TRONOX

Tronox Incorporated

Consolidated Financial Statements

September 30, 2011

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TRONOX INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
	(Millions of dollars, except per share data)				
Net Sales	$ 465.4	$ 312.3	$ 1,160.8	$ 107.6	$ 891.8
Cost of goods sold(1)	322.4	249.6	862.1	82.3	731.1
Gross Margin	143.0	62.7	298.7	25.3	160.7
Selling, general and administrative expenses	53.8	16.1	111.2	5.4	43.2
Litigation/arbitration settlement	(9.8)	—	(9.8)	—	—
Provision for environmental remediation and restoration, net of reimbursements	(0.2)	—	(4.5)	—	(39.6)
Income from Operations	99.2	46.6	201.8	19.9	157.1
Interest and debt expense(2)	(8.0)	(14.8)	(21.5)	(2.9)	(39.7)
Other income (expense)	(1.3)	(10.4)	(1.7)	1.6	(1.9)
Reorganization income (expense)	—	(47.8)	—	613.6	(66.7)
Income (loss) from Continuing Operations before Income Taxes	89.9	(26.4)	178.6	632.2	48.8
Income tax benefit (provision)	9.0	1.1	(3.3)	(0.7)	(3.0)
Income (loss) from Continuing Operations	98.9	(25.3)	175.3	631.5	45.8
Income (loss) from discontinued operations, net of income tax benefit of nil, nil, nil, nil and nil, respectively	—	(0.2)	—	(0.2)	(0.5)
Net Income (Loss)	$ 98.9	$ (25.5)	$ 175.3	$ 631.3	$ 45.3
Income (Loss) per Share, Basic and Diluted:					
Basic —					
Continuing operations	$ 6.60	$ (0.61)	$ 11.95	$ 15.29	$ 1.11
Discontinued operations	—	(0.01)	—	(0.01)	(0.01)
Net income(loss) per share	$ 6.60	$ (0.62)	$ 11.95	$ 15.28	$ 1.10
Diluted —					
Continuing operations	$ 6.25	$ (0.61)	$ 11.29	$ 15.25	$ 1.11
Discontinued operations	—	(0.01)	—	—	(0.01)
Net income(loss) per share	$ 6.25	$ (0.62)	$ 11.29	$ 15.25	$ 1.10
Weighted Average Shares Outstanding:					
Basic	14,982	41,235	14,665	41,311	41,231
Diluted	15,835	41,235	15,532	41,399	41,384

(1) Includes costs of approximately 20.9% for the three months ended September 30, 2011, 16.1% for the three months ended September 30, 2010, 21.4% for the eight months ended September 30, 2011, 21.7% for the one month ended January 31, 2011 and 14.4% for the nine months ended September 30, 2010 for raw materials and pigment purchased from the Company's joint venture partner.

(2) Excludes interest expense of $8.4 million, $24.9 million and $2.8 million for the three months ended September 30, 2010, nine months ended September 30, 2010 and one month ended January 31, 2011, respectively, which would have been payable under the terms of the $350.0 million 9.5% senior unsecured notes. See Note 10.

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

TRONOX INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	Successor September 30, 2011	Predecessor December 31, 2010
	(Millions of dollars, except per share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 130.6	$ 141.7
Accounts receivable:		
Third party, net of allowance for doubtful accounts of $0.1 and $0.8	303.3	243.8
Related party	0.3	2.7
Inventories	217.9	198.4
Prepaid and other assets	27.9	144.8
Deferred income taxes	4.4	4.3
Total Current Assets	684.4	735.7
Property, Plant and Equipment, Net	519.0	315.5
Intangible Assets, Net	358.7	—
Other Long-Term Assets	25.8	46.7
Total Assets	$ 1,587.9	$ 1,097.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable:		
Third party	$ 103.0	$ 134.7
Related party	101.8	64.3
Accrued liabilities	50.0	45.7
Short-term debt	—	—
Long-term debt due within one year	5.8	4.3
Income taxes payable	19.8	3.3
Total Current Liabilities	280.4	252.3
Noncurrent Liabilities		
Long-term debt	422.6	420.7
Pension and postretirement benefits	94.3	107.2
Deferred income taxes	16.5	—
Other	38.5	47.4
Total Noncurrent Liabilities	571.9	575.3
Liabilities Subject to Compromise	—	900.3
Contingencies and Commitments (Note 18)		
Stockholders' Equity		
Successor new common stock, par value $0.01 — 100,000,000 shares authorized, 15,082,753 shares issued at September 30, 2011	0.1	—
Predecessor Class A common stock, par value $0.01 — 100,000,000 shares authorized, 19,107,367 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	573.1	496.2
Retained earnings (accumulated deficit)	175.3	(1,128.2)
Accumulated other comprehensive income (loss)	(3.3)	8.8
Treasury stock, at cost — 79,357 shares at September 30, 2011 and 623,953 shares at December 31, 2010	(9.6)	(7.2)
Total Stockholders' Equity	735.6	(630.0)
Total Liabilities and Stockholders' Equity	$ 1,587.9	$ 1,097.9

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

TRONOX INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND STOCKHOLDERS' EQUITY
(Unaudited)

	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
					(Millions of dollars)			
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:								
Elimination of predecessor common stock, capital in excess of par value, and accumulated deficit	—	(0.2)	(0.2)	(496.3)	496.9	(9.1)	7.2	(1.7)
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	—	—	—	—	175.3	—	—	175.3
Other comprehensive income (loss)	—	—	—	—	—	(3.3)	—	(3.3)
Comprehensive income								172.0
Shares withheld for claims	—	—	—	—	—	—	(6.9)	(6.9)
Warrants exercised	—	—	—	1.3	—	—	—	1.3
Stock-based compensation	—	—	—	7.7	—		(2.7)	5.0
Balance at September 30, 2011	**$ 0.1**	**$ —**	**$ —**	**$ 573.1**	**$ 175.3**	**$ (3.3)**	**$ (9.6)**	**$ 735.6**

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

TRONOX INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Successor	Predecessor	
	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
		(Millions of dollars)	
Cash Flows from Operating Activities			
Net income	$ 175.3	$ 631.3	$ 45.3
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation, depletion and amortization	56.8	4.1	37.3
Impairments and write-downs of long-lived assets and inventory	—	—	0.6
Deferred income taxes	(1.5)	0.2	(3.5)
Provision for environmental remediation and restoration, net of reimbursements	—	—	(40.7)
Amortization of debt issuance costs	0.6	0.3	8.0
Pension and postretirement healthcare benefit (income) expense, net	3.2	(0.4)	(8.8)
Gain on liquidation of subsidiary	(0.2)	—	(5.3)
Stock compensation expense	7.7	—	0.4
Other noncash items affecting net income	4.4	0.2	5.1
Reorganization items:			
Noncash reorganization items	—	(636.6)	14.1
Environmental settlement funding	—	(270.0)	—
Claims paid with cash	(14.3)	(18.6)	(33.9)
Tort settlement funding	—	(16.5)	—
Professional and legal fees	—	(12.0)	(36.3)
Changes in assets and liabilities:			
(Increase) decrease in trade accounts receivable	(74.2)	(8.1)	(11.6)
(Increase) decrease in related parties accounts receivable	4.5	(2.1)	6.2
(Increase) decrease in inventories	29.6	(15.3)	14.7
(Increase) decrease in prepaids and other assets	20.9	35.4	6.9
Increase (decrease) in accounts payable and accrued liabilities	(57.3)	23.1	48.8
Increase (decrease) in related parties accounts payable	37.0	0.5	(6.2)
(Increase) decrease in taxes payable	(1.6)	0.4	4.4
Other, net	26.7	1.0	9.6
Cash provided by (used in) operating activities	$ 217.6	$ (283.1)	$ 55.1
Cash Flows from Investing Activities:			
Capital expenditures	(120.7)	(5.5)	(26.7)
Proceeds from sale of assets	0.5	—	—
Cash used in investing activities	(120.2)	(5.5)	(26.7)
Cash Flows from Financing Activities			
Reductions of debt	(43.6)	—	—
Proceeds from borrowings	22.0	25.0	—
Debt issuance costs and commitment fees	(5.5)	(2.4)	(15.4)
Proceeds from rights offering	—	185.0	—
Other equity, net	1.3	—	—
Cash provided by (used in) financing activities	(25.8)	207.6	(15.4)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(2.0)	0.3	0.3
Net Increase (Decrease) in Cash and Cash Equivalents	69.6	(80.7)	13.3
Cash and Cash Equivalents at Beginning of Period	61.0	141.7	143.3
Cash and Cash Equivalents at End of Period	$ 130.6	$ 61.0	$ 156.6

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

TRONOX INCORPORATED

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. The Company

Tronox Incorporated, a Delaware Corporation, and its subsidiaries (collectively referred to as "Tronox" or the "Company") is the world's fifth largest producer and marketer of titanium dioxide ("TiO_2") pigment, which is used in consumer products such as paint, plastic and certain specialty products. The Company 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 TiO_2, and has production facilities in the United States of America (the "U.S."), Australia and the Netherlands. The pigment segment also includes heavy minerals production operated through the Company's joint venture in Australia (the "Tiwest Joint Venture"). The heavy minerals production is integrated with the Company's Australian pigment plant, but also has third-party sales of minerals not utilized by its 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. Electrolytic and other chemical products is reported in "Other Activities" when reconciling segmented information presented in Note 20.

On January 12, 2009 (the "Petition Date"), Tronox Incorporated and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions in the U.S. 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 U.S. 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 and continued operations as reorganized Tronox Incorporated. See Note 4 for additional information on the Company's emergence from bankruptcy.

The Company applied fresh-start accounting under Accounting Standards Codification 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 5). Accordingly, the financial information set forth in this report, unless otherwise expressly set forth or as the context otherwise indicates, reflects the consolidated results of operations and financial condition of Tronox and its subsidiaries on a fresh-start basis for the period following January 31, 2011 ("Successor"), and of Tronox and its subsidiaries on a historical basis for the periods through January 31, 2011 ("Predecessor").

Acquisition of Exxaro's Mineral Sands Operations

In September 2011, the Company entered into a definitive agreement with Exxaro Australia Sands Pty Ltd. ("Exxaro"), to acquire 74% of its South African mineral sands operations, including its Namakwa and KZN Sands mines, separation and slag furnaces, along with the remaining 50% of the Tiwest Joint Venture in Western Australia. The combination of Exxaro's mineral sands operations, along with its proprietary chloride titanium dioxide process technology, will establish Tronox as the leading, vertically integrated pigment company.

The acquisition will significantly expand the Company to over 3,500 employees at 16 facilities on four continents. As part of the transaction, Exxaro will retain a significant ownership stake in Tronox, which the Company views at a one of the benefits of this transaction. With a substantial investment in the business, Exxaro will continue to be a valuable global partner, as the Company will continue to rely on Exxaro for their mining expertise, technology and government affairs support. In addition, the Company will be assuming a number of Exxaro Mineral Sands key management personnel to head up Tronox's worldwide mineral sands operations from its office in South Africa.

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. The December 31, 2010 balance sheet was derived from audited financial statements, but does not include all of the disclosures required by accounting principles generally accepted in the U.S. ("U.S. GAAP") for complete financial statements. In management's opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation. The results for interim periods are not necessarily indicative of results for the entire year. These unaudited condensed 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 — The Company recognized $377.1 million in separately identifiable intangible assets as a result of the application of fresh-start accounting. Subsequent to initial recognition, intangibles are amortized on a straight-line basis over their estimated useful lives, which range from 5 to 20 years. The Company tests its finite-lived intangible assets for impairment when impairment indicators arise. During the eight months ended September 30, 2011, the Company noted the existence of no such indicators warranting the performance of an impairment test. See Note 5 for further information related to the Company's intangible asset categories and the valuation methodologies employed to recognize them at the time of emergence.

Classification — The Company's unaudited condensed consolidated financial statements classify accretion expense related to asset retirement obligations as a production cost, which is included in "Cost of goods sold" on the Condensed Consolidated Statements of Operation. Accretion expense related to asset retirement obligations was previously reported by the Predecessor within "Selling, general and administrative expenses" on the Condensed Consolidated Statements of Operations. In addition, mineral leaseholds, which were previously reported as "Property, Plant and Equipment, Net" by the Predecessor, are classified as "Intangible Assets, Net" on the Condensed Consolidated Balance Sheets by the Successor.

3. Recent Accounting Pronouncements

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which changes the presentation requirements of comprehensive income to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. ASU 2011-05 requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011. The Company does not anticipate that the adoption of this guidance will have a material impact on the consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS")* ("ASU 2011-04"), which changes certain fair value measurement and disclosure requirements, clarifies the application of existing fair value measurement and disclosure requirements and provides consistency to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The Company does not anticipate that the adoption of this guidance will have a material impact on its consolidated financial statements.

4. Emergence from Chapter 11 Proceedings

On November 30, 2010, the Confirmation Date, the Bankruptcy Court confirmed the Debtors' 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 legacy 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. A final settlement was reached in November 2010 with respect to the Legacy Environmental Liabilities (the "Environmental Settlement") and the Legacy Tort Liabilities (the "Tort Settlement" and, together with the Environmental Settlement, the "Settlement"). In exchange, claimants provided the Debtors and the reorganized Tronox Incorporated with discharges and/or covenants not to sue subsequent to the Effective Date with respect to the Debtors liability for the Legacy Environmental Liabilities. The Settlement established certain environmental response and tort claims trusts that are now responsible for the KM Legacy Liabilities 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 Plan also 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 enabled 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 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.

5. 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 $975.0 million and $1,150.0 million as established in the Plan. Management used $1,150.0 million, which was considered to be the best estimate of the value.

Under fresh-start accounting, the enterprise value of $1,150.0 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 condensed consolidated balance sheet information illustrates the financial effects from implementing the Plan and the adoption of fresh-start accounting as of February 1, 2011.

	Predecessor January 31, 2011	Reorganization Adjustments	Fresh-Start Adjustments	Successor February 1, 2011
	(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 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, 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 trusts.

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

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.

Change in prepaid and other assets	**(Millions of dollars)**
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 transferred to other environmental trusts, which were 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 offset by 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 $0.5 million in pro-rated property taxes related to sites that have been transferred to the environmental trusts as part of the Plan.

i. *Short-term debt* — The change in the short-term debt balance represents the $25.0 million draw 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 on 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 the Company's 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 was ascribed to the corresponding property, plant and equipment classes which included 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 of $14.6 million of deferred financing fees that were related to Predecessor debtor-in-possession ("DIP") financing facilities, which converted to a $425.0 million exit facility on February 14, 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 noncurrent 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, gains related to revaluation of assets and "resetting" retained earnings and accumulated other comprehensive income to zero.

6. Statements of Operations Data

Other Income (Expense)

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

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
			(Millions of dollars)		
Net unrealized and realized foreign currency gain (loss)	$ (0.6)	$ (6.8)	$ (1.1)	$ 1.5	$ (7.3)
Gain (loss) on liquidation of subsidiary	—	(3.7)	0.2	—	5.3
Equity (loss) in net earnings of equity method investees	—	—	—	—	(0.4)
Interest income	0.2	0.1	0.4	0.1	0.3
Other	(0.9)	—	(1.2)	—	0.2
Total	$ (1.3)	$(10.4)	$ (1.7)	$ 1.6	$ (1.9)

Reorganization Income (Expense)

Items resulting from reorganization since the January 12, 2009 bankruptcy are classified as “Reorganization income (expense)” on the Condensed Consolidated Statements of Operations. The Company’s net charges for reorganization items in the applicable periods were as follows:

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
			(Millions of dollars)		
Legal and professional fees	$ —	$ (13.8)	$ —	$ (12.0)	$ (36.3)
Rejected contracts	—	(23.1)	—	—	(18.5)
Indirect environmental claims	—	(0.3)	—	(24.3)	(0.5)
Fees related to the Rights Offering and other debt related costs	—	(10.6)	—	(9.2)	(15.4)
Forgiveness of debt	—	—	—	127.7	—
Gain as a result of application of fresh-start accounting	—	—	—	531.4	—
Other net adjustments	—	—	—	—	4.0
Total	$ —	$ (47.8)	$ —	$ 613.6	$ (66.7)

Earnings Per Share

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

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
		(Millions of dollars, except for per share data)			
Income (Loss) from Continuing Operations	$ 98.9	$ (25.3)	$ 175.3	$ 631.5	$ 45.8
Shares	14,982	41,235	14,665	41,311	41,231
Effect of Dilutive Securities:					
Restricted Stock	224	—	240	88	153
Warrants	629	—	627	—	—
Total Dilutive Shares	15,835	41,235	15,532	41,399	41,384
Basic Income (Loss) per Share	$ 6.60	$ (0.61)	$ 11.95	$ 15.29	$ 1.11
Diluted Income (Loss) per Share	$ 6.25	$ (0.61)	$ 11.29	$ 15.25	$ 1.11

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

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
		(Millions of dollars, except for per share data)			
Loss from Discontinued Operations	$ —	$ (0.2)	$ —	$ (0.2)	$ (0.5)
Basic Income (Loss) per Share	$ —	$ (0.01)	$ —	$ (0.01)	$ (0.01)
Diluted Income (Loss) per Share	$ —	$ (0.01)	$ —	$ —	$ (0.01)

In computing diluted earnings per share under the treasury stock method, the Company considered potentially dilutive shares. The number of stock options that were anti-dilutive because they were not “in the money” was 1,152,408, 1,152,621 and 1,152,621 for

the one month ended January 31, 2011, three months ended September 30, 2010 and nine months ended September 30, 2010, respectively. The average exercise price of these anti-dilutive options was $9.54 in each of these three periods.

As of the Effective Date, all old shares of common stock were canceled and new shares were issued. Therefore, for the three months and eight months ended September 30, 2011, there were no stock options outstanding.

7. Balance Sheet Data

Accounts Receivable

Accounts receivable, net of related party receivables and the related allowance for doubtful accounts, consisted of the following at September 30, 2011 and December 31, 2010:

	Successor	Predecessor
	September 30, 2011	December 31, 2010
	(Millions of dollars)	
Accounts receivable — trade	$ 301.6	$ 209.8
Receivable from insurers(1)	—	33.1
Other	1.8	1.7
Total	303.4	244.6
Allowance for doubtful accounts	(0.1)	(0.8)
Net	$ 303.3	$ 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” on the Condensed Consolidated Balance Sheets.

The Company recorded a bad debt provision of $0.1 million for the eight months ended September 30, 2011, which was included in “Selling, general and administrative expenses” on the Condensed Consolidated Statements of Operations. There was no provision recorded for the nine months ended September 30, 2010.

Inventories

Inventories, net of allowance for obsolete inventories and supplies, consisted of the following at September 30, 2011 and December 31, 2010:

	Successor	Predecessor
	September 30, 2011	December 31, 2010
	(Millions of dollars)	
Raw materials	$ 69.4	$ 62.7
Work-in-process	8.1	6.9
Finished goods(1)	88.0	80.0
Materials and supplies, net	52.4	48.8
Total	$ 217.9	$ 198.4

(1) Includes inventory on consignment to others of approximately $8.5 million and $8.1 million at September 30, 2011 and December 31, 2010, respectively.

Prepaid and Other Current Assets

Prepaid and other current assets consisted of the following at September 30, 2011 and December 31, 2010:

	Successor September 30, 2011	Predecessor December 31, 2010
	(Millions of dollars)	
Prepaid expenses	$ 14.6	$ 17.6
Environmental settlement escrows(1)	—	41.3
Cash collateralized letters of credit and surety bonds	5.0	78.2
Other	8.3	7.7
Total	$ 27.9	$ 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 consisted of the following at September 30, 2011 and December 31, 2010:

	Successor September 30, 2011	Predecessor December 31, 2010
	(Millions of dollars)	
Land	$ 24.2	$ 33.3
Buildings	44.4	93.1
Machinery and equipment	414.5	995.1
Construction-in-progress	40.6	46.2
Mineral leaseholds	—	12.4
Other	33.1	62.7
Total	556.8	1,242.8
Less accumulated depreciation, depletion and amortization	(37.8)	(927.3)
Net	$ 519.0	$ 315.5

Depreciation expense for the three months and eight months ended September 30, 2011 and the one month ended January 31, 2011 was $16.1 million, $37.5 million and $3.8 million, respectively. For the three and nine months ended September 30, 2010, depreciation expense was $11.6 million and $34.8 million, respectively.

Other Long-Term Assets

Other long-term assets consisted of the following at September 30, 2011 and December 31, 2010:

	Successor September 30, 2011	Predecessor December 31, 2010
	(Millions of dollars)	
Receivable from the U.S. Department of Energy(1)	$ —	$ 3.6
Investments in equity method investees(2)	—	14.8
Debt issuance costs, net	8.6	14.8
Deferred income taxes	14.1	9.4
Other, net	3.1	4.1
Total	$ 25.8	$ 46.7

(1) See further description in Note 18.

(2) Upon emergence from bankruptcy these investments were transferred to the environmental trusts

Accrued Liabilities

Accrued liabilities consisted of the following at September 30, 2011 and December 31, 2010:

	Successor	Predecessor
	September 30, 2011	December 31, 2010
	(Millions of dollars)	
Employee-related costs and benefits	$ 22.7	$ 23.1
Sales rebates	8.3	7.6
Taxes other than income taxes	8.3	8.3
Interest	6.3	1.3
Asset retirement obligations	0.8	1.4
Reserves for environmental remediation and restoration	0.1	0.2
Other	3.5	3.8
Total	$ 50.0	$ 45.7

Noncurrent Liabilities — Other

Noncurrent liabilities — other consisted of the following at September 30, 2011 and December 31, 2010:

	Successor	Predecessor
	September 30, 2011	December 31, 2010
	(Millions of dollars)	
Asset retirement obligations	$ 27.6	$ 17.9
Reserve for workers' compensation and general liability claims	8.6	8.2
Reserves for environmental remediation and restoration	0.5	0.6
Reserve for uncertain tax positions	—	19.1
Other	1.8	1.6
Total	$ 38.5	$ 47.4

8. Cash Flows Statement Data

Other noncash items affecting net income

Other noncash items affecting net income consisted of the following:

	Successor	Predecessor	
	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
	(Millions of dollars)		
Abandonment expense	$ 2.0	$ —	$ 0.2
Asset retirement obligation accretion expense	1.3	0.1	1.9
Workers compensation and insurance liability	1.1	0.1	2.5
Other net adjustments	—	—	0.5
Total	$ 4.4	$ 0.2	$ 5.1

Other, net

Other, net, consisted of the following:

	Successor Eight Months Ended September 30, 2011	Predecessor One Month Ended January 31, 2011	Predecessor Nine Months Ended September 30, 2010
		(Millions of dollars)	
Environmental expenditures, net of reimbursements	$ 33.1	$ —	$ 12.7
Pension and postretirement contributions	(5.2)	—	(5.2)
Other net adjustments	(1.2)	1.0	2.1
Total	$ 26.7	$ 1.0	$ 9.6

9. Intangible Assets

Intangible assets, net consisted of the following at September 30, 2011 and December 31, 2010:

	Successor September 30, 2011	Predecessor December 31, 2010
	(Millions of dollars)	
Intangible assets	$ 377.1	$ —
Less accumulated amortization	(18.4)	—
Intangible assets, net	$ 358.7	$ —

The gross cost and accumulated amortization of intangible assets as of September 30, 2011, by major intangible asset category, were as follows:

	Successor		
	Gross Cost	Accumulated Amortization	Net Carrying Amount
		(Millions of dollars)	
Customer relationships	$ 293.9	$ (13.5)	$ 280.4
TiO_2 technology	31.9	(1.0)	30.9
Trade names	3.6	(0.5)	3.1
In-process research and development	5.0	(0.7)	4.3
Lease tenements	42.0	(2.6)	39.4
Other	0.7	(0.1)	0.6
Total	$ 377.1	$ (18.4)	$ 358.7

Amortization expense related to intangible assets for the three months and eight months ended September 30, 2011 was $6.8 million and $18.4 million, respectively. There was no amortization expense related to intangible assets for the one month ended January 31, 2011 and the three and nine months ended September 30, 2010.

Estimated future amortization expense related to intangible assets is as follows:

	Total Amortization (Millions of dollars)
2011	$ 7.0
2012	26.3
2013	26.4
2014	26.4
2015	26.1
Thereafter	246.5
Total	$ 358.7

10. Debt

Short-term debt consisted of the following at September 30, 2011 and December 31, 2010:

	Successor	Predecessor
	September 30, 2011	December 31, 2010
	(Millions of dollars)	
Wells Revolver(1)	$ —	$ —
Short-term debt	$ —	$ —

(1) Average effective interest rate of 10.4% in 2011.

Long-term debt consists of the following at September 30, 2011 and December 31, 2010:

	Successor	Predecessor
	September 30, 2011	December 31, 2010
	(Millions of dollars)	
Debtor-In-Possession and Exit Credit Agreement — Final DIP Facility (1, 3)	$ 421.8	$ 425.0
Co-generation Unit Financing Arrangement(2)	6.6	—
9.5% Senior Unsecured Notes due December 2012	—	350.0
Total debt	428.4	775.0
Less: Long-term debt classified as liabilities subject to compromise	—	(350.0)
Less: Long-term debt due in one year	(5.8)	(4.3)
Long-term debt	$ 422.6	$ 420.7

(1) Average effective interest rate of 7.0% and 7.7% in 2011 and 2010, respectively.

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

(3) The Company exercised its exit facility option on February 14, 2011, upon which the Final DIP Facility was converted to a $425.0 million exit financing facility due October 21, 2015. Therefore, the Final DIP Facility has been classified as long-term.

The scheduled maturities of the Company's long-term debt were as follows at September 30, 2011:

	Total Debt
	(Millions of dollars)
2011	$ 1.4
2012	5.8
2013	5.8
2014	5.8
2015	409.5
Thereafter	0.1
Total debt	$ 428.4

As of September 30, 2011, the total carrying value of long-term debt approximates its fair value due to the variable interest rates of such instruments. The fair value hierarchy for long-term debt is a Level 2 input.

2009 and Prior

9.5% Senior Unsecured Notes due December 2012

Concurrent with an initial public offering ("IPO") of Class A common stock on November 28, 2005, the Company's wholly owned subsidiaries, Tronox Worldwide LLC and Tronox Finance Corp., issued $350.0 million in aggregate principal amount of 9.5% senior unsecured notes due 2012 (the "Senior Unsecured Notes") in a private offering. During the second quarter of 2006, the Company 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 Senior Unsecured Notes 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 Company's Senior Unsecured Notes were included in "Liabilities Subject to Compromise" on the Condensed Consolidated Balance Sheets at December 31, 2010. 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 Senior Unsecured Notes. Additionally, interest expense for the three and nine months ended September 30, 2010 excludes $8.4 million and $24.9 million, respectively, that would have been payable under the terms of the Senior Unsecured Notes.

Debtor-In-Possession Credit Agreement — Original DIP Facility

On January 13, 2009, the Debtors obtained Bankruptcy Court interim approval of a senior secured super-priority DIP credit and security agreement (the "Original DIP Facility") between and among the Company, Tronox Worldwide LLC, Credit Suisse, as Administrative Agent, JP Morgan Chase Bank, N.A., as Collateral Agent, and the lenders that from time to time become party thereto. The Original DIP Facility provided for a first priority and priming secured revolving credit commitment of $125.0 million. The Debtors received final approval to access the full amount of the Original DIP Facility on February 6, 2009.

The Original DIP Facility provided for an aggregate commitment of up to $125.0 million, subject to a borrowing base, which permitted borrowings on a revolving basis. Interest on amounts borrowed under the Original DIP Facility was payable, at Tronox Worldwide LLC's election, at a base rate or a LIBOR rate (subject to a 3.5% minimum), in each case as defined in the credit agreement, plus a margin of 9.5%. The initial draw of $60.0 million under the Original DIP Facility was used to make interest payments due December 31, 2008 on existing debt, repurchase all securitized receivables of $41.1 million, pay fees related to the execution of the Original DIP Facility of approximately $8.1 million, and to fund the working capital requirements of the Company. During 2009, the Company had a second draw of $5.0 million used to fund its working capital requirements. The $65.0 million draw under the Original DIP Facility was repaid in December 2009 with the funds from the Second DIP Facility.

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

On December 24, 2009, the Bankruptcy Court granted final approval, authorizing the Company and its 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 $335.0 million tranche B-1 facility and a $90.0 million tranche B-2 facility. The Second DIP Facility featured a right to convert the DIP to an exit facility providing the Company with committed exit financing that was expected, at the time, to be sufficient to meet its settlement obligations under the December 2009 plan.

The proceeds from the Second DIP Facility were used, in part, to repay $212.8 million related to a term loan facility, the remaining balance of a $125.0 million DIP credit agreement with Credit Suisse as the administrative agent and the receivables securitization of $41.1 million. In addition, the proceeds funded the environmental settlement escrow of $35.0 million, environmental letters of credit of $29.9 million and surety bonds of $15.0 million, some of which were transferred to the environmental trust as part of the Settlement.

2010

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

On October 21, 2010, the Company received court approval and entered into a senior secured super-priority DIP and Exit Credit Agreement (the "Final DIP Facility") with GSLP, which was used to refinance the Debtor's existing $425.0 million outstanding indebtedness under the Second DIP Facility. The Final DIP Facility was to expire no earlier than February 15, 2011 or when the Company exercised the exit facility option, upon which the Final DIP converted into an exit facility under substantially the same terms and conditions with a maturity date of October 21, 2015.

The Final DIP Facility bore 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 was 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 was payable quarterly or, if the adjusted Eurodollar rate applied, it was payable on the last day of each interest period.

The Final DIP Facility was 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 provided for customary representations and warranties, affirmative and negative covenants and events of default. The terms of the covenants, subject to certain exceptions, restricted, 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 contained covenants that limited the amount of capital expenditures to $55.0 million per year, with a carry-forward of the excess of the $55.0 million over the amount utilized in the prior year, but with no more than $15.0 million able to be carried-forward from one year to the next. In addition, the Final DIP Facility required the following financial ratios, to be maintained.

The Final DIP Facility leverage ratio, as defined in the agreement, was not to 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, was not to 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

2011

Exit Successor Credit Agreement

On February 14, 2011, the Final DIP Facility, in accordance with its terms, converted into Tronox's $425.0 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 21, 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").

Asset Based Lending Facility

On February 14, 2011 the Company entered into the Wells Revolver, a senior secured asset-based revolving credit agreement with Wells Fargo Capital Finance, LLC. The Wells Revolver has a maturity date of February 14, 2015. The Wells Revolver provides the Company with a committed source of capital with a principal borrowing amount of up to $125.0 million subject to a borrowing base, and also permits an expansion of up to $150.0 million. Borrowing availability under the Wells Revolver is subject to a borrowing base, which is related to certain eligible inventory and receivables held by the Company's U.S. subsidiaries. As of September 30, 2011, the Company's borrowing base was $120.9 million, less letters of credit outstanding of $17.2 million, for a total net availability of $103.7 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 Financing Facility.

The Wells Revolver bears interest at the Company'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 2.0% 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 Company's ability to incur additional indebtedness. The Wells Revolver agreement requires the Company 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 Company is required to maintain the Consolidated 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 $100.0 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 $85.0 million.

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.

The Company was in compliance with its financial covenants at September 30, 2011 and December 31, 2010. A breach of any of the covenants imposed on the Company 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 the Company and could accelerate the repayment of all of the Company's indebtedness under the agreement. In such case, the Company may not have sufficient funds to pay the total amount of accelerated obligations, and its lenders could proceed against the collateral pledged.

Co-generation Unit Financing Arrangement

In March 2011, the Tiwest 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, the Company's wholly owned subsidiary, owns a 50% undivided interest in the co-generation plant through the Tiwest Joint Venture. As a result, the Company incurred additional debt totaling $8.0 million, 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.

11. Stockholders' Equity

The changes in the outstanding amounts of ordinary shares issued and treasury shares for the eight months ended September 30, 2011, were as follows:

Successor	
New common stock shares issued:	
Issued February 1, 2011	14,974,447
Stock-based compensation	83,797
Claims	5,676
Warrants exercised	18,833
Balance at September 30, 2011	15,082,753
New common stock held as treasury shares issued:	
Shares acquired February 1, 2011	56,230
Stock-based compensation	23,127
Balance at September 30, 2011	79,357

Warrants — As of September 30, 2011, the Company had outstanding Series A Warrants to purchase 534,395 ordinary shares at an exercise price of $62.13 per ordinary share issued and outstanding and Series B Warrants to purchase 662,988 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.

12. Financial Instruments

The Company holds or issues financial instruments for other than trading purposes. At September 30, 2011 and December 31, 2010, respectively, the carrying amounts and estimated fair values of these instruments are as follows:

	Successor September 30, 2011		Predecessor December 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(Millions of dollars)			
Cash and cash equivalents	$130.6	$130.6	$ 141.7	$ 141.7
Long-term receivables	—	—	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, which consisted of cash and cash equivalents, were also a Level 1 fair value measurement based upon the existence of active markets with quoted prices for identical assets. The fair value of long-term receivables was equal to their carrying value, as such receivables were based upon contractual amounts.

13. Pension and Other Postretirement Benefits

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

	Retirement Plans				
	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
	(Millions of dollars)				
Service cost	$ 0.8	$ 0.7	$ 2.0	$ 0.2	$ 1.9
Interest cost	6.0	6.2	15.7	1.9	18.6
Expected return on plan assets	(5.6)	(7.4)	(14.8)	(2.0)	(22.4)
Net Amortization:					
Net actuarial loss	—	0.8	—	0.5	2.8
Net periodic cost	$ 1.2	$ 0.3	$ 2.9	$ 0.6	$ 0.9

	Postretirement Healthcare Plan				
	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
	(Millions of dollars)				
Service cost	$ 0.1	$ 0.1	$ 0.2	$ —	$ 0.2
Interest cost	0.1	0.1	0.3	—	0.3
Net Amortization:					
Prior service cost (credit)	—	(3.4)	—	(1.1)	(10.3)
Net actuarial loss	—	—	—	0.1	0.1
Net periodic cost	$ 0.2	$ (3.2)	$ 0.5	$ (1.0)	$ (9.7)

14. 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 members of the Board of Directors (the "Board"). The MEIP permits the grant of awards that constitute incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards, cash payments and other forms such as the compensation committee of the Board 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.

Compensation expenses related to these restricted stock awards were $0.4 million and $1.1 million for three and eight months ended September 30, 2011, respectively.

The following table summarizes restricted stock share activity with Board members for the eight months ended September 30, 2011.

Restricted Shares	Equity Retainer Award		Primary Award		Secondary Award	
	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
Balance at February 1, 2011	—	—	—	—	—	—
Awards granted	3,138	$ 122.50	15,000	$ 122.50	28,000	$ 122.50
Awards earned	(2,352)	$ 122.50	(3,744)	$ 122.50	—	—
Balance at September 30, 2011	786	$ 122.50	11,256	$ 122.50	28,000	$ 122.50
Outstanding awards expected to vest	786	$ 122.50	11,256	$ 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.

Compensation expenses related to these restricted stock awards were $1.4 million and $6.6 million for three months and eight months ended September 30, 2011, respectively.

The following table summarizes restricted stock share activity with employees for the eight months ended September 30, 2011.

	Number of Shares	Fair Value(1)
Balance at February 1, 2011	—	$ —
Awards granted	219,250	$ 122.50
Awards earned	(54,574)	$ 120.13
Awards forfeited	(2,083)	$ —
Balance at September 30, 2011	162,593	$ 80.20
Outstanding awards expected to vest	162,593	$ 80.20

(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 eight months ended September 30, 2011, there were no stock awards outstanding under the LTIP. For the one month ended January 31, 2011, three months ended September 30, 2010 and nine months ended September 30, 2010, compensation expense related to all stock-based awards outstanding under the LTIP totaled nil, $0.1 million, and $0.4 million, respectively.

15. Income Taxes

The following table presents the income tax benefit (provision), along with income (loss) from continuing operations and the effective tax rate:

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
			(Millions of dollars)		
Income tax benefit (provision)	$ 9.0	$ 1.1	$ (3.3)	$ (0.7)	$ (3.0)
Income(loss) from Continuing Operations before Income Taxes	$ 89.9	$ (26.4)	$178.6	$ 632.2	$ 48.8
Effective Tax Rate	(10.0)%	4.2%	1.8%	0.1%	6.1%

The tax provisions for the 2011 Successor periods differ from the U.S. statutory rate of 35% primarily due to valuation allowances in the U.S. and income in foreign jurisdictions taxed at rates lower than 35%. In the U.S., we did not record a tax provision due to a valuation allowance, which offset deferred income taxes and net operating losses and prevents the Company from incurring any U.S. current taxes payable. For the three and eight months ended September 30, 2011, the rate is additionally impacted by statute lapses in a foreign jurisdiction, which released significant liabilities related to uncertain tax positions.

The tax provisions for the Predecessor periods differ from the U.S. statutory rate of 35% primarily due to valuation allowances in multiple jurisdictions and income in foreign jurisdictions taxed at lower rates than 35%. In jurisdictions with valuation allowances, the Company did not record a tax provisions or benefits due to valuation allowances, which offset deferred taxes and net operating losses and prevented the Company from incurring any current taxes payable.

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 5). 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 its 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 issued, including equity. As a result of the market value of the Company's equity issued to creditors upon emergence from Chapter 11 bankruptcy proceedings, the Company will not recognize any CODI. Therefore, the Company will retain their U.S. net operating loss carryforwards, and, because 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 $385.0 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 its U.S. federal income tax liabilities.

The Company continues 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 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 1.8% may not be indicative of its future effective tax rate.

16. Discontinued Operations

The Company's discontinued operations include 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. 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.

The Company's income from operations includes residual items related to its German operations, which were declared insolvent and deconsolidated in March 2009.

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	Litigation Provisions, Legal and Other Costs	Income from Operations	Total
	(Millions of dollars)			
Successor: Three months ended September 30, 2011:				
Total pretax gain (loss)	$ —	$ —	$ —	$ —
Tax benefit (provision)(1)				—
Total after tax gain (loss)				$ —
Predecessor: Three months ended September 30, 2010:				
Total pretax gain (loss)	$ 0.7	$ (0.9)	$ —	$ (0.2)
Tax benefit (provision)(1)				—
Total after tax gain (loss)				$ (0.2)
Successor: February 1 through September 30, 2011:				
Total pretax gain (loss)	$ —	$ —	$ —	$ —
Tax benefit (provision)(1)				—
Total after tax gain (loss)				$ —
Predecessor: January 1 through January 31, 2011:				
Total pretax gain (loss)	$ —	$ (0.2)	$ —	$ (0.2)
Tax benefit (provision)(1)				—
Total after tax gain (loss)				$ (0.2)
Predecessor: Nine months ended September 30, 2010:				
Total pretax gain (loss)	$ 1.6	$ (2.2)	$ 0.1	$ (0.5)
Tax benefit (provision)(1)				—
Total after tax gain (loss)				$ (0.5)

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

17. Comprehensive Income (Loss)

Comprehensive income (loss) consists of the following:

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
	(Millions of dollars)				
Net Income (loss):	$ 98.9	$ (25.5)	$175.3	$ 631.3	$ 45.3
Foreign currency translation adjustments	(5.5)	13.8	(3.3)	0.9	(7.2)
Activity related to the Company's retirement and postretirement plans:					
Amortization of actuarial gain, net of taxes of nil, nil, nil, nil, and nil	—	1.0	—	0.5	2.9
Amortization of prior service credit, net of taxes of nil, nil, nil, nil and nil	—	(3.5)	—	(1.1)	(10.5)
Total comprehensive income (loss)	$ 93.4	$ (14.2)	$172.0	$ 631.6	$ 30.5

18. Contingencies

The Company 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 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.

Legal

In August 2011, the outstanding legal disputes between the Company and RTI Hamilton, Inc dating back to 2008 came to a close with the parties reaching an agreement in principle. The agreement reflects a compromise and settlement of disputed claims in complete accord and satisfaction thereof. RTI Hamilton paid Tronox the sum of $10.5 million within five business days of receipt of the Bankruptcy Court Approval. Of the total payment, $0.7 million constitutes payment for capital costs incurred by Tronox in relation to the agreement, plus interest.

Registration Rights Agreement

On the Effective Date, the Company entered into a Registration Rights Agreement (the "Registration Rights Agreement") with certain stockholders of the Company party thereto. Pursuant to the Registration Rights Agreement, among other things, the Company was required to file with the SEC, pursuant to Section 13(a) of the Exchange Act, a registration statement for its New Common Stock prior to September 30, 2011. The Company did not meet the September 30, 2011 deadline, and therefore, is expected to be subject to liquidation damages of approximately $2.0 million. The Company has accrued $2.0 million related to such liability at September 30, 2011.

Regulatory

The Company is subject to extensive regulation by federal, state, local and foreign governments. Governmental authorities regulate the generation and treatment of waste and air emissions at the Company's operations and facilities. At many of its operations, the Company also complies 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. The Company is 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.

The Company's reserves for environmental contingencies related to its going forward businesses amounted to $0.6 million at September 30, 2011, and were classified in either "Accrued liabilities" or "Noncurrent liabilities - Other" on the Condensed Consolidated Balance Sheets.

The following table summarizes the contingency reserve balances, provisions, payments and settlements for the eight months ended September 30, 2011 and one month ended January 31, 2011:

	Reserves for Environmental Remediation
	(Millions of dollars)
Predecessor: Balance at December 31, 2010	$ 0.8
Provisions/Accruals	—
Payments	(0.1)
Successor: Balance at January 31, 2011	$ 0.7
Provisions/Accruals	—
Payments	(0.1)
Successor: Balance at September 30, 2011	$ 0.6

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, the Company cannot reliably estimate a range of future additions to the reserves. 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.

KM Legacy Liabilities

At the time of the Contribution and IPO, the Company became liable for the KM Legacy Liabilities, including Legacy Environmental Liabilities. As further described in Note 4, the KM Legacy Liabilities related to businesses and operations of Kerr-McGee that were shut down or discontinued prior to the Contribution and IPO, and represented 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.

As discussed in Note 4, as part of the Plan, the Company reached a settlement that resolved its obligations for the KM Legacy Liabilities. As a result, the KM Legacy Liabilities are not included in the Company's financial statements after its emergence from bankruptcy.

The Company's 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 Condensed Consolidated Balance Sheet. The following table provides a reconciliation of the changes in the KM Legacy Liabilities during 2011:

	Legacy Tort Liabilities(1)	Legacy Environmental Liabilities(1)	Reimbursement Receivables(3)
	(Millions of dollars)		
Predecessor: Balance at December 31, 2010	$ 17.9	$ 422.2	$ 36.7
Provisions/Accruals	—	—	—
Payments/Receipts	—	(27.8)	(4.8)
Settlements(2)	(17.9)	(394.4)	—
Successor: Balance at January 31, 2011	$ —	$ —	$ 31.9
Provisions/Accruals	—	—	—
Payments/Receipts	—	—	(31.9)
Settlements	—	—	—
Successor: Balance at September 30, 2011	$ —	$ —	$ —

(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.
(3) During the period, the Company received an additional $4.5 million in insurance proceeds not included in the receivable balances below. The additional reimbursement was recorded to income upon receipt.

As discussed in Note 4, as part of the Plan, the Debtor's reached the Settlement that resolved the Company's obligations for the KM Legacy Liabilities. The Settlement established certain environmental response and tort claims trusts in exchange for cash, certain nonmonetary 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.

19. Commitments

At September 30, 2011, the Company had outstanding letters of credit in the amount of approximately $22.3 million, of which $17.2 million was outstanding under the Wells Revolver. These letters of credit have been granted by financial institutions to support the Company's 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. In June 2011, the Company committed to the purchase of $170.0 million of ore beginning in 2012 over a four year period.

20. 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 the Tiwest Joint Venture. The heavy minerals production is integrated with the Company's Australian pigment plant, but also has third-party sales of minerals not utilized by its 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, interest and debt expense, income tax expense or benefit, reorganization income (expense) and other income (expense).

		Other Activities		
	Pigment Segment	Electrolytic	Corporate and Other	Total
	(Millions of dollars)			
Successor: Three Months Ended September 30, 2011				
Net Sales	$ 429.2	$ 36.0	$ 0.2	$ 465.4
Income (Loss) from operations	124.9	(0.9)	(24.8)	99.2
Interest and debt expense				(8.0)
Other income (expense)				(1.3)
Income (Loss) from Continuing Operations before Income Taxes				89.9
Total Assets	$ 1,377.3	$ 80.3	$ 130.3	$ 1,587.9
Depreciation, Depletion and Amortization	18.8	2.1	1.7	22.6
Capital Expenditures	8.8	1.8	3.0	13.6
Predecessor: Three Months Ended September 30, 2010				
Net Sales	$ 271.6	$ 35.0	$ 5.7	$ 312.3
Income (Loss) from operations	51.3	0.5	(5.2)	46.6
Interest and debt expense				(14.8)
Other income (expense)				(10.4)
Reorganization income (expense)				(47.8)
Income (Loss) from Continuing Operations before Income Taxes				(26.4)
Total Assets	$ 708.3	$ 120.3	$ 287.5	$ 1,116.1
Depreciation, Depletion and Amortization	9.8	1.8	0.8	12.4
Capital Expenditures	7.0	1.1	2.1	10.2
Successor: February 1 through September 30, 2011				
Net Sales	$ 1,071.2	$ 88.8	$ 0.8	$ 1,160.8
Income (Loss) from operations	243.0	1.2	(42.4)	201.8
Interest and debt expense				(21.5)
Other income (expense)				(1.7)
Reorganization income (expense)				—
Income (Loss) from Continuing Operations before Income Taxes				178.6
Total Assets	$ 1,377.3	$ 80.3	$ 130.3	$ 1,587.9
Depreciation, Depletion and Amortization	47.8	5.2	3.8	56.8
Capital Expenditures	110.0	4.6	6.1	120.7

Predecessor: January 1 through January 31, 2011 Net Sales	$ 93.1	$ 12.1	$ 2.4	$ 107.6
Income (Loss) from operations	21.4	0.7	(2.2)	19.9
Interest and debt expense				(2.9)
Other income (expense)				1.6
Reorganization income (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: Nine Months Ended September 30, 2010				
Net Sales	$ 782.7	$ 94.1	$ 15.0	$ 891.8
Income (Loss) from operations	124.4	4.4	28.3	157.1
Interest and debt expense				(39.7)
Other income (expense)				(1.9)
Reorganization income (expense)				(66.7)
Income (Loss) from Continuing Operations before Income Taxes				48.8
Total Assets	$ 708.3	$ 120.3	$ 287.5	$ 1,116.1
Depreciation, Depletion and Amortization	29.4	5.3	2.6	37.3
Capital Expenditures	20.1	4.5	2.1	26.7

	Successor	**Predecessor**	**Successor**	**Predecessor**	
	Three Months Ended September 30, 2011	**Three Months Ended September 30, 2010**	**Eight Months Ended September 30, 2011**	**One Month Ended January 31, 2011**	**Nine Months Ended September 30, 2010**
			(Millions of dollars)		
Net Sales(1)					
U.S. operations	$ 229.7	$ 180.4	$ 585.9	$ 60.1	$ 516.8
International operations:					
The Netherlands	85.3	51.9	202.2	15.1	154.3
Australia	150.4	80.0	372.7	32.4	220.7
Total	$ 465.4	$ 312.3	$1,160.8	$ 107.6	$ 891.8
Net Property, Plant and Equipment					
U.S. operations	$ 196.4	$ 167.0	$ 196.4	$ 164.4	$ 167.0
International operations:					
The Netherlands	56.2	35.7	56.2	49.0	35.7
Australia	266.4	98.1	266.4	104.1	98.1
Total	$ 519.0	$ 300.8	$ 519.0	$ 317.5	$ 300.8

(1) Based on country of production.

Concentrations

For the nine months ended September 30, 2011, our ten largest customers represented approximately 36.5% of our total net sales; however, no single customer accounted for more than 10% of our total net sales.

21. Related Party Transactions

The Company conducts transactions with Basic Management, Inc. and its subsidiaries in support of the Company's Henderson, Nevada facility. The Company previously owned approximately 30% in these companies. This ownership was contributed to the Nevada Environmental Trust as part of the Plan, and the Company no longer has an investment in the basic management companies.

The Company 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. For the eight months ended September 30, 2011, one month ended January 31, 2011, and nine months ended September 30, 2010, the Company made total net payments of $224.5 million, $41.9 million and $129.2 million, respectively, related to these transactions. The total net payments to Exxaro of $224.5 million in the eight months ended September 30, 2011, include $79.1 million related to the Company's purchase of its 50% share of the Tiwest Joint Venture Kwinana pigment plant expansion in June 2011.

22. Subsequent Events

The Company has evaluated subsequent events through November 15, 2011, the date the condensed consolidated financial statements were issued.

In October, Tronox hired Tom Casey, the Chairman of the Board, to take over as the CEO as the Company prepares to assimilate its recently announced acquisition of Exxaro's South African mineral sands operations along with the remaining 50% of the Tiwest Joint Venture in Western Australia. The Company's former CEO, Dennis Wanlass, will continue with the Company through the close of the transaction to help facilitate the transition.

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

Management's Discussion and Analysis contains forward-looking statements that involve risks and uncertainties, and actual results could differ materially from those discussed in the forward-looking statements as a result of numerous factors.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain financial measures, in particular the presentation of Income from Operations, that are not presented in accordance with generally accepted accounting principles in the U.S. ("GAAP"). We are presenting these non-GAAP financial measures because they provide us and readers of the financial statements with additional insight into our operational performance relative to earlier periods and relative to our competitors. We do not intend for these non-GAAP financial measures to be a substitute for any GAAP financial information. Readers of this information statement should use these non-GAAP financial measures only in conjunction with the comparable GAAP financial measures. Reconciliations from Income from Operations to Income (loss) from Continuing Operations, the most comparable GAAP measure, are provided herein on pages 5, 7, 8, and 10 for reference purposes.

General

Tronox, Incorporated ("Tronox" or the "Company") is the world's fifth largest producer and marketer of titanium dioxide ("TiO_2") pigment, which is used in consumer products such as paint, plastic and certain specialty products. We are one of the few TiO_2 manufacturers with global operations having production facilities and sales and marketing presence in the Americas, Europe and the Asia-Pacific regions.

We operate three chloride process titanium dioxide production facilities. In the United States ("U.S."), we operate a facility in Hamilton, Mississippi, the third largest plant of its kind in the world. Our other two plants are overseas; a facility in the Netherlands, and a facility that is operated as a part of the Tiwest Joint Venture. The joint venture is an integral aspect of our operations due to its backward integration into titanium ore raw materials. See discussion of the Tiwest Joint Venture below.

Our global presence enables us to sell our products to a diverse portfolio of customers with whom we have well-established relationships. Our customer base consists of more than 1,000 customers in approximately 90 countries and includes market leaders in each of the major end-use markets for TiO_2. We have supplied each of our top ten customers with TiO_2 for more than ten years.

Tiwest Joint Venture - We operate a joint venture (the "Tiwest Joint Venture") with Exxaro Australia Sands Pty Ltd. ("Exxaro"), which is a subsidiary of Exxaro Resources Limited. The Tiwest Joint Venture operates a chloride process TiO_2 plant located in Kwinana, Western Australia (the "Kwinana Facility"), a mining venture in Cooljarloo, Western Australia, a mineral separation plant and a synthetic rutile processing facility, both in Chandala, Western Australia. The Tiwest Joint Venture also includes operations related to heavy minerals production other than titanium bearing ores. The heavy minerals production is integrated with our mining and separation facilities and has third-party sales of these minerals. These include natural rutile, zircon, and leucoxene. Because of the terms of the joint ownership agreement governing the joint venture, the joint venture is proportionately consolidated in our financial statements. The assets in the joint venture are "jointly controlled" by us and Exxaro, as we share an undivided interest in them. As a result, our balance sheet includes our share of the assets that are jointly controlled and our share of the liabilities for which we are jointly responsible. Our income statement includes our share of the income and expenses of the joint venture. Through a separate agreement, we are responsible for the marketing of Exxaro's TiO_2 tonnes in which capacity we act as principal and bear the credit risk for such sales. As a result, the aggregate Exxaro TiO_2 tonnes sold are included in our net sales and the cost attributable to buying their tonnes at market prices is included in our cost of goods sold.

In addition to our pigment business, we have other operations that manufacture and market electrolytic and specialty chemical products. Our electrolytic and other chemical products businesses produce electrolytic manganese dioxide, sodium chlorate, boron-based and other specialty chemicals and is focused on three end-use markets: advanced battery materials, sodium chlorate for pulp and paper manufacture and specialty boron products serving the semi-conductor, pharmaceutical and igniter industries.

Segment Evaluation - Our business has one reportable segment, pigment. The pigment segment primarily produces and markets TiO_2 and has production facilities in the U.S., Australia, and the Netherlands. The pigment segment also includes heavy minerals production operated through our Tiwest Joint Venture. The heavy minerals production is integrated with our Australian pigment plant, but also has third-party sales of minerals not utilized by our pigment operations. These include natural rutile, zircon, and leucoxene. Our other business lines are electrolytic and other chemical products which is comprised of our electrolytic manufacturing and marketing operations and corporate and other. Corporate and other is comprised of corporate activities not identified to a specific segment or business line and activities of sites or businesses that are no longer in operation. Although

electrolytic and other chemical products and corporate and other do not constitute reportable segments under ASC 280, Segment Reporting ("ASC 280") they are discussed and disclosed separately herein as management believes that providing this information is useful to the readers.

We evaluate the pigment segment's performance separately 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, interest and debt expense, income tax expense or benefit, reorganization income (expense) and other income (expense). Total income (loss) from operations of our segment and other business lines is a financial measure of our performance which is not determined in accordance with generally accepted accounting principles ("GAAP"), as it excludes the items listed above, all of which are components of "Income (Loss) from Continuing Operations", on the Consolidated Statements of Operations, the most comparable GAAP measure.

Recent Developments

In reading this section of the *Management Discussion and Analysis*, the following points related to our future results of operations should be read in conjunction with the discussion in the *Emergence from Chapter 11* section also appearing herein.

- In September 2011, we entered into a definitive agreement with Exxaro to acquire 74% of its South African mineral sands operations, including its Namakwa and KZN Sands mines, separation and slag furnaces, along with the remaining 50% of the Tiwest Joint Venture in Western Australia. We believe that the combination of Exxaro's world-class mineral sands operations, along with its leading proprietary chloride process technology will establish Tronox as the leading, highly efficient vertically integrated pigment company. The acquisition will significantly expand the Company to over 3,500 employees at 16 facilities on four continents. As part of the transaction, Exxaro will retain a significant ownership stake in Tronox, which we view as one of the benefits of this transaction. With a substantial investment in the business, Exxaro will continue to be a valuable global partner, as we will continue to rely on Exxaro for their mining expertise, technology and government affairs support. In addition, we will be assuming a number of Exxaro Mineral Sands key management personnel to head up Tronox's worldwide mineral sands operations from its office in South Africa.

- The outstanding legal disputes between Tronox and RTI Hamilton, Inc dating back to 2008 have come to a close with the parties reaching an agreement in principle during August 2011. The Settlement Agreement reflects a compromise and settlement of disputed claims in complete accord and satisfaction thereof. RTI Hamilton paid Tronox the sum of $10.5 million within five business days of receipt of the Bankruptcy Court Approval. Of the total payment, $0.7 million constitutes payment for capital costs incurred by Tronox in relation to the agreement, plus interest.

- 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. The expansion increased TiO_2 production capacity at the plant in Western Australia from 110,000 to 150,000 metric tonnes per annum. While Tronox was in bankruptcy, Exxaro, our joint venture partner, funded the majority of the expansion. Tronox bought into its 50% share of the Tiwest expansion as of June 30, 2011 for $79.1 million. Going forward we expect that the increase in metric tonnes per annum will increase profitability, due to the Company acquiring the additional tonnes at cost.

- 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, we incurred additional debt totaling $8.0 million, 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.

Emergence from Chapter 11

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").

Material conditions to the Plan, most notably the settlement of the claims related to 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"), were resolved during the period from the Confirmation Date until January 26, 2011, and

subsequently on February 14, 2011, the Debtors emerged from bankruptcy and continued operations as reorganized Tronox Incorporated.

As a result of the emergence from the Chapter 11 proceedings, reorganized Tronox Incorporated emerged free from the significant KM Legacy Liabilities and was 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 constitutes a fair and equitable settlement of the potential numerous claims and varying priorities of the Legacy Environmental Liabilities claims.

In exchange, those claimants provided the Debtors and the reorganized Tronox Incorporated with discharges and/or covenants not to sue with respect to the Debtors liability for the Legacy Environmental Liabilities subsequent to the Effective Date. Similarly, the Plan provided for the creation and funding of a torts claim trust (the "Tort Claims Trust") which became the sole source of distributions to holders of Legacy Tort Liabilities claims, who will be paid in accordance with the terms of such trust's governing documentation.

In conjunction with the transfer of liabilities achieved through allocating funds to the applicable trusts and/or responsible agencies, the Plan preserved Tronox, which was reorganized around its existing operating locations, including: (a) its headquarters and technical facility at Oklahoma City, Oklahoma; (b) the titanium dioxide facilities at Hamilton, Mississippi and Botlek, Netherlands; (c) the electrolytic chemical businesses at Hamilton, Mississippi and Henderson, Nevada (except that the real property and buildings associated with such business was 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, we relied on a combination of debt financing and money from new equity 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.

On February 14, 2011, (the "Effective Date"), Tronox Incorporated emerged from bankruptcy and continued operations as Reorganized Tronox Incorporated ("Tronox" or the "Company"). As a result, we applied fresh-start accounting under ASC 852, Reorganizations ("ASC 852") as of February 1, 2011 (the "Fresh-Start Reporting Date"). Accordingly, the financial information set forth in this report, unless otherwise expressly set forth or as the context otherwise indicates, reflects the consolidated results of operations and financial condition of Tronox and its subsidiaries on a fresh-start basis for the period following January 31, 2011 ("Successor"), and of Tronox and its subsidiaries on a historical basis for the periods through January 31, 2011 ("Predecessor").

The accompanying condensed consolidated financial statements present separately the periods prior to February 1, 2011 and the periods after the Debtors' emergence from bankruptcy to recognize the application of fresh-start accounting. Management believes that combining the Successor and Predecessor periods for the first nine months of 2011, which is a non-GAAP presentation, provides a more meaningful comparison of the 2011 and 2010 results of operations and cash flows when considered with the effects of fresh-start accounting described below. The effects of fresh-start accounting are specifically addressed throughout the discussion of our operating results. References in the following discussion to the combined nine month period ended September 30, 2011, are to the combined Successor and Predecessor periods unless otherwise described as Successor or Predecessor.

The primary impacts of our reorganization pursuant to the Plan and the adoption of fresh-start accounting on our results of operations are as follows:

Depreciation and amortization expense

Depreciation and amortization expense was higher in the three and nine months ended September 30, 2011 compared to September 30, 2010 as a result of our revaluation of assets for fresh-start accounting. Revaluation increased depreciation and amortization by $7.2 million and $19.8 million, respectively, for the three months and eight months ended September 30, 2011. For additional information on the revaluation of assets, see Note 5 to the Condensed Consolidated Financial Statements. Depreciation and amortization as reported for both periods presented is as follows:

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
	(Millions of dollars)				
Cost of goods sold:					
Depreciation	$ 15.1	$ 11.0	$ 35.8	$ 3.6	$ 32.7
Amortization	0.6	0.8	3.6	0.3	2.5
Selling, general and administrative expenses:					
Depreciation	1.0	0.6	1.7	0.2	2.1
Amortization	5.9	—	15.7	—	—
Total	$ 22.6	$ 12.4	$ 56.8	$ 4.1	$ 37.3

Interest expense

Lower interest expense in the three and nine months ended September 30, 2011 compared to the three and nine months ended September 30, 2010 was largely driven by lower interest rates and lower amortization of debt issuance costs on DIP Facilities. In October 2010, we refinanced our Second DIP Facility into its Final DIP Facility, lowering the interest rate from 9% to 7%. In addition, in conjunction with the refinancing and the application of fresh-start accounting, the debt issuance costs related to the second DIP Facility and the Final DIP Facility were written off as of October 21, 2010 and February 1, 2011, respectively.

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
	(Millions of dollars)				
Interest Expense	$ 8.0	$ 14.8	$ 21.5	$ 2.9	$ 39.7

Results of Operations

Three Months Ended September 30, 2011 Compared to the Three Months Ended September 30, 2010

The following table presents results of operations for the periods indicated.

	Successor	Predecessor
	Three Months Ended September 30, 2011	Three Months Ended September30, 2010
	(Millions of dollars)	
Net Sales	$ 465.4	$ 312.3
Cost of goods sold	322.4	249.6
Gross Margin	143.0	62.7
Selling, general and administrative expenses	53.8	16.1
Litigation/arbitration settlement	(9.8)	—
Provision for environmental remediation and restoration, net of reimbursements	(0.2)	—
Income from Operations	99.2	46.6
Interest and debt expense	(8.0)	(14.8)
Other expense	(1.3)	(10.4)
Reorganization expense	—	(47.8)
Income (Loss) from Continuing Operations before Income Taxes	89.9	(26.4)
Income tax benefit	9.0	1.1
Income (Loss) from Continuing Operations	$ 98.9	$ (25.3)

Net sales increased $153.1 million, or 49.0%, to $465.4 million for the three months ended September 30, 2011, from $312.3 million for the three months ended September 30, 2010. The increase was primarily due to a 88.3% ($135.2 million) increase in selling prices and a 3.9% ($6.0 million) increase in volume. Changes in foreign currency exchange rates accounted for increases in net sales of 7.8% ($11.9 million). The change in sales prices and volumes is primarily the result of increased demand in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 as a result of the general global economic recovery and constrained supply of TiO_2 as producers permanently removed capacity during the economic downturn in 2008 and 2009. These factors have resulted in a supply and demand situation that has enabled us to pass through raw material and other cost increases to customers in higher selling prices. See discussion of net sales by business lines for a further analysis of net sales. Fresh-start accounting had no material impact to net sales.

Gross margin increased $80.3 million, to $143.0 million for the three months ended September 30, 2011, from $62.7 million during the three months ended September 30, 2010. Gross margin percentage improved to 30.7% during the three months ended September 30, 2011, up from 20.1% during the three months ended September 30, 2010. Gross margin and gross margin percentage improved primarily due to the increased selling prices and sales volumes, discussed above, partially offset by higher costs and unfavorable exchange rate changes. Costs increased due to higher raw material, chemical and energy costs. Unfavorable exchange rate effects were primarily due to movements in the Australian dollar versus the U.S. dollar. See discussion of income from operations for further information. Fresh-start accounting had no material impact to gross margin.

Selling, general and administrative expenses increased $37.7 million, to $53.8 million for the three months ended September 30, 2011, from $16.1 million during the three months ended September 30, 2010. The increase was primarily due to increased employee variable compensation and benefit costs, legal, investment banking and professional fees associated with the exiting from bankruptcy and the announced acquisition of Exxaro's mineral sands business, the preparation of the 2008 and 2009 audited financial statements including the audits thereof, and the amortization of intangible assets subsequent to fresh start accounting.

For the three month period ended September 30, 2011, employee variable compensation and benefit costs increased approximately $3.7 million due to the implementation of incentive cash and stock compensation programs as well as the post-emergence accounting for pension and postretirement healthcare benefit costs. Costs associated with bankruptcy and the Exxaro mineral sands acquisition, including banker fees, legal and professional fees and the accrual of the registration rights penalty amounted to approximately $21.6 million. Audit and professional fees incurred related to the three year audit of the Company's financial statements increased costs by $7.1 million. Amortization of intangible assets was $5.9 million. Other items totaled ($0.6) million.

Litigation/arbitration settlement was $9.8 million for the three months ended September 30, 2011 due to the settlement with RTI Hamilton, Inc. The Settlement Agreement reflects a compromise and settlement of disputed claims in complete accord and

satisfaction thereof. Of the total payment of $10.5 million, $0.7 million constitutes payment for capital costs incurred by Tronox in relation to the agreement, plus interest.

Provision for environmental remediation and restoration was income of $0.2 million during the three months ended September 30, 2011 compared to nil during the three months ended September 30, 2010. In 2011, we received additional reimbursements under the Predecessor's environmental insurance policy related to its remediation efforts at the Henderson, Nevada site. Amounts received in 2011 included items previously rejected by the insurance carrier and included coverage not previously recovered against and therefore, were not considered in the 2010 accruals. Fresh-start accounting had no material impact on the changes from period to period.

Interest and Debt expense decreased $6.8 million, or 45.9%, to $8.0 million for the three months ended September 30, 2011, from $14.8 million during the three months ended September 30, 2010. The decreased costs are primarily attributable to lower interest rates and lower amortization of debt issuance costs on the exit term loan debt in existence in 2011, versus the DIP facility debt in existence in 2010. In October 2010, we refinanced its Second DIP Facility into its Final DIP Facility, lowering the interest rate from 9% to 7%. In addition, amortization of debt issuance costs was lower due to debt issuance costs related to the DIP facilities being written off upon the refinancing in October 2010 and the application of fresh-start accounting in February 2011.

Other expense decreased $9.1 million, or 87.5%, to $1.3 million for the three months ended September 30, 2011, from $10.4 million during the three months ended September 30, 2010. The change was primarily due to decreased foreign currency losses of $6.2 million, to $0.6 million during the three months ended September 30, 2011 as compared to $6.8 million for the three months ended September 30, 2010, primarily attributable to movements in the Australian dollar versus the U.S. dollar. Additionally, during the three months ended September 31, 2010, we recognized a $3.7 million gain on the liquidation of a subsidiary, compared to nil in 2011.

Reorganization expense was nil for the three months ended September 30, 2011, compared to expense of $47.8 million for the three months ended September 30, 2010. Reorganization expenses in 2010 relate primarily to professional fees associated with finalizing the plan of reorganization and disclosure statement as well as the ongoing claims reconciliation process. As of emergence, we no longer report reorganization expense, with any residual costs primarily included in selling, general and administrative expenses.

Effective income tax rate - In the three months ended September 30, 2011, we recorded a tax benefit of $9.0 million, representing an effective tax rate of 10.0% on pre-tax income of $89.9 million. In the three months ended September 30, 2010, we recorded a tax benefit of $1.1 million, representing an effective tax rate of 4.2% on a pre-tax loss of $26.4 million.

The tax provisions for the 2011 Successor periods differ from the U.S. statutory rate of 35% primarily due to valuation allowances in the U.S. and income in foreign jurisdictions taxed at rates lower than 35%. In the U.S., we did not record a tax provision due to a valuation allowance, which offset deferred income taxes and net operating losses and prevents us from incurring any U.S. current taxes payable. For the three and eight months ended September 30, 2011, the rate is additionally impacted by statute lapses in a foreign jurisdiction, which released significant liabilities related to uncertain tax positions.

The tax provision for the Predecessor period differs from the U.S. statutory rate of 35% primarily due to valuation allowances in multiple jurisdictions and income in foreign jurisdictions taxed at lower rates than 35%. In jurisdictions with valuation allowances, we did not record tax provisions or benefits due to valuation allowances, which offset deferred taxes and net operating losses and prevented us from incurring any current taxes payable.

Discussion by business lines for Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

The following table presents results of operations of each business line for the periods indicated.

	Successor Three Months Ended September 30, 2011	Predecessor Three Months Ended September 30, 2010
	(Millions of dollars)	
Net Sales		
Pigment segment	$ 429.2	$ 271.6
Electrolytic and other chemical products	36.0	35.0
Corporate and Other	0.2	5.7
Total	$ 465.4	$ 312.3
Income from Operations		
Pigment segment	$ 124.9	$ 51.3
Electrolytic and other chemical products	(0.9)	0.5
Corporate and Other	(24.8)	(5.2)
Total Income from Operations	$ 99.2	$ 46.6
Interest and debt expense	$ (8.0)	$ (14.8)
Other expense	(1.3)	(10.4)
Reorganization expense	—	(47.8)
Income (loss) from continuing operations before taxes	$ 89.9	$ (26.4)

Net Sales

Pigment segment net sales increased $157.6 million, or 58.0%, to $429.2 million during the three months ended September 30, 2011, from $271.6 million during the three months ended September 30, 2010. The increase was primarily due to higher TiO_2 sales prices and volumes, as well as favorable effects of foreign currency exchange rates. Higher sales prices and volumes are the result of the general global economic recovery and constrained supply of TiO_2 as producers permanently removed capacity during the economic downturn in 2008 and 2009. These factors have resulted in a supply and demand situation that has enabled us to pass through raw material and other cost increases to customers in higher selling prices. Higher pricing resulted in an increase to sales of approximately $134.0 million while volumes accounted for an increase of $11.8 million. The impact of foreign currency exchange rate changes and other changes increased sales by $11.8 million.

Electrolytic and other chemical products net sales increased $1.0 million, or 2.9%, to $36.0 million during the three months ended September 30, 2011, from $35.0 million during the three months ended September 30, 2010. The increase in sales was due primarily to higher prices on manganese dioxide offset by lower volumes on sodium chlorate. Higher prices accounted for an increase of $1.2 million while lower volumes accounted for a decrease of $0.2 million.

Corporate and Other net sales decreased $5.5 million or 96.5% to $0.2 million during the three months ended September 30, 2011, from $5.7 million during the three months ended September 30, 2010. Net sales in Corporate and other is primarily attributable to sulfuric acid sales which decreased quarter on quarter as a result of the sulfuric acid operation being transferred to an environmental remediation trust upon emergence from bankruptcy.

Income from Operations

Pigment segment income from operations increased $73.6 million, to $124.9 million during the three months ended September 30, 2011 from $51.3 million during the three months ended September 30, 2010. The increase was primarily due to the effects of higher sales prices and volumes partially offset by higher production costs and selling, general and administrative expenses. Higher sales prices and volumes are the result of the general global economic recovery and constrained supply of TiO_2, as discussed above, while higher production costs are primarily due to higher raw material, chemicals and energy prices. Higher selling, general and administrative expenses include $4.9 million of pigment-specific intangible asset amortization, as well as higher marketing costs as a result of higher selling prices and the pigment segment's share of increased costs associated with post-emergence accounting for stock compensation, increased variable compensation and pension and postretirement healthcare benefits. Foreign currency effects were unfavorable primarily due to movements in the Australian dollar versus the U.S. dollar. Pricing and volumes were $137.3 million favorable while production costs were $51.2 million unfavorable. Foreign currency effects were unfavorable $4.3 million, and selling, general and administrative and other items were unfavorable $8.2 million.

Electrolytic and other chemical products had a loss from operations of $0.9 million for the three months ended September 30, 2011 compared to income of $0.5 million during the same period of the prior year. The loss was driven by higher selling, general and administrative expenses and higher production costs offset by increased sales prices and volumes. Pricing and volumes were favorable $0.9 million, while higher production costs reduced operating profit $2.0 million. Selling, general and administrative and other items were unfavorable by $0.2 million. Included in selling, general and administrative expenses was $0.2 million of amortization of customer relationship intangible assets recorded as part of the fresh-start accounting at emergence from bankruptcy.

Corporate and Other operating loss increased $19.6 million, to $24.8 million for the three months ended September 30, 2011, from $5.2 million during the three months ended September 30, 2010. The increase was primarily due to costs associated with bankruptcy and the Exxaro mineral sands acquisition, including banker fees, legal and professional fees and the accrual of the registration rights penalty, of approximately $21.6 million. Audit and professional fees incurred related to the three year audit of the Company's financial statements increased costs by $7.1 million. Employee variable compensation and benefit costs increased approximately $3.7 million due to the implementation of incentive cash and stock compensation programs, as well as the post-emergence accounting for pension and postretirement healthcare benefit costs. Included in corporate and other is $0.8 million of amortization of intangible assets recorded as part of the fresh-start accounting at emergence from bankruptcy. Litigation/arbitration settlement was $9.8 million in 2011 versus nil in 2010. Other items decreased operating loss by $3.8 million.

The combined Nine Month Period Ended September 30, 2011 Compared to the Nine Months Ended September 30, 2010

The following table presents results of operations for the periods indicated. References to the combined nine month period ended September 30, 2011, in the discussion are to the combined Successor and Predecessor periods unless otherwise indicated.

	Successor	Predecessor	
	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine Months Ended September 30, 2010
		(Millions of dollars)	
Net Sales	$1,160.8	$ 107.6	$ 891.8
Cost of goods sold	862.1	82.3	731.1
Gross Margin	298.7	25.3	160.7
Selling, general and administrative expenses	111.2	5.4	43.2
Litigation/arbitration settlement	(9.8)	—	—
Provision for environmental remediation and restoration, net of reimbursements	(4.5)	—	(39.6)
Income from Operations	201.8	19.9	157.1
Interest and debt expense	(21.5)	(2.9)	(39.7)
Other income (expense)	(1.7)	1.6	(1.9)
Reorganization income (expense)	—	613.6	(66.7)
Income from Continuing Operations before Income Taxes	178.6	632.2	48.8
Income tax provision	(3.3)	(0.7)	(3.0)
Income from Continuing Operations	$ 175.3	$ 631.5	$ 45.8

Net sales increased $376.6 million, or 42.2%, to $1,268.4 million for the combined nine month period ended September 30, 2011, from $891.8 million for the nine months ended September 30, 2010. The increase was primarily due to a 80.7% ($303.8 million) increase in selling prices and a 11.5% ($43.3 million) increase in sales volumes. Changes in foreign currency exchange rates and other revenues accounted for increases in net sales of 7.8% ($29.5 million). The change in sales prices and volumes is primarily the result of increased demand in the combined first three quarters of 2011 as compared to the first three quarters of 2010 as a result of the general global economic recovery and constrained supply of TiO_2 as producers permanently removed capacity during the economic downturn in 2009. These factors have caused a supply and demand situation that has enabled us to pass through raw material and other cost increases to customers in higher selling prices. See discussion of net sales by business lines for a further analysis of net sales. Fresh-start accounting had no material impact to net sales.

Gross margin increased $163.3 million, to $324.0 million for the combined nine month period ended September 30, 2011, from $160.7 million during the nine months ended September 30, 2010. Gross margin percentage improved to 25.4% during the combined nine month period ended September 30, 2011, up from 18.0% during the nine months ended September 30, 2010. Gross margin and gross margin percentage improved primarily due to the increased selling prices and sales volumes, discussed above, partially offset by higher costs and unfavorable exchange rate changes. Costs increased due to higher raw material, chemical and

energy costs for the nine months ended September 30, 2011. Gross margin includes costs of approximately $35.5 million related to non-cash fresh-start inventory accounting affects. Unfavorable exchange rate effects were primarily due to movements in the Australian dollar versus the U.S. dollar. See discussion of income from operations by business line for further information.

Selling, general and administrative expenses increased $73.4 million, to $116.6 million for the combined nine month period ended September 30, 2011, from $43.2 million during the nine months ended September 30, 2010. The increase was primarily due to increased employee variable compensation and benefit costs, legal, investment banking and professional fees associated with the exiting from bankruptcy and the announced acquisition of Exxaro's mineral sands business, the preparation of the 2008 and 2009 audited financial statements including the audits thereof, and the amortization of intangible assets subsequent to fresh start accounting.

For the combined nine month period ended September 30, 2011, employee variable compensation and benefit costs increased approximately $16.3 million due to the implementation of incentive cash and stock compensation programs as well as the post-emergence accounting for pension and postretirement healthcare benefit costs. Costs associated with bankruptcy and the Exxaro mineral sands acquisition, including banker fees, legal and professional fees and the accrual of the registration rights penalty amounted to approximately $24.2 million. Audit and professional fees incurred related to fresh start accounting and the three year audit of the Company's financial statements increased costs by $15.5 million. Amortization of intangible assets was $15.7 million while marketing costs were higher $2.9 million primarily due to higher selling prices. Other items totaled ($1.2) million.

Litigation/arbitration settlement was income of $9.8 million for the eight months ended September 30, 2011 due to the settlement with RTI Hamilton, Inc. The Settlement Agreement reflects a compromise and settlement of disputed claims in complete accord and satisfaction thereof. Of the total payment of $10.5 million, $0.7 million constitutes payment for capital costs incurred by Tronox in relation to the agreement, plus interest.

Provision for environmental remediation and restoration was income of $4.5 million during the combined nine month period ended September 30, 2011, compared to income of $39.6 million during the nine months ended September 30, 2010. In 2011, we received additional reimbursements under the Predecessor's environmental insurance policy related to its remediation efforts at the Henderson, Nevada site. In March 2010, we recorded a receivable for $40.0 million from our insurance carrier related to environmental clean-up obligations at the Henderson facility. Due to the accounting for the KM Legacy Liabilities, as described in Note 4 to our 2010 Consolidated Financial Statements, the obligation for this work had been recorded in prior years. The Predecessor was able to record the receivable in 2010 as the work was defined and coverage under the insurance policy was confirmed with the insurance carrier. Amounts received in 2011 included items previously rejected by the insurance carrier and included coverage not previously recovered against and were therefore, not considered in the 2010 accruals. Fresh-start accounting had no material impact on the changes from period to period.

Interest and Debt expense decreased $15.3 million to $24.4 million for the combined nine month period ended September 30, 2011, from $39.7 million during the nine months ended September 30, 2010. The decreased costs are primarily attributable to lower interest rates and lower amortization of debt issuance costs on the exit term loan debt, in existence in 2011 versus the DIP facility debt in existence in 2010. In October 2010, we refinanced its Second DIP Facility into its Final DIP Facility, lowering the interest rate from 9% to 7%. In addition, amortization of debt issuance costs was lower due to debt issuance costs related to the Second DIP Facility and the Final DIP Facility being written off upon the refinancing in October 2010 and the application of fresh-start accounting in February 2011.

Other expense decreased $1.8 million to $0.1 million for the combined nine month period ended September 30, 2011, from $1.9 million during the nine months ended September 30, 2010. The change was primarily due to foreign currency gains of $0.4 million during the combined nine months ended September 30, 2011 as compared to foreign currency losses of $7.3 million in the nine months ended September 30, 2010, offset by a decrease in gains on the liquidation of subsidiaries from $5.3 million at September 30, 2010 compared to $0.2 million at September 30, 2011.

Reorganization expense was $613.6 million for the combined nine month period ended September 30, 2011 versus $66.7 million for the nine months ended September 30, 2010. The change is primarily the result of the application of fresh-start accounting as of February 1, 2011, which resulted in a $659.1 million gain being recognized due to implementation of fresh-start accounting and the discharge of debt and satisfaction of claims that was only partially offset by $45.5 million of reorganization items including legal and professional fees, claims adjustments and other fees related to the rights offering and debt financing. In the nine months ended September 30, 2010, we incurred $66.7 million of reorganization expenses including legal and professional fees related to finalizing the Plan and disclosure statement as well as fees related to the DIP financing in place during the period partially offset by

gains on rejected contracts and other items related to the ongoing claims reconciliation process. As of emergence, we no longer reports reorganization expense, with any residual costs primarily included in selling, general and administrative expenses.

Effective income tax rate - In the eight months ended September 30, 2011, we recorded a tax provision of $3.3 million, representing an effective tax rate of 1.8% on pre-tax income of $178.6 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 nine months ended September 30, 2010, we recorded a tax provision of $3.0 million, representing an effective tax rate of 6.1% on a pre-tax income of $48.8 million.

The tax provisions for the 2011 Successor periods differ from the U.S. statutory rate of 35% primarily due to valuation allowances in the U.S. and income in foreign jurisdictions taxed at rates lower than 35%. In the U.S., we did not record a tax provision due to a valuation allowance, which offset deferred income taxes and net operating losses and prevents us from incurring any U.S. current taxes payable. For the three and eight months ended September 30, 2011, the rate is additionally impacted by statute lapses in a foreign jurisdiction, which released significant liabilities related to uncertain tax positions.

The tax provision for the Predecessor period differs from the U.S. statutory rate of 35% primarily due to valuation allowances in multiple jurisdictions and income in foreign jurisdictions taxed at lower rates than 35%. In jurisdictions with valuation allowances, we did not record tax provisions or benefits due to valuation allowances, which offset deferred taxes and net operating losses and prevented us from incurring any current taxes payable.

Discussion by business lines for the combined Nine Month Period Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

The following table presents results of operations of each business line for the periods indicated. References to the combined nine month period ended September 30, 2011, in the discussion are to the combined Successor and Predecessor periods unless otherwise indicated.

	Successor	**Predecessor**	
	Eight Months Ended September 30, 2011	**One Month Ended January 31, 2011**	**Nine Months Ended September 30, 2010**
		(Millions of dollars)	
Net Sales			
Pigment segment	$1,071.2	$ 93.1	$ 782.7
Electrolytic and other chemical products	88.8	12.1	94.1
Corporate and Other	0.8	2.4	15.0
Total	$1,160.8	$ 107.6	$ 891.8
Income from Operations			
Pigment segment	$ 243.0	$ 21.4	$ 124.4
Electrolytic and other chemical products	1.2	0.7	4.4
Corporate and Other	(42.4)	(2.2)	28.3
Total Income from Operations	$ 201.8	$ 19.9	$ 157.1
Interest and debt expense	$ (21.5)	$ (2.9)	$ (39.7)
Other income (expense)	(1.7)	1.6	(1.9)
Reorganization income (expense)	—	613.6	(66.7)
Income from Continuing Operations before Income Taxes	$ 178.6	$ 632.2	$ 48.8

Net Sales

Pigment segment net sales increased by $381.6 million, or 48.8%, to $1,164.3 million for the combined nine month period ended September 30, 2011, from $782.7 million during the nine months ended September 30, 2010. The increase was primarily due to higher TiO_2 sales prices and volumes, partially offset by unfavorable effects of foreign currency exchange rates and other revenues. Higher sales prices and volumes are primarily the result of the general global economic recovery and constrained supply of TiO_2 as producers permanently removed capacity during the economic downturn in 2009. These factors have caused a supply and demand situation that has enabled us to pass through raw material and other cost increases to customers in higher selling prices. Higher pricing resulted in an increase to sales of approximately $299.0 million, while volumes accounted for an increase of $53.0 million. The impact of foreign currency exchange rate changes and other changes increased sales by $29.6 million.

Electrolytic and other chemical products net sales increased $6.8 million, or 7.2%, to $100.9 million for the combined nine month period ended September 30, 2011, from $94.1 million during the nine months ended September 30, 2010. The increase in sales was due primarily to higher prices and volumes for manganese dioxide and sodium chlorate. Higher pricing is due to maintaining the 2010 price increases despite competitive conditions while higher volumes are due to transportation issues in 2010 that curtailed shipments. Higher pricing accounted for $4.4 million while the effect of higher volumes accounted for $2.4 million.

Corporate and Other net sales decreased $11.8 million, or 78.7%, to $3.2 million for the combined nine month period ended September 30, 2011, from $15.0 million during the nine months ended September 30, 2010. Net sales in corporate and other, is primarily attributable to sulfuric acid sales which decreased as a result of the sulfuric acid operation being transferred to an environmental remediation trust upon emergence from bankruptcy.

Income from Operations

Pigment segment income from operations increased $140.0 million, to $264.4 million for the combined nine month period ended September 30, 2011, from $124.4 million during the nine months ended September 30, 2010. The increase was primarily due to the effects of higher sales prices and volumes partially offset by higher production costs and selling, general and administrative expenses. Higher sales prices and volumes are the result of the general global economic recovery and constrained supply of TiO_2 as discussed above while higher production costs are primarily due to raw material and chemicals prices. Higher selling, general and administrative expenses include $12.9 million of pigment specific intangible asset amortization, as well as the pigment segment's share of increased costs associated with the post-emergence accounting for stock compensation, increased variable compensation and pension and postretirement healthcare benefits. Foreign currency effects on operating profit were unfavorable primarily due to movements in the Australian dollar versus the U.S. dollar. Pricing and volumes were $308.7 million favorable while production costs were $131.2 million unfavorable. Foreign currency effects were unfavorable $12.7 million, and selling, general and administrative expenses and other items were $24.8 million unfavorable.

Electrolytic and other chemical products income from operations decreased $2.5 million, or 56.8%, to $1.9 million for the combined nine month period ended September 30, 2011, from $4.4 million during the same period of the prior year. Decreased profitability was driven by higher production and delivery costs and selling, general and administrative expenses partially offset by the effects of favorable pricing and volumes. Pricing and volumes were favorable $4.4 million while higher production costs reduced operating profit $5.9 million. Selling, general and administrative and other items were unfavorable $1.0 million. Included in selling, general and administrative expenses was $0.6 million of amortization of customer relationship intangible assets recorded as part of the fresh-start accounting at emergence from bankruptcy.

Corporate and Other operating loss increased $72.9 million, to a loss of $44.6 million for the combined nine month period ended September 30, 2011, from income of $28.3 million during the nine months ended September 30, 2010. The increase in income from operations was primarily due to cost associated with bankruptcy and the Exxaro mineral sands acquisition, including banker fees, legal and professional fees and the accrual of the registration rights penalty of approximately $24.2 million. Audit and professional fees incurred related to the three year audit of the Company's financial statements increased costs by $15.5 million. Amortization of intangible assets was $2.2 million in 2011, while marketing costs were higher $2.9 million primarily due to higher selling prices. Other items increased operating loss by $2.4 million. Additionally, during the first quarter of 2010, we recognized of a $40.0 million insurance receivable related to clean-up obligations at the Henderson facility, versus recognition of $4.5 million in 2011. Litigation/arbitration settlement was $9.8 million in 2011 versus nil in 2010.

Outlook

Pigment

Tronox is one of the top five producers of titanium dioxide who, together, produce over 60% of the industry capacity. We consider TiO_2 to be a "quality-of-life" product, with demand affected by GDP and overall economic conditions in our markets located in various regions of the world. Over the long-term, we expect demand for TiO_2 to grow by 3% to 4% per year. This is consistent with our expectations for the long-term growth in GDP. However, demand for TiO_2 in any interim or annual period may not change in the same proportion as the change in GDP even if we and our competitors maintain consistent shares of the worldwide market. This is due in part to relative changes in the TiO_2 inventory levels of our customers.

Looking forward to the last quarter of 2011, it is anticipated that the global market demand will moderate in line with seasonal demand and downstream inventory management patterns. We also anticipate that demand in China will continue to grow at a

slower rate through the 4th quarter, which will allow us to normalize our inventory and better meet the needs of our customers. We have experienced moderate growth in the overall demand for TiO2 in 2011 versus 2010 and expect that our sales volume will reflect a similar trend for the full year.

Electrolytic and other chemical products

The outlook for advanced battery materials remains positive supported by the growth of digital devices and demand for improved battery performance. With the imposition of anti-dumping orders against Chinese and Australian EMD imports into the U.S., EMD supply and demand is expected to remain in balance, leading to improved U.S. industry profitability.

The market for boron specialties remains positive supported by the increasing demand for LCD TV's, solar devices, semi-conductors and expanding pharmaceutical applications. The chlorate market is expected to remain in balance as supply remains challenged by increasing energy and transportation costs partly offsetting any reductions in the North American pulp and paper market.

Financial Condition and Liquidity

The following table provides information for the analysis of our historical financial condition and liquidity:

	Successor September 30, 2011	Predecessor December 31, 2010
	(Millions of dollars)	
Cash and cash equivalents	$ 130.6	$ 141.7
Working capital(1)	404.0	483.4
Total assets	1,587.9	1,097.9
Total long-term debt(2)	$ 428.4	$ 425.0

(1) Represents excess of current assets over current liabilities.
(2) Excludes the $350.0 million of senior notes classified as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheet at December 31, 2010.

As of September 30, 2011, our total liquidity was $234.3 million, which was comprised of $103.7 million available under our $125.0 million Asset Based Lending Facility (the "Wells Revolver") and $130.6 million in cash and cash equivalents. As of September 30, 2011, we had no amounts drawn on the Wells Revolver, but had $22.3 million of committed letters, of which $17.2 million were against the Wells Revolver. During the period, cash and cash equivalents decreased $11.1 million, reflecting the effect of our emergence from bankruptcy (see Note 5 to the Condensed Consolidated Financial Statements), as well as the improved cash flow from operations since emergence, offset by the Company buying into the Tiwest Joint Venture expansion during the period. In addition, working capital decreased $80.3 million also reflecting the effects of our emergence from bankruptcy, including the release of the Settlement Escrow of $35.0 million, and the release of cash security on letters of credit and surety bonds, some of which transferred to the environmental trust as a part of the settlement and others that reverted to the Company.

For the remainder of 2011, our anticipated use of cash includes servicing our interest and debt repayment obligations, pension contributions, as well as certain capital expenditures for innovative initiatives, productivity enhancements and maintenance and safety requirements. Further, to the extent it is necessary to fund certain seasonal demands of our operations and to support revenue growth; an additional modest use of cash may be needed for working capital. New sources of liquidity may include additional drawings on the Wells Revolver, financing other assets, and/or non-core asset sales, all of which are allowable, with certain limitations, under our existing credit agreements.

In summary, we expect that our cash on hand, coupled with future cash flows from operations and other sources of liquidity, including the Wells Revolver, will provide sufficient liquidity to allow us to meet our projected cash requirements.

Cash Flows

The following table presents cash flow for the periods indicated:

	Successor	Predecessor	
	Eight Months Ended September 30, 2011	One Month Ended January 31, 2011	Nine months Ended September 30, 2010
		(Millions of dollars)	
Net cash provided by (used in) operating activities	$ 217.6	$ (283.1)	$ 55.1
Net cash used in investing activities	(120.2)	(5.5)	(26.7)
Net cash provided by (used in) financing activities	(25.8)	207.6	(15.4)
Effect of exchange rate changes on cash	(2.0)	0.3	0.3
Net increase (decrease) in cash and cash equivalents	$ 69.6	$ (80.7)	$ 13.3

Cash Flows from Operating Activities - Cash flows from operating activities for the combined nine month period ended September 30, 2011 were a use of funds of $65.5 million compared to a source of funds of $55.1 million for the nine months ended September 30, 2010. The $120.6 million increase in cash used for operating activities during the combined nine month period ended September 30, 2011 reflects the effects of the Company's emergence from bankruptcy including the funding of the environmental and tort trusts, the payment of claims and professional fees in cash, and clearance of our liabilities subject to compromise, and others that reverted to the Company as we reorganized our operations and emerged from bankruptcy. These costs were only partially offset by an increase to our net income and working capital components during this period.

Cash Flows from Investing Activities - Net cash used in investing activities increased $99.0 million, to $125.7 million for the combined nine month period ended September 30, 2011, compared to $26.7 million for the nine months ended September 30, 2010. The increase was due to a $99.5 million increase in capital expenditures during the combined nine month period ended September 30, 2011 which consisted of the Company's buy-in to the completed expansion of the Tiwest Joint Venture's Kwinana plant in Western Australia for $79.1 million, as well as equipment purchases at Botlek.

Capital expenditures for 2011 are expected to be in the range of $50 million to $55 million, excluding the Verve Energy investment and the buy-in to the completed expansion of the Tiwest Joint Venture's Kwinana plant in Western Australia. Under the terms of our Exit Successor Credit Agreement, capital expenditures are generally limited to $55.0 million, excluding the items discussed above, with a carry-forward of the excess of the $55.0 million over the amount utilized in the prior year, but with no more than $15.0 million being able to be carried forward. For 2011 the company has a carryover of approximately $7.5 million from 2010 and, as such, has a limit on capital expenditures of approximately $62.5 million in 2011.

Cash Flows from Financing Activities - Net cash provided by financing activities increased $197.2 million, to a source of funds of $181.8 million for the combined nine month period ended September 30, 2011 from a use of funds of $15.4 million for the nine months ended September 30, 2010. The increase was primarily due to the receipt of $185.0 million in proceeds from the rights offering that we executed in conjunction with our emergence from bankruptcy, as well as $47.0 million in proceeds from borrowings. These proceeds were only partially offset by the payoff of a $25.0 million note payable and $26.5 million in debt principal and issue cost payments during this period.

Capital Resources

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 at September 30, 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 $125.0 million subject to a borrowing base, and also permits an expansion of up to $150.0 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 September 30, 2011, our borrowing base was $120.9 million, less letters of credit outstanding of $17.2 million, for a total net availability of $103.7 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 Consolidated 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 $100.0 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 $85.0 million. The Successor was in compliance with its financial covenants at September 30, 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.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions regarding matters that are inherently uncertain and that ultimately affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The estimates and assumptions are based on management's experience and understanding of current facts and circumstances. These estimates may differ from actual results. Certain of our accounting policies are considered critical as they are both important to reflect the Company's financial position and results of operations and require significant or complex judgment on the part of management. The following is a summary of certain accounting policies considered critical by the management of the Company.

Long-Lived Assets

Key estimates related to long-lived assets include useful lives, recoverability of carrying values and existence of any retirement obligations. As a result of future decisions, such estimates could be significantly modified. The estimated useful lives of our property, plant and equipment range from three to 40 years and depreciation is recognized on the straight-line basis. Useful lives are estimated based upon our historical experience, engineering estimates and industry information. Our estimates include an assumption regarding periodic maintenance and an appropriate level of annual capital expenditures to maintain the assets.

Long-lived assets are evaluated for potential impairment whenever events or changes in circumstances indicate that carrying value may be greater than future net cash flows. Such evaluations involve a significant amount of judgment since the results are based

on estimated future events, such as sales prices, costs to produce the products, the economic and regulatory climates and other factors. We evaluate impairments by asset group for which the lowest level of independent cash flows can be identified. If the sum of these estimated future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized for the excess of the carrying amount of the asset over its estimated fair value.

Goodwill and Other Intangible Assets

Goodwill is initially measured as the excess of the purchase price of an acquired entity over the fair value of individual assets acquired and liabilities assumed. Goodwill and other indefinite-lived intangibles are not amortized but are reviewed annually for impairment or more frequently if impairment indicators arise. The annual impairment assessment for goodwill and other indefinite-lived intangible assets is completed at June 30 each year. Intangible assets with finite useful lives are amortized on the straight-line basis over their estimated useful lives. The amortization methods and remaining useful lives are reviewed annually. The carrying amounts are reviewed at each financial year-end to determine whether there is any indication of impairment. As of September 30, 2011, the Company did not have any goodwill.

Restructuring and Exit Activities

Our restructuring activities in the past have included closing of facilities and work force reduction programs. With the exception of asset retirement obligations, these charges are recorded when management commits to a plan and incurs a liability related to the plan. Estimates for plant closing include the write-down of inventory, write-down of property, plant and equipment, any necessary environmental or regulatory costs, contract termination and severance costs. Asset retirement obligations are recorded in accordance with ASC 410, Asset Retirement and Environmental Obligations (“ASC 410”). Estimates for work force reductions are recorded based on estimates of the number of positions to be terminated, termination benefits to be provided, estimates of any enhanced benefits provided under pension and postretirement plans and the period over which future service will continue, if any. We evaluate the estimates on a quarterly basis and adjust the reserves when information indicates that the estimates are above or below the initial estimates. We cannot predict when or if future restructuring or exit reserves will be required.

Environmental Remediation and Other Contingency Reserves

Our management makes judgments and estimates in accordance with applicable accounting rules when it establishes reserves for environmental remediation, litigation and other contingent matters. Provisions for such matters are charged to expense when it is probable that a liability has been incurred and reasonable estimates of the liability can be made. Estimates of environmental liabilities, which include the cost of investigation and remediation, are based on a variety of matters, including, but not limited to, the stage of investigation; the stage of the remedial design; the availability of existing remediation technologies; presently enacted laws and regulations; and the state of any related legal or administrative investigation or proceedings

Income Taxes

The Company has operations in several countries around the world and is subject to income and similar taxes in these countries. The estimation of the amounts of income tax involves the interpretation of complex tax laws and regulations and how foreign taxes affect domestic taxes, as well as the analysis of the realizability of deferred tax assets, tax audit findings and uncertain tax positions. Although the Company believes its tax accruals are adequate, differences may occur in the future, depending on the resolution of pending and new tax matters.

Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided against a deferred tax asset when it is more likely than not that all or some portion of the deferred tax asset will not be realized. The Company periodically assesses the likelihood that it will be able to recover its deferred tax assets and reflects any changes in its estimates in the valuation allowance, with a corresponding adjustment to earnings or other comprehensive income (loss) as appropriate. 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.

The amount of income taxes the Company pays is subject to ongoing audits by federal, state and foreign tax authorities, which may result in proposed assessments. The Company’s estimate for the potential outcome for any uncertain tax issue is highly judgmental. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances and information available at the reporting date. For those tax positions for which it is more

likely than not that a tax benefit will be sustained, the Company records the amount that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties are accrued as part of tax expense, where applicable. If the Company does not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized.

Pension and Postretirement Accounting

We provide pension and postretirement benefits for qualifying employees worldwide. However, the Company froze its U.S. nonqualified and qualified pension benefit plans in 2008 and 2009, respectively. These plans are accounted for and disclosed in accordance with ASC 715*,* Compensation - Retirement Benefits ("ASC 715").

U.S. Plans

The following are considered significant assumptions related to our retirement and postretirement plans, with a brief description of the methodology used by management to develop the significant assumptions included below:

- Discount rate
- Expected long-term rate of return (applies to our U.S. qualified plan only)
- Rate of compensation increases
- Health care cost trend rate

Discount Rate - The discount rate selected for all U.S. plans was 5.00% as of December 31, 2010. The rate was selected based on the results of a cash flow matching analysis which projected the expected cash flows of the plans using the yield curves produced by the applicable Citigroup Pension Discount Curves.

Expected Long-term Rate of Return - The estimated long-term rate of return assumption used in the determination of net periodic cost for the year ended December 31, 2010, was 7.50%. This rate was developed after reviewing both a capital asset pricing model using historical data and a forecasted earnings model. An expected return analysis is performed which incorporates the current portfolio allocation, historical asset-class returns and an assessment of expected future performance using asset-class risk factors.

Rate of Compensation Increases - Our estimated rate of compensation increase was 3.50% at December 31, 2010, based on our long-term plans for compensation increases and expected economic conditions, including the effects of merit increases, promotions and general inflation.

Health Care Cost Trend Rates - The health care cost trend rates used to measure the expected cost of benefits covered by the postretirement benefit plan 9% in 2011 , gradually declining to 5% in 2017 and thereafter.

Foreign Benefit Plans

We currently provide defined benefit retirement plans (funded) for qualifying employees in the Netherlands. Prior to the deconsolidation of our German subsidiaries in 2009 we also provided defined benefit retirement plans (unfunded) for qualified employees of these subsidiaries. The various assumptions used and the attribution of the costs to periods of employee service are fundamental to the measurement of net periodic cost and pension obligations associated with the retirement plans.

The following are considered significant assumptions related to our foreign retirement plans, with brief discussion below:

- Discount rate
- Expected long-term rate of return (applies to our plan in the Netherlands only)
- Rate of compensation increases

The discount rate assumptions of 5.0% as of December 31, 2010 is based on long-term Euro corporate bond index rates that correlate with anticipated cash flows associated with future benefit payments. The expected long-term rate of return assumption for the Netherlands plan (5.75% as of December 31, 2010) is developed considering the portfolio mix and country-specific economic data that includes the expected long-term rates of return on local government and corporate bonds. We determine rate of compensation increases assumption based on our long-term plans for compensation increases specific to employee groups covered.

Other factors considered in developing actuarial valuations include long-term inflation rates, retirement rates, mortality rates and other factors. The expected long-term inflation rates are based on an evaluation of external market indicators. Retirement rates are based primarily on actual plan experience.