition of all or substantially all of KAC's or KACC's assets as an entirety or substantially as an entirety to any person, entity, or group of persons acting in concert other than in the ordinary course of business; (b) any transaction or series of related transactions (as a result of a tender offer, merger, consolidation or otherwise) that results in any person (as defined in Section 13(h)(8)(E) under the Securities Exchange Act of 1934) becoming the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) directly or indirectly, of more than 50% of the aggregate voting power of all classes of common equity of KAC or KACC, except if such person is (i) a Subsidiary of KAC, or (ii) an employee stock ownership plan for employees of KAC or KACC, or (iii) a company formed to hold KAC's or KACC's common equity securities and whose shareholders constituted, at the time such company became such holding company, substantially all the shareholders of KAC or KACC, respectively; or (c) a change in the composition of KAC's or KACC's Board of Directors over a period of thirty-six (36) consecutive months or less such that a majority of the then current Board members ceases to be comprised of individuals who either (x) have been Board members continuously since the beginning of such period, or (y) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (x) who were still in office at the time such election or nomination was approved by the Board.(1)

2.4 Cash dividends that become payable on Restricted Shares shall be paid to the Grantee, without regard as to whether the Restricted Shares to which such dividends pertain are vested as of the dividend payment date.

SECTION 3. Forfeiture.

Except as provided in Section 2, effective upon termination of the Grantee's relationship with the Company as an employee of the Company or a Subsidiary or Affiliate of the Company for any reason before the restrictions on any Restricted Shares have expired, such Restricted Shares shall be forfeited and the stock certificate(s) representing such Restricted Shares shall be canceled, it being understood and agreed that Grantee shall not be entitled to any payment whatsoever under this Agreement or provisions of the Plan relating to this Agreement in connection with such cancellation and termination.(1)

SECTION 4. Withholding Taxes.

4.1 Whenever a stock certificate representing Restricted Shares that have vested in accordance with the terms hereof is to be delivered to the Grantee pursuant to Section 2, the Company shall be entitled to require as a condition of such delivery that the Grantee remit to the Company an amount sufficient in the opinion of the Company to satisfy any federal, state and other governmental tax withholding requirements related to the expiration of restrictions on the shares represented by such certificate. The Company, upon the request of the Grantee, shall withhold from delivery shares having a Fair Market Value on the Vesting Date equal to the amount of tax to be withheld. Fractional share amounts shall be settled in cash.

4.2 If the Grantee makes the election permitted under section 83(b) of the Internal Revenue Code of 1986, as amended (that is, an election to include in gross income in the year of transfer the amounts specified in section 83(b)), he shall notify the Company of such election within 10 days of filing notice of the election with the Internal Revenue Service and shall within the same 10-day period remit to the Company an amount sufficient in the opinion of the Company to satisfy any federal, state and other governmental tax withholding requirements related to such inclusion in Grantee's income.

SECTION 5. Nature of Payments.

The grant of the Restricted Shares hereunder constitutes a special incentive payment and the parties agree that it shall not have the effect of enhancing the amount of any other fees, compensation or benefits provided to Grantee by the Company.

SECTION 6. Plan Provisions to Prevail.

This Agreement is subject to all of the terms and provisions of the Plan. Without limiting the generality of the foregoing, by entering into this Agreement the Grantee agrees that no member of the Compensation Policy or Section 162(m) Compensation Committees of the Boards of Directors of either KAC or KACC and no member of either of the Boards shall be liable for any action or determination made in good faith with respect to the Plan or any award thereunder or this Agreement. In the event that there is any inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

SECTION 7. Miscellaneous.

7.1 Section Headings and Defined Terms. The Section headings contained herein are for purposes of convenience only and are not intended to define or limit the contents of the Sections. Unless otherwise indicated herein, terms with initial capital letters shall have the meanings given such terms in the Plan.

7.2 Notices. Any notice to be given to the Company hereunder shall be in writing and shall be addressed to the Secretary of KACC at its principal corporate address or at such other address as the Company may hereafter designate to the Grantee by notice as provided in this Section 7.2. Any notice to be given to the Grantee hereunder shall be addressed to the Grantee at the address set forth beneath his signature hereto, or at such other address as he may hereafter designate to the Company by notice as provided herein. A notice hereunder shall be deemed to have been duly given when personally delivered or mailed by registered or certified mail to the party entitled to receive it.

7.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and, to the extent consistent with Sections 2 and 3 of this Agreement, the heirs and personal representatives of the Grantee.

7.4 Governing Law. This Agreement shall be interpreted, construed and administered in accordance with the laws of the State of Texas as they apply to contracts made, delivered and to be wholly performed in the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

KAISER ALUMINUM CORPORATION

By:____
Name:______________________________________
Title:_____________________________________

KAISER ALUMINUM & CHEMICAL CORPORATION

By:____
Name:______________________________________
Title:_____________________________________

_________________________________, Grantee

Print Name:________________________________

Address:___________________________________

____
Social Security Number

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(1) For resricted shares issued in connection with the stock option exchange offer made to current employees and directors in April 2001, the provisions in Sections 2.2, 2.3 and 3 that are conditioned upon or triggered by the Grantee being or ceasing to be an employee of the Company or a Subsidiary or Affiliate of the Company are conditioned upon or triggered by the Grantee being or ceasing to be a director of KAC or KACC or an employee of the Company or a Subsidiary or Affiliate of the Company.