TRONOX

Tronox Incorporated

Consolidated Financial Statements

March 31, 2011

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TRONOX INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor	Predecessor	
	February 1 — March 31, 2011	January 1 — January 31, 2011	Three Months Ended March 31, 2010
	(Unaudited) (In millions, except per share data)		
Net Sales	$ 267.1	$ 107.6	$ 278.7
Cost of goods sold(1)	229.8	82.3	234.8
Gross Margin	37.3	25.3	43.9
Selling, general and administrative expenses	19.5	5.4	11.6
Provision for environmental remediation and restoration, net of reimbursements	—	—	(40.0)
Income from Operations	17.8	19.9	72.3
Interest and debt expense(2)	(5.3)	(2.9)	(12.4)
Gain on liquidation of subsidiary(3)	—	—	9.0
Other income (expense)	1.0	1.6	(2.9)
Reorganization income (expense)	—	613.6	(5.2)
Income from Continuing Operations before Income Taxes	13.5	632.2	60.8
Income tax provision	(3.3)	(0.7)	(0.9)
Income from Continuing Operations	10.2	631.5	59.9
Loss from discontinued operations, net of income tax benefit of nil, nil and nil, respectively	—	(0.2)	(0.9)
Net Income	$ 10.2	$ 631.3	$ 59.0
Income (Loss) per Share, Basic and Diluted:			
Basic —			
Continuing operations	$ 0.68	$ 15.29	$ 1.45
Discontinued operations	—	(0.01)	(0.02)
Net income per share	$ 0.68	$ 15.28	$ 1.43
Diluted —			
Continuing operations	$ 0.65	$ 15.25	$ 1.45
Discontinued operations	—	—	(0.02)
Net income per share	$ 0.65	$ 15.25	$ 1.43
Weighted Average Shares Outstanding:			
Basic	14,924	41,311	41,224
Diluted	15,793	41,399	41,382

(1) Includes costs of approximately 19.5% for the two month Successor period from February 1, 2011 through March 31, 2011, 21.7% for the Predecessor period from January 1, 2011 through January 31, 2011, and 13.1% for the three months ended March 31, 2010 for raw materials and pigment purchased from our joint venture partner.

(2) Excludes nil for the two month Successor period from February 1, 2011 through March 31, 2011, $2.8 million for the Predecessor period from January 1, 2011 through January 31, 2011, and $8.3 million for the three months ended March 31, 2010 that would have been payable under the terms of the 9.5% senior unsecured notes (see Note 7).

(3) The company has reviewed its European operations and identified holding subsidiaries that are no longer needed. The liquidation of certain holding companies has resulted in a non-cash net gain.

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

TRONOX INCORPORATED

CONSOLIDATED BALANCE SHEETS

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Unaudited) (In millions, except per share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 61.8	$ 141.7
Accounts receivable:		
Third party, net of allowance for doubtful accounts of nil and $0.8	274.2	243.8
Related party	6.1	2.7
Inventories	213.3	198.4
Prepaid and other assets	49.6	144.8
Deferred income taxes	4.8	4.3
Total Current Assets	609.8	735.7
Property, Plant and Equipment, Net	448.0	315.5
Intangible Assets, Net	372.5	—
Other Long-Term Assets	17.0	46.7
Total Assets	$ 1,447.3	$ 1,097.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable:		
Third party	$ 104.6	$ 134.7
Related party	82.0	64.3
Accrued liabilities	43.6	45.7
Short-term debt	39.0	—
Long-term debt due within one year	5.9	4.3
Income taxes payable	7.5	3.3
Total Current Liabilities	282.6	252.3
Noncurrent Liabilities		
Long-term debt	426.0	420.7
Pension and postretirement benefits	96.9	107.2
Deferred income taxes	11.4	—
Other	58.9	47.4
Total Noncurrent Liabilities	593.2	575.3
Liabilities Subject to Compromise	—	900.3
Contingencies and Commitments		
Stockholders' Equity		
Successor new common stock, par value $0.01 — 100,000,000 shares authorized, 15,010,112 shares issued at March 31, 2011	0.1	—
Predecessor Class A common stock, par value $0.01 — 100,000,000 shares authorized, 19,107,467 shares issued at December 31, 2010	—	0.2
Predecessor Class B common stock, par value $0.01 — 100,000,000 shares authorized, 22,889,431 shares issued at December 31, 2010	—	0.2
Capital in excess of par value	567.8	496.2
Retained earnings (accumulated deficit)	10.2	(1,128.2)
Accumulated other comprehensive income	1.3	8.8
Treasury stock, at cost — 56,230 shares and 623,953 shares, respectively	(7.9)	(7.2)
Total Stockholders' Equity	571.5	(630.0)
Total Liabilities and Stockholders' Equity	$ 1,447.3	$ 1.097.9

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

TRONOX INCORPORATED

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

(Unaudited)
(In millions, except per share data)

	New Common Stock	Class A Common Stock	Class B Common Stock	Capital in Excess of par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2010	$ —	$ 0.2	$ 0.2	$ 496.2	$(1,128.2)	$ 8.8	$(7.2)	$(630.0)
Comprehensive Income:								
Net income	—	—	—	—	631.3	—	—	631.3
Other comprehensive income	—	—	—	—	—	0.3	—	0.3
Comprehensive income								631.6
Stock-based compensation	—	—	—	0.1	—	—	—	0.1
Fresh-start reporting adjustments:	—	(0.2)	(0.2)	(496.3)	496.9	(9.1)	7.2	(1.7)
Elimination of predecessor common stock, capital in excess of par value, and accumulated deficit								
Issuance of new common stock	0.1	—	—	564.1	—	—	—	564.2
Balance at January 31, 2011, Predecessor	0.1	—	—	564.1	—	—	—	564.2
Balance at February 1, 2011, Successor	0.1	—	—	564.1	—	—	—	564.2
Comprehensive Income:								
Net income	—	—	—	—	10.2	—	—	10.2
Other comprehensive income	—	—	—	—	—	1.3	—	1.3
Comprehensive income								11.5
Shares withheld for claims	—	—	—	—	—	—	(6.9)	(6.9)
Warrants exercised	—	—	—	0.7	—	—	—	0.7
Stock-based compensation	—	—	—	3.0	—		(1.0)	2.0
Balance at March 31, 2011	$0.1	$ —	$ —	$ 567.8	$ 10.2	$ 1.3	$(7.9)	$ 571.5

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

TRONOX INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Predecessor	
	February 1 — March 31, 2011	January 1 — January 31, 2011	Three Months Ended March 31, 2010
		(Unaudited) (In millions)	
Cash Flows from Operating Activities			
Net income	$ 10.2	$ 631.3	$ 59.0
Adjustments to reconcile net loss to net cash provided by operating activities —			
Depreciation, depletion and amortization	13.1	4.1	12.5
Deferred income taxes	3.4	(11.9)	(1.1)
Provision for environmental remediation and restoration, net of reimbursements	—	—	(39.3)
Amortization of debt issuance costs	0.1	0.3	2.6
Pension and other postretirement benefit income (loss), net	0.6	(10.9)	(4.6)
Gain on liquidation of subsidiary	—	—	(9.0)
Other non-cash items affecting net income (loss)	6.1	12.9	1.0
Reorganization items —			
Non-cash reorganization items	—	(625.7)	(18.2)
Payment to liabilities subject to compromise	—	(270.0)	—
Contribution of assets to environmental trust	—	(35.8)	—
Litigation settlements	—	(16.5)	—
Professional and legal fees	—	(0.2)	—
Changes in assets and liabilities —			
(Increase) decrease in trade accounts receivable	(25.4)	(13.4)	(10.1)
(Increase) decrease in related parties accounts receivable	(1.3)	(2.1)	(0.3)
(Increase) decrease inventories	33.5	(17.2)	(0.2)
Increase (decrease) in accounts payable and accrued liabilities	(60.0)	47.9	(12.5)
Increase (decrease) in related parties accounts payable	17.2	0.5	(1.8)
Other, net	(2.8)	22.9	2.3
Cash used in operating activities	(5.3)	(283.8)	(19.7)
Cash Flows from Investing Activities			
Capital expenditures	(8.3)	(5.5)	(7.4)
Proceeds from sale of assets	—	—	—
Cash used in investing activities	(8.3)	(5.5)	(7.4)
Cash Flows from Financing Activities			
Reductions of long-term debt	(1.1)	—	—
Proceeds from borrowings	14.0	25.0	—
Debt issuance costs	—	(2.4)	—
Proceeds from rights offering	—	185.0	—
Cash provided by (used in) financing activities	12.9	207.6	—
Effects of Exchange Rate Changes on Cash and Cash Equivalents	1.5	1.0	(1.1)
Net Increase (Decrease) in Cash and Cash Equivalents	0.8	(80.7)	(28.2)
Cash and Cash Equivalents at Beginning of Period	61.0	141.7	143.3
Cash and Cash Equivalents at End of Period	$ 61.8	$ 61.0	$115.1

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

TRONOX INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company

Tronox Incorporated, a Delaware Corporation, was formed on May 17, 2005, in preparation for the contribution (the "Contribution") and transfer by Kerr-McGee Corporation ("Kerr-McGee" or "KM") of certain entities, including those comprising substantially all of its chemical business. The company has one reportable segment representing its pigment business. The pigment segment primarily produces and markets titanium dioxide pigment ("TiO_2") and has production facilities in the United States of America ("U.S."), Australia and the Netherlands. The pigment segment also includes heavy minerals production operated through our joint venture in Australia. The heavy minerals production is integrated with our Australian pigment plant, but also has third-party sales of minerals not utilized by the company's pigment operations. Electrolytic and other chemical products (which does not constitute a reportable segment) represents the company's other operations which are comprised of electrolytic manufacturing and marketing operations, all of which are located in the U.S., and are reported in "Other Activities" when reconciling segmented information presented in Note 17.

On January 12, 2009 (the "Petition Date"), Tronox Incorporated and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") seeking reorganization relief under the provisions of Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The Debtors' Chapter 11 cases were consolidated for the purpose of joint administration. On November 30, 2010 (the "Confirmation Date"), the Bankruptcy Court entered an order (the "Confirmation Order") confirming the Debtors' First Amended Joint Plan of Reorganization pursuant to Chapter 11 of the Bankruptcy Code, dated November 5, 2010 (as amended and confirmed, the "Plan").

Material conditions to the Plan were resolved during the period from the Confirmation Date until January 26, 2011, and subsequently on February 14, 2011 (the "Effective Date"), the Debtors emerged from bankruptcy (see Note 3) and continued operations as reorganized Tronox Incorporated ("Tronox" or the "company").

The company applied fresh-start accounting under ASC 852, Reorganizations, ("ASC 852") as of February 1, 2011 (the "Fresh-Start Reporting Date"). The company evaluated the activity between January 26, 2011 and January 31, 2011 and, based upon the immateriality of such activity, concluded that the use of February 1, 2011 to reflect the fresh-start accounting adjustments was appropriate for financial reporting purposes (see Note 4). Accordingly, references herein to the company for periods through January 31, 2011 are to the Predecessor, and for periods after February 1, 2011, are to the Successor.

2. Basis of Presentation and Significant Accounting Policies

The accompanying condensed consolidated financial statements are unaudited and have been prepared based upon Rule 10-01 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2010, which are included on the company's website (www.tronox.com).

The significant accounting policies of the Successor are the same as those of the Predecessor; except for those significant accounting policies and topics addressed herein.

Intangible Assets — We recognized $377.1 million in separately identifiable intangible assets as a result of the application of fresh-start accounting. Subsequent to initial recognition, these intangibles are being amortized on a straight-line basis over their estimated useful lives which range from 5 to 20 years. Please refer to Note 4 for further information related to our intangible asset categories and the valuation methodologies employed to recognize them at the time of emergence.

Classification — Our condensed consolidated financial statements classify accretion expense related to asset retirement obligations as a production cost that forms a part of cost of goods sold. Accretion expense related to asset retirement obligations were previously reported by the Predecessor within selling, general and administrative expenses. In addition, mineral leaseholds, which were previously reported as property, plant and equipment, net by the Predecessor, are classified as intangible assets, net by the Successor.

3. Emergence from Chapter 11 Proceedings

On November 30, 2010 (the "Confirmation Date"), the Bankruptcy Court confirmed (the "Confirmation Order") the Debtors' First Amended Joint Plan of Reorganization pursuant to Chapter 11 of the Bankruptcy Code, dated November 5, 2010 (as amended and confirmed, the "Plan").

Under Chapter 11 of the Bankruptcy Code, a debtor may reorganize its business for the benefit of its stakeholders with the consummation of a plan of reorganization being the principal objective. Among other things (subject to certain limited exceptions and except as otherwise provided in the Plan or the Confirmation Order), the Confirmation Order discharged the Debtors from any debt arising before the Petition Date, terminated all of the rights and interests of pre-bankruptcy equity security holders and substituted the obligations set forth in the Plan and new common stock for those pre-bankruptcy claims. Under the Plan, claims and equity interests were divided into classes according to their relative priority and other criteria.

The plan was designed to accomplish, and was premised on, a resolution of the Debtor's legacy environmental (the "Legacy Environmental Liabilities") and tort liabilities (the "Legacy Tort Liabilities" and collectively, with the Legacy Environmental Liabilities, the "KM Legacy Liabilities"). The Plan ensured that the Debtors emerged from Chapter 11 free of the significant KM Legacy Liabilities and were sufficiently capitalized. With respect to claims related to the Legacy Environmental Liabilities, the claimants received a settlement that was allocated to certain environmental response trusts and environmental agencies in accordance with the terms of a settlement agreement (the "Environmental Claims Settlement Agreement") — which consideration constituted a fair and equitable settlement of the potential numerous claims and varying priorities stemming from the Legacy Environmental Liabilities. In exchange, claimants provided the Debtors and the reorganized Tronox Incorporated with discharges and/or covenants not to sue subsequent to the Effective Date (as defined below) with respect to the Debtors liability for the Legacy Environmental Liabilities. Similarly, the Plan provided for the creation and funding of a torts claim trust (the "Tort Claims Trust") which was the sole source of distributions to holders of Legacy Tort Liabilities claims, who were paid in accordance with the terms of such trust's governing documentation.

As a result of the settlement of the Debtors' pre-petition debt and termination of the rights and interests of pre-bankruptcy equity, the Plan enables Tronox Incorporated, to reorganize around its existing operating locations, including: (a) its headquarters and technical facility at Oklahoma City, Oklahoma; (b) the TiO_2 facilities at Hamilton, Mississippi and Botlek, the Netherlands; (c) the electrolytic chemical businesses at Hamilton, Mississippi and Henderson, Nevada (except that the real property and buildings associated with the Henderson business were transferred to an environmental response trust and reorganized Tronox Incorporated is not responsible for environmental remediation related to historic contamination at such site); and (d) its interest in the Tiwest joint venture in Australia.

As part of the Debtor's emergence from the Chapter 11 proceedings, the company relied on a combination of debt financing and money from new equity investments issued to certain existing creditors. Specifically, such funding included: (i) total funded exit financing of no more than $470 million; (ii) the proceeds of a $185 million rights offering (the "Rights Offering") open to substantially all unsecured creditors and backstopped by certain groups; (iii) settlement of government claims related to the Legacy Environmental Liabilities through the creation of certain environmental response trusts and a litigation trust; (iv) settlement of claims related to the Legacy Tort Liabilities through the establishment of a torts claim trust; (v) issuance of new common stock (the "New Common Stock") whereby holders of the allowed general unsecured claims received their pro rata share of 50.9% of the New Common Stock on the Effective Date, and the opportunity to participate in the Rights Offering for an aggregate of

49.1% of the New Common Stock, also issued on the Effective Date; and (vi) issuance of warrants, on the Effective Date, to the holders of equity in the Predecessor consisting of two tranches: the new series A warrants (the “Series A Warrants”) and the new series B warrants (the “Series B Warrants”), to purchase their pro rata share of a combined total of 7.5% of the New Common Stock, after and including the issuance of any New Common Stock upon exercise of the Series A Warrants and the Series B Warrants.

4. Fresh-Start Accounting

As discussed in Note 1, the company applied fresh-start accounting pursuant to ASC 852 as of February 1, 2011. ASC 852 provides for, among other things, a determination of the value to be assigned to the assets of the reorganized company as of the Fresh-Start Reporting Date. As of February 1, 2011, Tronox estimated that its enterprise value range was between $975 million and $1,150 million as established in the Plan. Management used $1,150 which was considered to be the best estimate of the value.

Under fresh-start accounting, the enterprise value of $1,150 million was allocated among Tronox’s assets in conformity with the purchase method of accounting guidance for business combinations included in ASC 805, Business Combinations (“ASC 805”). All estimates, assumptions, valuations, appraisals and financial projections, including the fresh-start adjustments, the reorganization value and equity value projections, are inherently subject to significant uncertainties outside of management’s control. Accordingly, there can be no assurance that the estimates, assumptions, valuations, appraisals and financial projections will be realized and actual results could vary materially.

The following unaudited consolidated balance sheet information is a preliminary presentation to illustrate the financial effects from implementing the Plan of Reorganization and the adoption of fresh-start accounting as of February 1, 2011. Adjustments recorded to the Predecessor balance sheet, resulting from the consummation of the Plan of Reorganization and the adoption of fresh-start accounting is subject to revisions, which may result in adjustments to the preliminary values presented below.

Condensed Consolidated Balance Sheet as of February 1, 2011

	Predecessor January 31, 2011	Reorganization Adjustments	Fresh-Start Adjustments	Successor February 1, 2011
	(In millions of dollars)			
Current Assets				
Cash and cash equivalents	$ 117.4	$ (56.4) a	$ —	$ 61.0
Accounts receivable, net	256.7	(3.8) b	—	252.9
Inventories	213.7	(1.7) c	35.5 k	247.5
Prepaid and other assets	139.3	(88.7) d	—	50.6
Deferred income taxes	4.2	—	0.4 p	4.6
Total Current Assets	**731.3**	**(150.6)**	**35.9**	**616.6**
Property, Plant and Equipment, Net	**317.5**	**(21.0)** e	**143.7** l	**440.2**
Intangible Assets, Net	**—**	**—**	**377.1** m	**377.1**
Other Long-Term Assets	**41.7**	**(13.9)** f	**(13.6)** n	**14.2**
Total Assets	**$1,090.5**	**$(185.5)**	**$543.1**	**$1,448.1**
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	$ 221.6	$ (0.3) g	$ —	$ 221.3
Accrued liabilities	44.5	(0.5) h	—	44.0
Short-term debt	—	25.0 i	—	25.0
Long-term debt due within one year	4.3	—	—	4.3
Income taxes payable	2.7	—	—	2.7
Total Current Liabilities	**273.1**	**$ 24.2**	**—**	**297.3**
Noncurrent Liabilities				
Long-Term Debt	420.7	—	—	420.7
Pension and other postretirement benefits	107.2	—	(10.8) o	96.4
Deferred income taxes	—	—	13.1 p	13.1
Other	47.0	—	9.4 q	56.4
Total Noncurrent Liabilities	**574.9**	**—**	**11.7**	**586.6**
Liabilities Subject to Compromise	**896.7**	**(896.7)** j	**—**	**—**
Total Liabilities	**1,744.7**	**(872.5)**	**11.7**	**883.9**
Total Stockholders' Equity	**(654.2)**	**687.0**	**531.4** r	**564.2**
Total Liabilities and Stockholders' Equity	**$1,090.5**	**$(185.5)**	**$543.1**	**$1,448.1**

Reorganization Adjustments

a. *Cash and cash equivalents* — The adjustments to cash and cash equivalents represent net cash outflows, after giving effect to transactions pursuant to the Plan, including borrowings under the Wells Revolver, receipt of proceeds from the Rights Offering; payments relating to the discharge of debts and other liabilities subject to compromise; and the funding of the environmental response and tort trusts.

	Millions of dollars
Sources of funds:	
Wells Revolver	$ 25.0
Rights Offering	185.0
Release of environmental settlement escrow	35.0
Transfer of environmental letters of credit	29.9
Transfer of surety bonds	15.0
5% cash premium on collateralized letters of credit	2.2
	292.1
Use of funds:	
Environmental letters of credit	$ (29.9)
Surety bonds	(15.0)
Cash settlement payments to environmental trusts	(270.0)
Cash settlement to tort trust	(16.5)
Admin., cure and 503(b)(9) claims	(3.7)
Settlement of secured and convenience claims	(0.9)
Professional and legal service fees	(12.0)
Prorated property taxes	(0.5)
	(348.5)
Net cash outflows from reorganization	$ (56.4)

b. *Accounts receivable, net* — The adjustment represents the transfer of certain trade and miscellaneous receivables to the environmental trust.

c. *Inventories* — The adjustment represents the transfer of finished goods and materials and supplies held at legacy sites to the environmental trust.

d. *Prepaid and other assets* — The adjustments to prepaid and other assets represent the transfer and release of funds on deposit related to letters of credit, surety bonds and environmental settlement escrow accounts that have been reclassified to cash and cash equivalents and used as "sources of funds" along with the transfer of prepaid and other asset balances at legacy sites that have been transferred to the environmental trust.

	Millions of dollars
Change in prepaid and other assets	
Transfer of environmental letters of credit	$ (29.9)
Release of environmental settlement escrow	(35.0)
Release of Kress Creek escrow account	(4.6)
Henderson prepaid land development costs	(2.0)
Transfer of surety bonds	(15.0)
5% cash premium on collateralized letters of credit	(2.2)
	$ (88.7)

e. *Property, plant and equipment, net* — The adjustment represents the transfer of property, plant and equipment held at legacy sites to the environmental trust.

f. *Other long-term assets* — The net adjustment represents the transfer of a $14.8 million investment in equity method investees to the Nevada environmental trust and $1.5 million in long-term receivables being slightly offset by the recognition of $2.4 million in deferred financing fees related to the drawing on the Wells Revolver.

g. *Accounts payable* — The net adjustment represents payments made at emergence along with accruals recorded for payments that will need to be made post-emergence as a result of execution of the Plan.

h. *Accrued liabilities* — The adjustment represents the $0.5 million in pro-rated property taxes related to legacy sites that have been transferred to the environmental trust as part of the reorganization plan.

i. *Short-term debt* — The change in the short-term debt balance represents the $25 million drawing on the Wells Revolver that the company made on the Effective Date.

j. *Liabilities subject to compromise* — The adjustment to liabilities subject to compromise reflects the discharge of liabilities subject to compromise through a series of transactions involving cash and equity.

Fresh-Start Accounting

In applying fresh-start accounting at February 1, 2011, the company recorded assets and liabilities at estimated fair value, except for deferred income taxes and certain liabilities associated with employee benefits, which were recorded in accordance with ASC 852 and ASC 740, Income Taxes (“ASC 740”) respectively. The significant assumptions related to the valuations of the company’s assets and liabilities recorded in connection with fresh-start accounting are discussed herein. All valuation inputs, with the exception of the calculation of raw material inventories and our long term debt, are considered to be Level 3 inputs, as they are based on significant inputs that are not observable in the market.

k. *Inventories* — The company recorded inventory at its fair value of $247.5 million, which was determined as follows:

- Finished goods were valued based on the estimated selling price of finished goods on hand less costs to sell, including disposal and holding period costs, and a reasonable profit margin on the selling and disposal effort for each specific category of finished goods being evaluated;

- Work in process was valued based on the estimated selling price once completed less total costs to complete the manufacturing process, costs to sell including disposal and holding period costs, a reasonable profit margin on the remaining manufacturing, selling, and disposal effort; and

- Raw materials were valued based on current replacement cost, which approximates fair value.

l. *Property, plant, and equipment, net* — The company recorded a $143.7 million fair value step-up on its property, plant and equipment at the time of applying fresh-start accounting. The $143.7 million step-up is in the process of being ascribed to the corresponding property, plant and equipment classes which include land, buildings, machinery and equipment and construction in progress, (collectively real and personal property). Fair value was based on the highest and best use of the assets. For the majority of assets, the indirect cost approach was utilized to value the assets.

m. *Intangible assets, net* — The change in Intangibles is due to the recognition of $377.1 million in separately identifiable intangible assets at fair value as a result of the application of fresh-start accounting. The following is a summary of the approaches used to determine the fair value of the significant intangible assets:

- The company recorded the fair value of trade names of $3.6 million using the income approach relief-from-royalty methodology. Significant assumptions used in the calculation include:

  - 0.10% royalty rate based on qualitative factors and the market-derived royalty rates;

  - Discount rates of 20% based on Tronox’s WACC adjusted for risks commonly inherent in trade names; and

- Remaining useful life of five years based upon the nature of the industry and the relative strength of names in the marketplace.

- The company recorded the fair value of TiO_2 technology of $31.9 million using the income approach relief-from-royalty methodology. Significant assumptions used in the calculation include:
  - 0.75% royalty rate based on qualitative factors and the market-derived royalty rates;
  - Discount rates of 22.7% based on Tronox's WACC adjusted for risks inherent in TiO_2 technology; and
  - Remaining useful life of 20 years based on the nature of the industry, the length of time that the technology has been in use, and the relative strength of the technology in the marketplace.

- The company recorded the fair value of $5.0 million for in-process-research and development based on a probability-weighted income approach. Significant assumptions used in the calculation include:
  - Discount rates of 14.2% based on Tronox's WACC adjusted for risks inherent in intangible assets, specifically in-process R&D; and
  - Remaining useful life of five years.

- The company recorded the fair value of customer relationships of $293.9 million using a form of the income approach typically referred to as the multi-period economic income method. Significant assumptions used in the calculation include:
  - Customer attrition rate of 7.4% based on historical data;
  - Discount rates of 19.7% based on Tronox's WACC adjusted for risks inherent in intangible assets, specifically customer relationships; and
  - Remaining useful life of 15 years.

- The company recorded the fair value of lease tenements of $42.0 million using a form of the income approach referred to as the multi-period economic income method. Significant assumptions used in the calculation include:
  - Discount rates of 19.1% based on Tronox's WACC adjusted for risks inherent to lease tenements; and
  - Remaining useful life of 16 years, amortized on a unit of production basis.

- The company also recognized the fair value of other intangibles of $0.7 million. Other consists of highly specialized proprietary software utilized for its Botlek Pigment facility, which has an estimated remaining useful life of seven years.

n. *Other long-term assets* — The change in other long-term assets is due to the write-off $14.6 million of deferred financing fees that were related to Predecessor DIP financing facilities which converted to the Exit Facility in February 2011. The $14.6 million was partially offset by $0.8 million in deferred taxes recognized and $0.2 million related to the write-off of the net pension asset related to the Predecessor. At that time, additional deferred financing costs were capitalized based on the application of accounting principles. As of the emergence date, the fair value of debt changed where the stated coupon of the debt became par. Therefore all previous deferred financing costs were written-off.

o. *Pension and other postretirement benefits* — The net adjustment reflects the fair value adjustments to pension obligations as a result of the application of fresh-start accounting.

p. *Deferred income taxes* — The application of fresh-start accounting on February 1, 2011, resulted in the re-measurement of deferred income tax assets and liabilities associated with the revaluation of the company's assets

and liabilities pursuant to ASC 852. Deferred income taxes were recorded at amounts determined in accordance with ASC 740.

q. *Other non-current liabilities* — The net adjustment reflects the fair value adjustments to asset retirement obligations as a result of the application of fresh-start accounting.

r. *Stockholders' equity* — The adjustments reflect net gains relating to executing the plan of reorganization, gains related to revaluation of assets and "resetting" retained earnings and accumulated other comprehensive income to zero.

5. Statements of Operations Data

The components of other income (expense), net consist of:

	Successor	Predecessor	
	February 1 through March 31, 2011	January 1 through January 31, 2011	Three Months Ended March 31, 2010
	(Millions of dollars)		
Net unrealized and realized foreign currency gain (loss)	$0.9	$1.5	$(3.0)
Equity (loss) in net earnings of equity method investees	—	—	(0.3)
Interest income	0.1	0.1	0.1
Other	—	—	0.3
Total	$1.0	$1.6	$(2.9)

Reorganization Expense

Items resulting from reorganization since the January 12, 2009 bankruptcy are classified as reorganization expense on the Condensed Consolidated Statements of Operations. The Successor's and Predecessor's net charges for reorganization items in the applicable periods were as follows:

	Successor	Predecessor	
	February 1 through March 31, 2011	January 1 through January 31, 2011	Three Months Ended March 31, 2010
	(Millions of dollars)		
Legal and professional fees	$—	$ (12.0)	$(9.7)
Indirect environmental claims	—	(24.3)	(0.1)
DIP financing costs	—	(9.2)	(0.1)
Forgiveness of debt	—	127.7	—
Gain as a result of application of fresh-start accounting	—	531.4	—
Other net adjustments	—	—	4.7
Total	$—	$613.6	$(5.2)

The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the periods indicated.

	Successor			Predecessor					
	February 1, through March 31, 2011			January 1, through January 31, 2011			Three Months Ended March 31, 2010		
	Income from Continuing Operations	Shares	Income per Share	Income from Continuing Operations	Shares	Income per Share	Income from Continuing Operations	Shares	Income per Share
	(In millions, except per share amounts)								
Basic earnings per share	$10.2	14,924	$0.68	$631.5	41,311	$15.29	$59.9	41,224	$1.45
Effect of dilutive securities:									
Restricted stock		265			88			158	
Warrants		604			—			—	
Diluted earnings per share	$10.2	15,793	$0.65	$631.5	41,399	$15.25	$59.9	41,382	$1.45

In the Successor period from February 1, 2011 through March 31, 2011, and the Predecessor periods from January 1, 2011 through January 31, 2011 and three months ended March 31, 2010, we considered potentially dilutive securities in our diluted earnings per share computation under the treasury stock method. The number of stock options that were antidilutive because they were not "in the money" was 1,152,408 and 1,154,951 for the Predecessor periods from January 1, 2011 through January 31, 2011 and three months ended March 31, 2010, respectively. The average exercise price of these antidilutive options was $9.54 and $9.53, respectively.

As of the Effective Date, all old share of common stock were canceled and new share were issued. Therefore, for the Successor period from February 1, 2011 through March 31, 2011, there were no stock options outstanding.

6. Balance Sheet Data

Accounts Receivable

Accounts receivable, net of the related allowance for doubtful accounts, consists of the following:

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Millions of dollars)	
Accounts receivable — trade	$261.7	$209.8
Receivable from insurers(1)	9.4	33.1
Other	3.1	1.7
Total	274.2	244.6
Allowance for doubtful accounts	—	(0.8)
Net	$274.2	$243.8

(1) Receivables from insurers relate to reimbursements of certain environmental expenditures. Environmental-related receivables not expected to be collected within one year from the balance sheet date are reflected in other long-term assets.

Inventories

Inventories, net of allowance for obsolete inventories and supplies, consist of the following:

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Millions of dollars)	
Raw materials	$ 60.3	$ 62.7
Work-in-process	11.2	6.9
Finished goods(1)	93.2	80.0
Materials and supplies, net	48.6	48.8
Total	$213.3	$198.4

(1) Includes inventory on consignment to others of approximately $7.9 million and $8.1 million at March 31, 2011 and December 31, 2010, respectively.

Prepaid and Other Current Assets

Prepaid and other current assets consist of the following:

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Millions of dollars)	
Prepaid expenses	$ 8.4	$ 17.6
Environmental settlement escrows(1)	—	41.3
Cash collateralized letters of credit and surety bonds	31.3	78.2
Other	9.9	7.7
Total	$49.6	$144.8

(1) Funds held in escrow related to the environmental settlement agreement that were released at time of funding the environmental trusts.

Property, Plant and Equipment

Property, plant and equipment, net consist of the following:

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Millions of dollars)	
Land	$ 24.2	$ 33.3
Buildings	44.1	93.1
Machinery and equipment	299.5	995.1
Construction-in-progress	54.1	46.2
Mineral leaseholds	—	12.4
Other	30.3	62.7
Total	452.2	1,242.8
Less accumulated depreciation, depletion and amortization	(4.2)	(927.3)
Net	$448.0	$ 315.5

Intangible Assets

Intangible assets, net consist of the following:

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Millions of dollars)	
Customer relationships	$293.9	$—
TiO_2 technology	31.9	—
Trade names	3.6	—
In-process research and development	5.0	—
Lease tenements	42.0	—
Other	0.7	—
Total	377.1	—
Less accumulated amortization	(4.6)	—
Net	$372.5	$—

Other Long-Term Assets

Other long-term assets consist of the following:

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Millions of dollars)	
Receivable from the U.S. Department of Energy(1)	$ —	$ 3.6
Investments in equity method investees	—	14.8
Debt issuance costs, net	3.5	14.8
Deferred tax benefits	9.9	9.4
Other, net	3.6	4.1
Total	$17.0	$46.7

(1) See further description in Note 15 — Contingencies.

Accrued Liabilities

Accrued liabilities consist of the following:

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Millions of dollars)	
Employee-related costs and benefits	$18.3	$23.1
Sales rebates	5.6	7.6
Taxes other than income taxes	8.3	8.3
Interest	6.2	1.3
Asset retirement obligations	1.1	1.4
Reserves for environmental remediation and restoration	0.2	0.2
Other	3.9	3.8
Total	$43.6	$45.7

Noncurrent Liabilities — Other

Noncurrent liabilities — other consist of the following:

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Millions of dollars)	
Reserve for uncertain tax positions	$19.7	$19.1
Asset retirement obligations	28.5	17.9
Reserve for workers' compensation and general liability claims	8.4	8.2
Reserves for environmental remediation and restoration	0.6	0.6
Other	1.7	1.6
Total	$58.9	$47.4

7. Debt

Short-term debt as of March 31, 2011 and December 31, 2010, consists of the following:

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Millions of dollars)	
Wells Revolver(1)	$39.0	$—
Short-term debt	$39.0	$—

(1) Average effective interest rate of 6.6% in 2011.

Long-term debt as of March 31, 2011 and December 31, 2010, consists of the following:

	Successor	Predecessor
	March 31, 2011	December 31, 2010
	(Millions of dollars)	
Debtor-In-Possession and Exit Credit Agreement — Final DIP Facility (1, 3)	$423.9	$425.0
Co-generation Unit Financing Arrangement(2)	8.0	—
9.5% Senior Unsecured Notes due December 2012	—	350.0
Total debt	431.9	775.0
Less: Long-term debt classified as liabilities subject to compromise	—	(350.0)
Less: Long-term debt due in one year	(5.9)	(4.3)
Long-term debt	$426.0	$420.7

(1) Average effective interest rate of 7.1% and 7.7% in 2011 and 2010, respectively.

(2) Average effective interest rate of 6.5% in 2011.

(3) The Successor exercised its exit facility option on February 14, 2011, upon which, the Final DIP Facility was converted to the Exit Financing Facility due October 20, 2015. Therefore, the Final DIP Facility has been classified as long-term.

The scheduled maturities of our debt were as follows at March 31, 2011:

	Total Debt
	(Millions of dollars)
2011	$ 4.5
2012	5.9
2013	5.9
2014	5.9
2015	409.6
Thereafter	0.1
Total debt	$431.9

As of March 31, 2011, the total carrying value of long-term debt approximates its fair value. The fair value hierarchy for long-term debt is a Level 2 input.

2009 and Prior

9.5% Senior Unsecured Notes due December 2012

In November 2005, concurrent with the IPO, the Predecessor's wholly owned subsidiaries, Tronox Worldwide LLC and Tronox Finance Corp. issued $350 million in aggregate principal amount of 9.5% senior unsecured notes due 2012 in a private offering. During the second quarter of 2006, the Predecessor registered these notes with the Securities and Exchange Commission ("SEC") and subsequently completed an exchange of all notes and guarantees for publicly tradable notes and guarantees having substantially identical terms, on July 14, 2006.

The terms of the 9.5% senior unsecured notes due 2012 provided for customary representations and warranties, affirmative and negative covenants and events of default.

As a result of the bankruptcy petitions filed on January 12, 2009, the Predecessor's $350 million Senior Unsecured Notes due 2012 are shown within liabilities subject to compromise on the December 31, 2010 consolidated balance sheet. While operating as a debtor-in-possession during the Chapter 11 bankruptcy proceedings, the Debtor ceased recording interest on all unsecured pre-petition indebtedness in accordance with ASC 852. Therefore, interest expense for the period January 1 through January 31, 2011 excludes $2.8 million that would have been payable under the terms of the unsecured notes.

Debtor-In-Possession and Exit Credit Agreement — Second DIP Facility

On December 23, 2009, the Bankruptcy Court granted final approval, authorizing the Predecessor and U.S. Subsidiaries to enter into a senior secured super priority DIP and Exit Credit Agreement ("Second DIP Facility") with Goldman Sachs Lending Partners ("GSLP"), which consisted of a $335 million tranche B-1 facility and a $90 million tranche B-2 facility. The Second DIP Facility featured a right to convert the DIP to an exit facility providing the Predecessor with committed exit financing that was expected, at the time, to be sufficient to meet the Predecessor's settlement obligations under the December 2009 plan.

The proceeds from the Second DIP Facility were used, in part, to repay the $212.6 million related to a term loan facility and the remaining balance of the DIP credit agreement with Credit Suisse.

2010

Debtor-In-Possession and Exit Credit Agreement — Final DIP Facility

On October 20, 2010 the Predecessor received court approval and entered into a senior secured super-priority DIP and Exit Credit Agreement (the "Final DIP Facility") with GSLP that was used to refinance the Debtor's existing $425 million outstanding indebtedness under the Second DIP Facility. The Final DIP Facility was to expire no earlier than February 15, 2011 or when the Predecessor exercised the exit facility option, upon which the DIP converted into an exit facility under substantially the same terms and conditions with a maturity date of October 20, 2015.

The Final DIP Facility bears interest at the greater of a base rate plus a margin of 4% or adjusted Eurodollar rate plus a margin of 5%. The base rate is defined as the greater of (i) the prime lending rate as quoted in the print edition of *The Wall Street Journal*, (ii) the Federal Funds Rate plus 0.50%, or (iii) 3%. The adjusted Eurodollar rate is defined as the greater of (i) the LIBOR rate in effect at the beginning of the interest period, or (ii) 2%. Interest is payable quarterly or, if the adjusted Eurodollar rate applies, it is payable on the last day of each interest period.

The Final DIP Facility is secured by a first priority lien on substantially all of Tronox's and the Subsidiary Guarantors' existing and future property and assets.

The terms of the Final DIP Facility provides for customary representations and warranties, affirmative and negative covenants and events of default. The terms of the covenants, subject to certain exceptions, restrict, among other things: (i) debt incurrence; (ii) lien incurrence; (iii) investments, dividends and distributions; (iv) dispositions

of assets and subsidiary interests; (v) acquisitions; (vi) sale and leaseback transactions; and (vii) transactions with affiliates and shareholders. The Final DIP Facility also contains covenants that limit the amount of capital expenditures to $55 million per year, with a carry-forward of the excess of the $55 million over the amount utilized in the prior year, but with no more than $15 million carried-forward from one year to the next. In addition, the Final DIP Facility requires the following financial ratios covenants, to be maintained.

The Final DIP Facility Leverage Ratio, as defined in the agreement, shall not exceed, as of the last day of any fiscal quarter, the correlative ratio as follows:

Fiscal Quarter Ending	Total Leverage Ratio
December 31, 2010 through December 31, 2011	4.25:1.00
March 31, 2012 through December 31, 2012	4.00:1.00
March 31, 2013 through December 31, 2013	3.75:1.00
March 31, 2014 and thereafter	3.50:1.00

The Final DIP Facility Interest Coverage Ratio, as defined in the agreement, shall not be less than, as of the last day or any fiscal quarter, the correlative ratio indicated as follows:

Fiscal Quarter Ending	Interest Coverage Ratio
December 31, 2010 and thereafter	2.50:1.00

The Predecessor and Successor were in compliance with its financial covenants at December 31, 2010 and March 31, 2011. A breach of any of the covenants imposed on us by the terms of the Exit Financing Facility or Wells Revolver could result in a default under the agreement. In the event of a default, the lenders could terminate their commitments to us and could accelerate the repayment of all of our indebtedness under the agreement. In such case, we may not have sufficient funds to pay the total amount of accelerated obligations, and our lenders under the Final DIP Facility could proceed against the collateral pledged.

2011

Exit Successor Credit Agreement

On February 14, 2011, the Final DIP Facility, in accordance with its terms, converted into Tronox's $425 million exit facility (the "Exit Financing Facility") under substantially the same terms and conditions that existed under the Final DIP Facility, with a maturity date of October 2015.

The Exit Financing Facility is secured by the same assets as the Final DIP Facility, subject however to certain subordination agreements (as more fully described below under the heading "Asset Based Lending Facility"). The Successor was in compliance with its financial covenants as of March 31, 2011.

Asset Based Lending Facility

On February 14, 2011 the Successor entered into a senior secured asset-based revolving credit agreement with Wells Fargo Capital Finance, LLC (the "Wells Revolver") with a maturity date of February 14, 2015. The Wells Revolver provides the Successor with a committed source of capital with a principal borrowing amount of up to $125 million subject to a borrowing base, and also permits an expansion of up to $150 million. Borrowing availability under the Wells Revolver is subject to a borrowing base, which is related to certain eligible inventory and receivables held by our U.S. subsidiaries. As of March 31, 2011, the borrowing base was $116.5 million.

Borrowings under the Wells Revolver are secured by a first priority lien on substantially all of the company's and the subsidiary guarantors' existing and future deposit accounts, inventory and receivables, and certain related assets, and a second priority lien on all of Tronox's and the subsidiary guarantors' other assets, including capital stock which serve as security under the Exit Term Facility.

The Wells Revolver bears interest at the Successor's option at either (i) the greater of the prime lending rate as announced by Wells Fargo Bank, N.A., (ii) the Federal Funds Rate plus 0.50%, or (iii) the one month LIBOR rate plus 0.50%, plus a margin that varies from 2% to 3.5% per annum depending on the average excess availability under the revolver. The unused portion of the Wells Revolver is subject to a commitment fee of 0.75% per annum on the average unused portion of the revolver, payable monthly in arrears. Interest is payable quarterly or, if the prime lending rate or Federal Funds Rate applies, is payable monthly.

The Wells Revolver contains various covenants and restrictive provisions which limit the Successor's ability to incur additional indebtedness. The Wells Revolver agreement requires the Successor to maintain a Consolidated Fixed Charge Coverage Ratio of 1.0 to 1.0 calculated monthly, only if excess availability on the Wells Revolver is less than $18.75 million. If the Successor is required to maintain the Fixed Charge Coverage Ratio then either: i) the consolidated Adjusted EBITDAR for the test period shall not be less than the specified EBITDAR percentage of 65% of the Consolidated Adjusted EBITDAR of the parent and its subsidiaries for all periods ending on or prior to December 31, 2012 or ii) the Consolidated Adjusted EBITDAR during the test period shall not be less than the specified EBITDAR threshold of $100 million; provided that the Specified EBITDAR Threshold shall be reduced by $1.25 million on the last day of each month, commencing on January 31, 2012 and ending on December 31, 2012, until such time as the Specified Adjusted EBITDAR Threshold is reduced to $85 million. The Successor was in compliance with its financial covenants at March 31, 2011.

The Wells Revolver and the Exit Financing Facility are subject to an intercreditor agreement pursuant to which the lenders' respective rights and interests in the security are set forth.

Any acceleration in the repayment of our indebtedness or related foreclosure could adversely affect our business.

Co-generation Unit Financing Arrangement

In March 2011, Tiwest, our Australian joint venture, acquired a steam and electricity gas fired co-generation plant, adjacent to its Kwinana pigment plant, through a five year finance lease arrangement. Tronox Western Australia Pty Ltd, our wholly owned subsidiary, owns a 50% undivided interest in the co-generation plant through Tiwest. As a result, the company incurred additional debt totaling $8.0 million as of March 31, 2011, in order to finance its share of the asset purchase. Under the finance lease arrangement, monthly payments are required and interest accrues on the remaining balance owed at the rate of 6.5% per annum.

8. Stockholders' Equity

The changes in the outstanding amounts of ordinary shares issued and treasury shares for the Successor period February 1 through March 31, 2011, were as follows:

Successor	
New common stock shares issued:	
Issued February 1, 2011	14,974,447
Stock-based compensation	20,288
Claims	9,868
Warrants exercised	5,509
Balance at March 31, 2011	15,010,112
New common stock held as treasury shares issued:	
Shares acquired February 1, 2011	56,230
Balance at March 31, 2011	56,230

Warrants — As of March 31, 2011, the company has Class A warrants to purchase 540,315 ordinary shares at an exercise price of $62.13 per ordinary share issued and outstanding and Class B warrants to purchase 666,033 ordinary shares at an exercise price of $68.56 per ordinary share issued and outstanding. The warrants have anti-dilution protection for in-kind stock dividends, stock splits, stock combinations and similar transactions and may be exercised at any time during the period from February 14, 2011 to the close of business on February 14, 2018.

9. Financial Instruments

The company holds or issues financial instruments for other than trading purposes. At March 31, 2011 and December 31, 2010, respectively, the carrying amounts and estimated fair values of these instruments are as follows:

	Successor		Predecessor	
	March 31, 2011		December 31, 2011	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(Millions of dollars)			
Cash and cash equivalents	$61.8	$61.8	$141.7	$141.7
Long-term receivables	0.7	0.7	4.8	4.8
Grantor trust assets	—	—	1.0	1.0

The carrying amounts of cash and cash equivalents with maturities of three months or less, represent a Level 1 fair value measurement based upon the existence of active markets with quoted prices for identical assets. Grantor trust assets, consisting of cash and cash equivalents, are also a Level 1 fair value measurement based upon the existence of active markets with quoted prices for identical assets. The fair value for long-term receivables is equal to the carrying value.

10. Pension and Other Postretirement Benefits

The components of net periodic pension and postretirement healthcare cost and total retirement expense consist of the following:

	Retirement Plans		
	Successor	Predecessor	
	February 1 through March 31, 2011	January 1 through January 31, 2011	Three Months Ended March 31, 2010
	(Millions of dollars)		
Service cost	$ 0.5	$ 0.2	$ 0.6
Interest cost	3.9	1.9	6.2
Expected return on plan assets	(3.7)	(2.0)	(7.5)
Net Amortization:			
Net actuarial loss	—	0.5	1.0
Total retirement expense	$ 0.7	$ 0.6	$ 0.3

	Postretirement Healthcare Plan		
	Successor	Predecessor	
	February 1 through March 31, 2011	January 1 through January 31, 2011	Three Months Ended March 31, 2010
	(Millions of dollars)		
Service cost	$ —	$ —	$ 0.1
Interest cost	0.1	—	0.1
Net Amortization:			
Prior service cost (credit)	—	(1.1)	(3.5)
Net actuarial loss	—	0.1	0.1
Total retirement expense	$0.1	$(1.0)	$(3.2)

11. Employee Stock-Based Compensation

On the Effective Date, the company adopted the management equity incentive plan (the "MEIP"), which is intended to further its growth and profitability by increasing incentives and encouraging share ownership on the part of its employees and board members. The MEIP permits the grant of awards that constitute incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards, cash payments and such other forms as the compensation committee of the Board of Directors in its discretion deems appropriate, including any combination of the above. Subject to further adjustment, the number of shares available for delivery pursuant to the awards granted under the MEIP is 1.2 million shares. The shares awarded under the MEIP, may be; authorized but unissued shares; authorized and issued shares reacquired and held as treasury shares or a combination thereof. On the Effective Date, 219,250 and 46,138 shares of restricted stock were granted to employees and board members, respectively, under the MEIP. The terms of these awards are provided below.

Grants to Board Members — As noted above, the MEIP authorizes the issuance of restricted shares to eligible directors who are serving on the Board on the Effective Date. The equity compensation available under the MEIP to eligible directors consists of the following: (i) an equity retainer award; (ii) a primary award; and (iii) a secondary award. The terms of these specific awards are as follows:

- *Equity Retainer Award* — Within 60 days of the Effective Date, eligible directors who are serving on the Board are entitled to receive a grant of restricted shares of stock with a value equal to $70,000, determined by dividing $70,000 by the average of the ten day trading price of the company's common stock for the ten day period commencing on the twentieth trading day following the Effective Date and rounding down to the nearest full share. The equity retainer award shall vest in four pro-rata equal installments on the last day of each quarter that ends during the covered period, provided that the eligible director is then providing services to the Board on each such vesting date.

- *Primary Award* — Within 30 days of the Effective Date, eligible directors who are serving on the Board are to receive a grant of 2,500 shares of restricted stock. The primary award restricted shares shall vest in twelve pro-rata equal installments on the last day of each calendar quarter that ends following the Effective Date, provided that the eligible director is then providing services to the Board on each such vesting date.

- *Secondary Award* — Within 30 days of the Effective Date, eligible directors who are serving on the Board are entitled to receive grants of restricted shares as follows:

  - The Chairman of the Board shall receive a secondary restricted share award of 6,500 shares.

- Each co-chairman of the Strategic Committee, who is not serving as Chairman of the Board, shall receive a secondary restricted share award of 6,500 shares.
- The Chairman of the Audit Committee, if he or she is not serving as the Chairman of the Board or Chairman of the Strategic Committee, shall receive a secondary restricted share award of 4,500 shares.
- All eligible directors, other than the Chairman of the Board and the Chairmen of the Strategic Committee and Audit Committee, shall receive a secondary restricted share award of 3,500 shares.

The secondary awards vest based on the following schedule, provided that the eligible director is then providing services to the Board on each such vesting date:(i) 12.5% on December 31, 2011, December 31, 2012 and December 31, 2013; (ii) 20% on December 31, 2014; and (iii) 42.5% on December 31, 2015; provided that all secondary restricted share awards shall immediately vest upon the consummation of a change in control of the company, as specified in the MEIP.

Notwithstanding anything set forth to the contrary in the MEIP, effective January 1, 2014, the shareholders of the company, may, upon a majority vote, resolve to terminate any or all unvested secondary restricted shares, and following such a vote, all such secondary restricted shares shall be cancelled and forfeited for no consideration.

The following table summarizes restricted stock share activity with Board members for the Successor period from February 1, 2011 through March 31, 2011. Compensation expense related to these restricted stock awards, including those granted in the first quarter, totaled $0.3 million.

	Equity Retainer Award		Primary Award		Secondary Award	
Restricted Shares	Number of Shares	Weighted-Avg. Grant Date Fair Value	Number of Shares	Weighted-Avg. Grant Date Fair Value	Number of Shares	Weighted Avg. Grant Date Fair Value
			(Millions of dollars)			
Balance at February 1, 2011	—	—	—	—	—	—
Awards granted	3,138	$122.50	15,000	$122.50	28,000	$122.50
Awards forfeited	—	—	—	—	—	—
Awards earned	(780)	$122.50	(1,248)	$122.50	—	—
Balance at March 31, 2011	2,358	$122.50	13,752	$122.50	28,000	$122.50
Outstanding awards expected to vest	2,358	$122.50	13,752	$122.50	28,000	$122.50

Grants to employees — On the Effective Date, 219,250 shares of restricted stock were granted to employees that vest quarterly over a three-year period. In accordance with ASC 718, Compensation- Stock Compensation (“ASC 718”), as the company is withholding the highest combined maximum rate imposed under all applicable federal, state, local and foreign tax laws on behalf of the employees that have received the awards, these restricted stock awards are being classified as liability awards and are being re-measured to fair value at each reporting date.

The following table summarizes restricted stock share activity with employees for the Successor period from February 1, 2011 through March 31, 2011. Compensation expense related to restricted stock awards granted to employees, including those granted in the first quarter, and totaled $2.6 million.

	Number of Shares	Fair Value(1)
Balance at February 1, 2011	—	$ —
Awards granted	219,250	$122.50
Awards earned	(18,260)	$140.50
Balance at March 31, 2011	200,990	$140.50
Outstanding awards expected to vest	200,990	$140.50

(1) Represents the weighted-average grant-date fair value.

Long-Term Incentive Plan ("LTIP") — As of the Effective Date, all old shares of common stock were cancelled and new shares were issued. Accordingly, all stock-based awards previously issued under the Predecessor's LTIP plan (e.g. stock options, restricted shares, performance units, payment awards, etc) were cancelled as of the Effective Date. Therefore, for the Successor period from February 1, 2011 through March 31, 2011, there were no stock awards outstanding under the LTIP. For the Predecessor periods from January 1, 2011 through January 31, 2011 and three months ended March 31, 2010, compensation expense related to all stock-based awards outstanding under the LTIP totaled nil and $0.1 million, respectively.

12. Income Taxes

In the two months ended March 31, 2011, we recorded a tax provision of $3.3 million, representing an effective tax rate of 24.4% on a pre-tax income of $13.5 million. In the one month ended January 31, 2011, the Predecessor recorded a tax provision of $0.7 million, representing an effective tax rate of 0.1% on pre-tax income of $632.2 million. In the first three months of 2010 the company recorded a tax provision of $0.9 million, representing an effective tax rate of 1.5% on a pre-tax income of $60.8 million. The provision for the 2011 Successor period differs from the U.S. statutory rate of 35% primarily due to the fact that in the United States the Company generated losses where we recorded no tax benefit due to valuation allowances on our deferred tax assets. The tax provision for the Predecessor period and the three months ended March 31, 2010 differs from the U.S. statutory rate primarily because in the Netherlands and the U.S. the company generated either income or losses where we recorded no tax expense or benefit due to valuation allowances on our deferred tax assets.

The application of fresh-start accounting on February 1, 2011 resulted in the re-measurement of deferred income tax liabilities associated with the revaluation of the company's assets and liabilities pursuant to ASC 852 (see Note 4). As a result, deferred income taxes were recorded at amounts determined in accordance with ASC 740 of $11.8 million as part of Reorganization Income. Further, the company released valuation allowances against certain of our deferred tax assets in the Netherlands and Australia resulting from this re-measurement.

Under the plan, a substantial portion of the company's pre-petition debt securities, revolving credit facility and other obligations were extinguished. Absent an exception, a debtor recognizes cancellation of indebtedness income ("CODI") upon discharge of its outstanding indebtedness for an amount of consideration that is less than its adjusted issue price. The Internal Revenue Code of 1986, as amended ("IRC"), provides that a debtor in a bankruptcy case may exclude CODI from taxable income but must reduce certain of its tax attributes by the amount of any CODI realized as a result of the consummation of a plan of reorganization. The amount of CODI realized by a taxpayer is the adjusted issue price of any indebtedness discharged less the sum of (i) the amount of cash paid, (ii) the issue price of any new indebtedness issued and (iii) the fair market value of any other consideration, including equity, issued. As a result of the market value of equity upon emergence from Chapter 11 bankruptcy proceedings, the

company will not recognize any CODI. As a result, the company will retain their U.S. net operating loss carryforwards. In addition, since the creditors received value in excess of their claims, the company expects to receive a tax deduction for the premium paid of approximately $1.1 billion, resulting in a potential federal tax benefit of $385 million.

IRC Sections 382 and 383 provide an annual limitation with respect to the ability of a corporation to utilize its tax attributes, as well as certain built-in-losses, against future U.S. taxable income in the event of a change in ownership. The Debtors' emergence from Chapter 11 bankruptcy proceedings is considered a change in ownership for purposes of IRC Section 382. The limitation under the IRC is based on the value of the corporation as of the Emergence Date. The company does not expect that the application of these limitations will have any material affect upon our U.S. federal income tax liabilities.

We continue to maintain a valuation allowance related to the net deferred tax assets in the U.S. Future provisions for income taxes will include no tax benefits with respect to losses incurred and no federal tax expense with respect to income generated in the U.S. until the valuation allowance is eliminated. ASC 740, Income Taxes, ("ASC 740") requires that all available positive and negative evidence be weighted to determine whether a valuation allowance should be recorded. If the company's judgement regarding the U.S. valuation allowance changes in future periods, the Successor period effective tax rate of 24.4% may not be indicative of our future effective tax rate.

13. Discontinued Operations

Tronox Pigments GmbH, the Predecessor's holding subsidiary for a pigment facility in Uerdingen, Germany, filed an application with the insolvency court in Krefeld, Germany, to commence insolvency proceedings on March 13, 2009. The German Insolvency Court appointed a trustee to administer the insolvency proceedings which resulted in the Predecessor losing management control over these subsidiaries. As a result, the German subsidiaries have been deconsolidated from the Predecessor's consolidated financial statements as of March 13, 2009. Management has determined that the operations and cash flows of its insolvent German subsidiaries qualify as a discontinued operation. Accordingly, all amounts associated with these operations have been included in discontinued operations.

The following table presents pretax loss from discontinued operations by type of cost and total after-tax loss from discontinued operations for the following periods:

	Environmental Provisions(1)	Litigation Provisions, Legal and Other Costs(1)	Gain (Loss) from Operations(2)	Total
	(Millions of dollars)			
Successor: February 1, 2011 through March 31, 2011:				
Total pretax gain (loss)	$—	$ —	$—	$ —
Tax benefit (provision)				—
Total after tax gain (loss)				$ —
Predecessor: January 1, 2011 through January 31, 2011:				
Total pretax gain (loss)	$—	$(0.2)	$—	$(0.2)
Tax benefit (provision)				—
Total after tax gain (loss)				$(0.2)
Predecessor: Three months ended March 31, 2010				
Total pretax gain (loss)	$0.4	$(1.4)	$0.1	$(0.9)
Tax benefit (provision)				—
Total after tax gain (loss)				$(0.9)

(1) Legal and environmental costs are allocated to discontinued operations on a specific identification basis. Other costs are primarily comprised of insurance and ad valorem taxes on properties of these former businesses under remediation.

(2) The Predecessor's gains (losses) related to its German operations.

(3) The tax benefit (provision) lines above are net of the effects of valuation allowances.

14. Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) consist of the following:

	Successor	Predecessor	
	February 1 through March 31, 2011	January 1 through January 31, 2011	Three Months Ended March 31, 2010
	(Millions of dollars)		
Foreign currency translation adjustments	$1.3	$ 0.9	$(13.2)
Activity related to the company's retirement and postretirement plans:			
Amortization of actuarial gain, net of taxes of nil, nil and nil	—	0.5	1.0
Amortization of prior service credit, net of taxes of nil, nil and nil	—	(1.1)	(3.2)
Total	$1.3	$ 0.3	$(15.4)

15. Contingencies

Contingencies Related to Ongoing Businesses of Tronox

We are subject to extensive regulation by federal, state, local and foreign governments. Governmental authorities regulate the generation and treatment of waste and air emissions at our operations and facilities. At many of our operations, we also comply with worldwide, voluntary standards such as International Organization for Standardization ("ISO") 9002 for quality management and ISO 14000 for environmental management. ISO 9000 and 14000 are standards developed by the ISO, a nongovernmental organization that promotes the development of standards and serves as a bridging organization for quality and environmental standards. We are also subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations.

Our reserves for environmental contingencies related to the company's going forward businesses amounted to $0.8 million at March 31, 2011 and were classified in accrued and other noncurrent liabilities on the Consolidated Balance Sheet.

The following table summarizes the contingency reserve balances, provisions, payments and settlements for the three months ended March 31, 2011:

	Reserves for Environmental Remediation
	(Millions of dollars)
Predecessor: Balance at December 31, 2010	$0.8
Provisions /Accruals	—
Payments /Settlements	—
Successor: Balance at March 31, 2011	$0.8

Management believes that the company is currently reserved adequately for the probable and reasonably estimable costs of known environmental matters and other contingencies for the ongoing business. However, additions to the reserves may be required as additional information is obtained that enables the company to better estimate its liability. At this time, however, we cannot reliably estimate a range of future additions to the reserves. Reserves for environmental sites are based, among other factors, on assumptions regarding the volumes of contaminated soils and groundwater involved, as well as associated excavation, transportation and disposal costs.

Although actual costs may differ from current estimates reflected in the reserve balances, the amount of any further revisions in remediation costs cannot be reasonably estimated at this time.

Other Matters

The Successor is party to a number of legal and administrative proceedings and other matters pending in various courts or agencies, some of which include claims for personal injuries, property damages, cleanup costs and other environmental matters. In relation to these proceedings, management has regular litigation reviews, including updates from corporate and outside counsel to assess the need for accounting recognition or disclosure related to these matters. Based on consideration of all relevant facts and circumstances, the company does not believe that the ultimate outcome of any of these proceedings, either individually or in the aggregate will have a material adverse effect on its operations, financial condition or financial statements taken as a whole.

KM Legacy Liabilities

At the time of the Contribution and IPO, the Predecessor became liable for the KM Legacy Liabilities, including Legacy Environmental Liabilities. As further described in Note 3, the KM Legacy Liabilities relate to businesses and operations of Kerr-McGee that were shut down or discontinued prior to the Contribution and IPO,

and represent over 2,800 individual locations; such businesses involved the treatment of forest products, the production of rocket fuel, the refining and marketing of petroleum products, offshore contract drilling, coal mining, and the mining, milling and processing of nuclear materials.

The KM Legacy Liabilities are described in more detail below. As discussed in Note 3, as part of the Plan, we reached a settlement that resolved our obligations for the KM Legacy Liabilities. As a result, the KM Legacy Liabilities are not included in our financial statements after our emergence from bankruptcy.

Our reserves for the KM Legacy Liabilities amounted to $440.1 million at December 31, 2010 and were classified in liabilities subject to compromise on the Consolidated Balance Sheet. The following table provides a reconciliation of the changes in the KM Legacy Liabilities for the three months ended March 31, 2011:

	Legacy Tort Liabilities(1)	Legacy Environmental Liabilities(1)	Reimbursement Receivables
		(Millions of dollars)	
Predecessor: Balance at December 31, 2010	$ 17.9	$ 422.2	$36.7
Provisions /Accruals	—	—	—
Payments /Settlements(2)	(17.9)	(422.2)	—
Successor: Balance at March 31, 2011	$ —	$ —	$36.7

(1) Legacy Tort Liabilities and Legacy Environmental Liabilities represent the Settlement adjustment recorded in 2009.

(2) Reflects the settlement of liability in accordance with the Plan.

As discussed in Note 3, as part of the Plan, the Debtor's reached the Settlement that resolved our obligations for the KM Legacy Liabilities. The Settlement established certain environmental response and tort claims trusts in exchange for cash, certain non-monetary assets, and the rights to the proceeds of certain ongoing litigation and insurance and other third party reimbursement agreements. The amount of the Settlement was approximately $411.9 million, excluding any estimate of amounts for the rights to proceeds from ongoing litigation and insurance proceeds.

We have estimated the value of probable insurance recoveries associated with our environmental reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage. At March 31, 2011, the receivable for these probable insurance recoveries was $9.4 million related to the Henderson, Nevada facility. Although the Henderson liability for environmental remediation expense will be transferred to the trust upon emergence, the Successor will retain the insurance receivable after emergence as this receivable is based upon reimbursable funds expended by the Predecessor prior to emergence.

16. Commitments

At March 31, 2011, the company had outstanding letters of credit in the amount of approximately $69.9 million. These letters of credit have been granted by financial institutions to support our environmental clean-up costs and miscellaneous operational and severance requirements in international locations.

The company has entered into certain agreements that require it to indemnify third parties for losses related to environmental matters, litigation and other claims. No material obligations are presently known and, thus, no reserve has been recorded in connection with such indemnification agreements.

The company's Australian joint venture has entered into new long term contracts for the operation and maintenance of the cogeneration plant it acquired in March 2011. The impact of these new contracts increased the company's commitments under purchase obligations beginning in March 2011 and going forward by a total of $36.3 million compared to the amounts disclosed in the company's 2010 consolidated financial statements.

17. Reporting by Business Segment and Geographic Locations

The company has one reportable segment representing its pigment business. The pigment segment primarily produces and markets TiO_2 and has production facilities in the United States, Australia, and the Netherlands. The pigment segment also includes heavy minerals production operated through our joint venture. The heavy minerals production is integrated with our Australian pigment plant, but also has third-party sales of minerals not utilized by the company's pigment operations. Electrolytic and other chemical products (which do not constitute reportable segments) represent the company's other operations which are comprised of electrolytic manufacturing and marketing operations, all of which are located in the U.S., and are reported in "Other Activities" when reconciling segmented information. Segment performance is evaluated based on segment operating profit (loss), which represents the results of segment operations before unallocated costs, such as general corporate expenses not identified to a specific segment, environmental provisions related to sites no longer in operation, gains on land sales from properties not used in current operations, income tax expense or benefit and other income (expense).

		Other Activities		
	Pigment Segment	Electrolytic	Corporate and Other	Total
	(Millions of dollars)			
Successor: February 1, 2011 through March 31, 2011				
Net Sales	$ 244.0	$ 22.9	$ 0.2	$ 267.1
Income (Loss) from operations	24.5	0.3	(7.0)	17.8
Interest and debt expense				(5.3)
Other income				1.0
Income (Loss) from Continuing Operations before Income Taxes				$ 13.5
Total Assets	$1,238.9	$ 86.9	$121.5	$1,447.3
Depreciation, Depletion and Amortization	11.1	1.2	0.8	13.1
Capital Expenditures	14.7	1.1	0.5	16.3
Predecessor: January 1, 2011 through January 31, 2011				
Net Sales	$ 93.1	$ 12.1	$ 2.4	$ 107.6
Income (Loss) from operations(1)	21.4	0.7	(2.2)	19.9
Interest and debt expense				(2.9)
Other income				1.6
Reorganization expense				613.6
Income (Loss) from Continuing Operations before Income Taxes				$ 632.2
Total Assets	$ 714.7	$117.5	$258.3	$1,090.5
Depreciation, Depletion and Amortization	3.3	0.6	0.2	4.1
Capital Expenditures	4.2	0.8	0.5	5.5
Predecessor: Three Months Ended March 31, 2010				
Net Sales	$ 245.6	$ 29.1	$ 4.0	$ 278.7
Income (Loss) from operations(2)	32.4	1.7	38.2	72.3
Interest and debt expense				(12.4)
Gain on liquidation of subsidiary				9.0
Other income (expense)				(2.9)
Reorganization expense				(5.2)
Income (Loss) from Continuing Operations before Income Taxes				$ 60.8
Total Assets	$ 689.7	$135.0	$294.8	$1,119.5
Depreciation, Depletion and Amortization	9.8	1.8	0.9	12.5
Capital Expenditures	5.7	1.7	—	7.4

	Successor	Predecessor	
	February 1 through March 31, 2011	January 1 through January 31, 2011	Three Months Ended March 31, 2010
Net Sales(1)			
U.S. operations	$137.9	$ 60.1	$164.3
International operations			
The Netherlands	46.9	15.1	46.7
Australia	82.3	32.4	67.7
Total	$267.1	$107.6	$278.7
Net Property, Plant and Equipment			
U.S. operations	$196.7	$164.4	$175.0
International operations			
The Netherlands	58.0	49.0	33.2
Australia	193.3	104.1	98.0
Total	$448.0	$317.5	$306.2

(1) Based on country of production.

18. Related Party Transactions

Tronox conducts transactions with Basic Management, Inc. and its subsidiaries in support of the company's Henderson, Nevada facility. The company previously owned approximately 30.0% in these companies. This ownership was contributed to the Environmental Trust as part of the Plan and the company no longer has any control or investment in the basic management companies.

Tronox conducts transactions with Exxaro Australia Sands Pty Ltd ("Exxaro"), the company's 50% partner in the Tiwest Joint Venture. The company purchased, at open market prices, raw materials used in its production of TiO_2 and Exxaro's share of TiO_2 produced by the Tiwest Joint Venture. The company also provided administrative services and product research and development activities which were reimbursed by Exxaro. The company made total net payments of $14.0 million in the Successor period from February 1 through March 31, 2011, $41.9 million in the Predecessor period from January 1 through January 31, 2011, and $40.0 million in the Predecessor period three months ended March 31, 2010 for these transactions.

19. Subsequent Events

Tronox has evaluated subsequent events through July 6, 2011, the date the financial statements were available to be issued.

Tiwest Joint Venture TiO_2 Plant Expansion

The expansion of the Tiwest Joint Venture TiO_2 plant in Western Australia was completed and commissioned at the end of the second quarter of 2010. While Tronox was in bankruptcy, Exxaro, our joint venture partner funded the majority of the expansion. In May 2011, Tronox provided notice to Exxaro that it will buy into its 50% share of the Tiwest expansion as of June 30, 2011 for $79.1 million. The expansion increased TiO_2 production capacity at the plant in Western Australia from 110,000 to 150,000 metric tonnes per annum.