

TRONOX INC  
Form 10-12G  
April 30, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10**

**GENERAL FORM FOR REGISTRATION OF SECURITIES**

**Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934**

**Tronox Incorporated**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

3301 N.W. 150th Street,

Oklahoma City,

**20-2868245**  
(I.R.S. Employer

Identification No.)

73134

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**Oklahoma**  
(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (405) 775-5000  
Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class to be so registered Name of each exchange on which each class is to be registered  
Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock

(Title of class)

(Title of class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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**INFORMATION REQUIRED IN REGISTRATION STATEMENT**

Unless stated otherwise or the context otherwise requires, references in this registration statement to we, us, our and the Company refer to Tronox Incorporated and its subsidiaries collectively.

**Cautionary Note Regarding Forward-Looking Statements**

This registration statement contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this registration statement are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as anticipate, estimate, expect, project, plan, intend, believe, may, will, should, can have, likely and other words having similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, or strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties, including those set forth under Item 1A. Risk Factors, that may cause actual results to differ materially from those that we expected.

**Item 1. Business.**

The board of directors of Tronox Incorporated and the board of directors of Exxaro Resources Limited ( Exxaro ) have agreed to combine Exxaro's mineral sands business ( Exxaro Mineral Sands ) with the existing business of Tronox Incorporated under a new Australian holding company, Tronox Limited, pursuant to the terms of a Transaction Agreement dated September 25, 2011, as amended and restated on April 20, 2012, which we refer to as the Transaction Agreement. We refer to the transactions contemplated by the Transaction Agreement as the Transaction. The Transaction is more fully described in the Registration Statement on Form S-4 filed by Tronox Incorporated and Tronox Limited with the Securities and Exchange Commission ( SEC ) on December 30, 2011, as amended by Amendment No. 1, Amendment No. 2 and Amendment No. 3 to such Registration Statement filed with the SEC on February 7, 2012, March 22, 2012 and April 23, 2012, respectively (as so amended, the S-4 Registration Statement, which is included as Exhibit 99.1 to this registration statement and is incorporated by reference herein in its entirety). Certain financial statements and pro forma financial information required to be included in this registration statement are included in the S-4 Registration Statement.

**Company Background**

Tronox Incorporated, a Delaware corporation, was formed on May 17, 2005, and upon an initial public offering (the IPO ), became a publicly traded company in November 2005. Prior to the IPO, Tronox Incorporated was a wholly-owned subsidiary of Kerr-McGee Corporation ( Kerr-McGee ) comprising substantially all of its chemical business. Concurrent with the IPO, Tronox Incorporated, through its wholly-owned subsidiaries, entered into borrowings of \$550.0 million from senior unsecured notes and a senior secured credit facility. Tronox Incorporated distributed substantially all of the proceeds from the IPO and borrowings to Kerr-McGee. Following the IPO, Kerr-McGee retained 56.7% of Tronox Incorporated's total outstanding stock which it distributed as a dividend (the Distribution ) to Kerr-McGee shareholders on March 30, 2006, resulting in Kerr-McGee having no voting ownership interest in Tronox Incorporated. Through its past affiliation with Kerr-McGee, Tronox Incorporated has more than 40 years of experience operating in the chemical industry. In 2006, Kerr-McGee was acquired by Anadarko Petroleum Corporation ( Anadarko ).

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***Bankruptcy Proceedings and Emergence from Chapter 11***

On January 12, 2009 (the *Petition Date*), Tronox Incorporated and certain of its subsidiaries (collectively, the *Debtors*) filed voluntary petitions in the United States Bankruptcy Court for the Southern District of New York (the *Bankruptcy Court*) seeking reorganization relief under the provisions of Chapter 11 of Title 11 of the United States Code (the *Bankruptcy Code*). On November 30, 2010 (the *Confirmation Date*), the Bankruptcy Court entered an order [Docket No. 2567] (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, most notably the approval under U.S. federal and applicable state environmental law of the settlement of the significant legacy environmental liabilities (the *Legacy Environmental Liabilities*) and legacy tort liabilities ( *Legacy Tort Liabilities* and collectively, with the Legacy Environmental Liabilities, the *KM Legacy Liabilities*), were resolved during the period from the Confirmation Order until January 26, 2011, and subsequently on February 14, 2011 (the *Effective Date*), on which date the Debtors consummated their reorganization under the Bankruptcy Code and the Plan became effective. Upon emergence from bankruptcy, Tronox Incorporated retained a U.S. net operating loss carryforward of approximately \$143 million. The distributions of securities under the Plan commenced on the Effective Date. In connection with the bankruptcy, Tronox Incorporated ceased to be listed on the NYSE. For further discussion of Tronox Incorporated's emergence from Chapter 11 see *Legal Proceedings Chapter 11 Proceedings*.

***Recent Developments***

The board of directors of Tronox Incorporated and the board of directors of Exxaro have agreed to combine Exxaro Mineral Sands with the existing business of Tronox Incorporated under a new Australian holding company, Tronox Limited, pursuant to the terms of a Transaction Agreement. The Transaction is more fully described in the S-4 Registration Statement, which is incorporated by reference herein.

***General Development of Business***

***Overview***

Tronox Incorporated is one of the leading producers and marketers of titanium dioxide ( *TiO<sub>2</sub>* ), which is used in consumer products such as paint, plastics and certain specialty products. Tronox Incorporated is one of the few *TiO<sub>2</sub>* manufacturers with global operations, having production facilities and sales and marketing presence in the Americas, Europe and the Asia-Pacific regions.

Tronox Incorporated operates chloride process *TiO<sub>2</sub>* production facilities in Hamilton, Mississippi, Botlek, the Netherlands and Kwinana, Western Australia. According to TZ Minerals International Pty Ltd ( *TZMI* ), the Hamilton, Mississippi facility is the third largest plant of its kind in the world by nameplate capacity and the plant located in Kwinana, Western Australia (the *Kwinana Facility*) is part of a joint venture between Tronox Incorporated and Exxaro in Western Australia, Australia which operates a chloride process *TiO<sub>2</sub>* plant located in Kwinana, Western Australia, 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*). In connection with the Transaction, the Tiwest Joint Venture will become a wholly-owned business of Tronox Incorporated. The Tiwest Joint Venture is an integral aspect of our operations due to its backward integration into titanium feedstock raw materials. See the discussion below under *The Tiwest Joint Venture*.

Tronox Incorporated's global presence enables it to sell its products to a diverse portfolio of customers with whom it has well-established relationships. Tronox Incorporated's customer base consists of more than 1,000 customers in approximately 90 countries, including market leaders in each of the major end-use markets for *TiO<sub>2</sub>*. In addition, Tronox Incorporated has supplied each of its top ten customers with *TiO<sub>2</sub>* for more than ten years.

Tronox Incorporated's business has one reportable segment, pigment, and other businesses, which include electrolytic and other chemical products. We believe Tronox Incorporated's pigment segment is one of the

leading global producers and marketers of TiO<sub>2</sub> pigment. Tronox Incorporated's electrolytic and other chemical products business produces EMD, 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.

Tronox Incorporated is one of a limited number of producers in the TiO<sub>2</sub> industry to hold rights to its own proprietary chloride process for the production of TiO<sub>2</sub>. All of Tronox Incorporated's current production capacity uses this process technology, which is the subject of numerous patents worldwide. TiO<sub>2</sub> produced using chloride process technology is preferred for some of the largest end-use applications because it generates less waste, uses less energy and is less labor intensive than the sulfate process. The complexity of developing and operating the chloride process technology presents challenges for new entrants.

In the past, Tronox Incorporated has operated, inherited, or held businesses or properties that did not relate to the current chemical business, including businesses involving the treatment of forest products, the refining and marketing of petroleum products, offshore contract drilling, coal mining and the mining, milling and processing of nuclear materials. Most of these businesses or properties were accounted for as discontinued operations.

Based on the country of production, the geographic distribution of Tronox Incorporated's net sales during the eleven months ended December 31, 2011 and one month ended January 31, 2011 and years ended December 31, 2010 and 2009 were as follows:

	Successor Eleven Months Ended December 31, 2011	One month Ended January 31, 2011	Predecessor Year Ended December 31, 2010	Predecessor Year Ended December 31, 2009
	(Millions of dollars)			
US operations	\$ 793.4	\$ 60.1	\$ 692.1	\$ 619.8
International operations				
The Netherlands	274.7	15.1	209.0	175.4
Australia	475.3	32.4	316.5	274.9
<b>Total</b>	<b>\$ 1,543.4</b>	<b>\$ 107.6</b>	<b>\$ 1,217.6</b>	<b>\$ 1,070.1</b>

## Pigment Segment

### Background

TiO<sub>2</sub> is used in a wide range of products for its ability to impart whiteness, brightness and opacity. TiO<sub>2</sub> is a critical component of everyday consumer applications, such as coatings, plastics and paper, as well as many specialty products such as inks, food and cosmetics. TiO<sub>2</sub> is widely considered to be superior to alternative white pigments in large part due to its ability to cover or mask other materials effectively and efficiently, which we refer to as its hiding power. For example, TiO<sub>2</sub>'s hiding power helps prevent show-through on printed paper materials (making the materials easier to read) and a higher concentration of TiO<sub>2</sub> within paints reduces the number of coats needed to cover a surface effectively. TiO<sub>2</sub> is designed, marketed and sold based on specific end-use applications.

The global TiO<sub>2</sub> market is characterized by a small number of large global producers. In addition to Tronox Incorporated, there are four other major global producers: E.I. du Pont de Nemours and Company, National Titanium Cristal, Huntsman and Kronos. These four major producers, along with Tronox Incorporated, accounted for more than 60% of the global market in 2010, according to reports by these producers.

Based on publicly reported industry sales by the leading TiO<sub>2</sub> producers, we estimate that global sales of TiO<sub>2</sub> in 2010 exceeded 5.3 million tonnes, generating approximately \$12 billion in industry-wide revenues. Because TiO<sub>2</sub> is a quality-of-life product, its consumption growth in a region is closely tied to that region's economic health and correlates over time to the growth in its average GDP. According to publicly reported

industry estimates, global TiO<sub>2</sub> consumption has been growing at a compounded annual growth rate of approximately 3.3% since 2001.

Although there are other white pigments on the market, we believe that TiO<sub>2</sub> has no effective substitute because no other white pigment has the physical properties for achieving comparable opacity and brightness or can be incorporated in as cost-effective a manner. In an effort to optimize TiO<sub>2</sub>'s cost-to-performance ratio in certain applications, some customers also use pigment extenders, such as synthetic pigments, kaolin clays and calcium carbonate. We estimate that the impact on Tronox Incorporated's total sales from the use of such extenders is minimal.

Tronox Incorporated markets TiO<sub>2</sub> under the brand name TRONOX®, and Tronox Incorporated's pigment segment represented approximately 92.0% and 86.5%, respectively, of Tronox Incorporated's net sales during the eleven months ended December 31, 2011 and one month ended January 31, 2011. Tronox Incorporated's worldclass, high-performance pigment products are critical components of everyday consumer applications, such as coatings, plastics and paper, as well as specialty products, such as inks, foods and cosmetics.

Globally, including all of the production capacity of the facility operated under the Tiwest Joint Venture (discussed below), we have 465,000 gross tonnes of annual chloride TiO<sub>2</sub> production capacity. Tronox Incorporated holds more than 200 patents worldwide, as well as other intellectual property, and employs a highly skilled and technologically sophisticated work force.

### **Facilities**

Tronox Incorporated has one facility located in each of the United States, Australia, and the Netherlands. Tronox Incorporated owns its facility in the Netherlands, and the land under this facility is held pursuant to longterm leases. Tronox Incorporated owns its facility and land in the United States and holds a 50% interest in its Australian facility and land (with subsidiaries of Exxaro owning the other 50% interest pursuant to the terms of the Tiwest Joint Venture).

The following table summarizes Tronox Incorporated's TiO<sub>2</sub> production capacity (in gross tonnes per year) as of December 31, 2011, by location and process:

<b>Facility</b>	<b>Capacity</b>	<b>Process</b>
Hamilton, Mississippi	225,000	Chloride
Kwinana, Western Australia	150,000(1)	Chloride
Botlek, The Netherlands	90,000	Chloride
<b>Total</b>	<b>465,000</b>	

(1) Reflects 100.0% of the production capacity of the Tiwest Joint Venture, which prior to completion of the Transaction is allocated 50.0% to Tronox Incorporated and 50.0% to Exxaro.

Including the TiO<sub>2</sub> produced by its Australian facility, Tronox Incorporated produced approximately 434,000 tonnes of TiO<sub>2</sub> in 2011. Tronox Incorporated's average production rates for the facilities shown in the table above, as a percentage of capacity, were 93.3%, 91.8% and 90.4%, in 2011, 2010 and 2009, respectively. Over the past five years production at Tronox Incorporated's current facilities increased by approximately 8%, primarily due to low-cost process improvements, improved uptime and debottlenecking. We believe that Tronox Incorporated's global manufacturing presence, coupled with its partial vertical integration, makes Tronox Incorporated a stable supplier for many of the largest TiO<sub>2</sub> consumers.

### **Manufacturing Process**

**Production Process.** TiO<sub>2</sub> is produced using a combination of processes involving the manufacture of base pigment particles followed by surface treatment, drying and milling (collectively known as finishing). There are

two commercial production processes in use: the chloride process and the sulfate process. The chloride process is a newer technology, and we believe it has several advantages over the sulfate process: it generates less waste, uses less energy, is less labor intensive and permits the direct recycle of a major process chemical, chlorine, back into the production process. In addition, as described below under *Types of  $TiO_2$*   $TiO_2$  produced using the chloride process is preferred for some of the largest end-use applications. As a result of these advantages, the chloride process currently accounts for substantially all of the industry-wide  $TiO_2$  production capacity in North America and approximately 55% of industry-wide capacity globally. The chloride process accounts for all of Tronox Incorporated's capacity globally.

In the chloride process, feedstock ores (titanium slag, synthetic rutile, natural rutile or ilmenite ores) are reacted with chlorine (the chlorination step) and carbon to form titanium tetrachloride ( $TiCl_4$ ) in a continuous fluid bed reactor. Purification of  $TiCl_4$  to remove other chlorinated products is accomplished using a distillation process. The purified  $TiCl_4$  is then oxidized in a vapor phase form to produce base pigment particles and chlorine gas. The latter is recycled back to the chlorination step for reuse. Base pigment is then typically slurried with water and dispersants prior to entering the finishing step.

In the sulfate process, batch digestion of ilmenite ore or titanium slag is carried out with concentrated sulfuric acid to form soluble titanyl sulfate. After treatment to remove soluble and insoluble impurities and concentration of the titanyl sulfate, hydrolysis of the liquor forms an insoluble hydrous titanium oxide. This precipitate is filtered, bleached, washed and calcined to produce a base pigment that is then forwarded to the finishing step.

*Types of  $TiO_2$ .* Commercial production of  $TiO_2$  results in one of two different crystal forms, either rutile or anatase. Rutile  $TiO_2$  is preferred over anatase  $TiO_2$  for many of the largest end-use applications, such as coatings and plastics, because its higher refractive index imparts better hiding power at lower quantities than the anatase crystal form and it is more suitable for outdoor use because it is more durable. Although rutile  $TiO_2$  can be produced using either the chloride process or the sulfate process, customers often prefer rutile produced using the chloride process because it typically has a bluer undertone and greater durability. Anatase  $TiO_2$  can only be produced using the sulfate process and has applications in paper, rubber, fibers, ceramics, food and cosmetics.

*Raw Materials.* The primary raw materials that Tronox Incorporated uses to produce  $TiO_2$  are various types of titanium feedstock, including ilmenite, natural rutile, synthetic rutile, titanium-bearing slag and leucoxene. Tronox Incorporated generally purchases feedstock from a variety of suppliers in Australia, Canada and South Africa under multi-year agreements through 2014. In 2011, Tronox Incorporated purchased approximately 16% of its requirements for titanium feedstock from Exxaro (including Exxaro's 50.0% interest in the Tiwest Joint Venture) and approximately 58% of the synthetic and natural rutile used by Tronox Incorporated's facilities is obtained from the operations under the Tiwest Joint Venture arrangement purchased at open market prices (discussed below).

The Tiwest Joint Venture  $TiO_2$  pigment production operation uses chlorine in the production of  $TiO_2$  using the chloride process. The Tiwest Joint Venture purchases chlorine from a single supplier, and the loss of this supply source would result in a stoppage of the Tiwest Joint Venture pigment production operation as large volumes of chlorine cannot be sourced locally or transported economically over significant distances.

The Tiwest Joint Venture  $TiO_2$  pigment production operation uses oxygen and nitrogen in the pigment production process. The Tiwest Joint Venture purchases oxygen and nitrogen from a single supplier, and the loss of this supply source would result in a stoppage of the Tiwest Joint Venture pigment production operation as large volumes of oxygen or nitrogen cannot be sourced locally or transported economically over significant distances.

The Tiwest Joint Venture  $TiO_2$  pigment production operation uses calcined petroleum coke in the pigment production process. The Tiwest Joint Venture purchases petroleum coke from the west coast of the United States.

Calcined petroleum coke of suitable quality for the Tiwest Joint Venture's pigment production operation is produced by a number of different suppliers. The loss of any one supplier would be unlikely to have a significant adverse effect on the production or operating cost of the Tiwest Joint Venture pigment production operation.

### **The Tiwest Joint Venture**

Currently, a subsidiary of Tronox Incorporated holds a 50.0% undivided interest in all of the assets that comprise the operations conducted in Australia under the Tiwest Joint Venture and is severally liable for the associated liabilities. The remaining undivided interest is held by a subsidiary of Exxaro. The Tiwest Joint Venture operates the Kwinana Facility, a chloride process  $TiO_2$  plant, a mining venture in Cooljarloo, Western Australia, a mineral separation plant and a synthetic rutile processing facility, both in Chandala, Western Australia. Under separate marketing agreements, Tronox Incorporated holds the right to market all of the  $TiO_2$  pigment produced by the Kwinana Facility, and Exxaro holds the right to market any titanium feedstock and other heavy minerals produced at Cooljarloo and Chandala, which is not used for the Tiwest Joint Venture's own consumption for the production of  $TiO_2$  pigment at the Kwinana Facility. In connection with the Transaction, Tronox Incorporated will acquire Exxaro's entire interest in the Tiwest Joint Venture and operate the business as a wholly-owned business.

The Tiwest Joint Venture is an integrated mineral sands and  $TiO_2$  pigment producer. The Tiwest Joint Venture's products include ilmenite, rutile, synthetic rutile, leucoxene, zircon, activated carbon and staurolite, as well as  $TiO_2$  pigment.

The Tiwest Joint Venture operates from six locations in Western Australia, including the Cooljarloo mine near Cataby, the Chandala mineral separation and synthetic rutile plants near Muchea and the Kwinana pigment facility near Perth, all of which can be accessed by public roads or roads for which Exxaro Australia Sands Pty Ltd has a right of way.

The Cooljarloo mine, located 170 kilometers north of Perth in Western Australia, employs both dredging and dry mining techniques to extract approximately 20 million tonnes per year of heavy mineral concentrate for further processing.

The Chandala processing complex, located 60 kilometers north of Perth in Western Australia, includes three major plants: a dry mill to separate the minerals, a synthetic rutile plant to process ilmenite into synthetic rutile, and a residue management plant. Chandala procures  $TiO_2$  feedstock and other heavy minerals including ilmenite, rutile, synthetic rutile, leucoxene, zircon, activated carbon and staurolite. The Chandala synthetic rutile plant's current annual capacity is 225,000 tonnes.

The Kwinana  $TiO_2$  pigment manufacturing facility is located 30 kilometers south of Perth in Western Australia. At the Kwinana Facility, synthetic rutile is reacted with petroleum coke and chlorine to produce  $TiCl_4$ , which is subsequently processed into  $TiO_2$  pigment for distribution. Kwinana has an annual production capacity of approximately 150,000 tonnes, and has been in operation since 1991.



**End-Use Markets and Applications**

The major end-use markets for TiO<sub>2</sub> products, which Tronox Incorporated sells in the Americas, Europe and the Asia-Pacific region, are coatings, plastics and paper and specialty products. The tables below summarize Tronox Incorporated's 2011 sales volume by geography and end-use market:

2011 Sales Volume by Geography		2011 Sales Volume by End-Use Market	
North America	38.5%	Paints and Coatings	77.1%
Latin America	7.5%	Plastics	19.9%
Europe	22.5%	Paper and Specialty	3.0%
Asia-Pacific	31.5%		

*Paints and Coatings End-Use Market.* The paints and coatings end-use market is the largest end-use market for TiO<sub>2</sub> products and accounted for approximately 60% of overall industry demand, based on publicly reported industry sales volumes in 2010. Customers in the paints and coatings end-use market demand exceptionally high quality standards for TiO<sub>2</sub>, especially with regard to opacity, durability, tinting strength and brightness. Tronox Incorporated recognizes four sub-markets within the paints and coatings end-use market based on application, each of which requires different TiO<sub>2</sub> formulations. The table below summarizes the sub-markets within paints and coatings, as well as their applications:

Sub-Market	Applications
Architectural	Residential and commercial paints
Industrial	Appliances, coil coatings, furniture and maintenance applications
Automotive	Original equipment manufacturer, refinish and electro-coating
Specialty	Marine and can coatings, packaging and traffic paint

*Plastics End-Use Market.* The plastics end-use market accounts for approximately 25% of overall industry demand for TiO<sub>2</sub>, based on reported industry sales volumes in 2010. Plastics producers focus on TiO<sub>2</sub>'s opacity, durability, color stability and thermal stability. Tronox Incorporated recognizes four sub-markets within the plastics end-use market based on application, each of which requires different TiO<sub>2</sub> formulations. The table below summarizes the sub-markets within plastics, as well as their applications:

Sub-Market	Applications
Polyolefins	Food packaging, plastic films and agricultural films
PVC	Vinyl windows, siding, fencing, vinyl leather, roofing
Engineering plastics	Computer housing, cell phone cases, washing machines and refrigerators
Other plastics	Roofing and flooring

*Paper and Specialty End-Use Market.* The paper and specialty end-use market accounts for approximately 15% of overall industry demand for TiO<sub>2</sub> based on publicly reported industry sales volumes in 2010. Tronox Incorporated recognizes four sub-markets within the paper and specialty end-use market based on application, each of which requires different TiO<sub>2</sub> formulations. The table below summarizes the sub-markets within paper and specialty, as well as their applications:

Sub-Market	Applications
Paper and paper laminate	Filled paper, coated paper for print media, coated board for beverage container packaging, wallboard, flooring, cabinets and furniture
Inks and rubber	Packaging, beverage cans, container printing and rubber flooring
Food and pharmaceuticals	Creams, sauces, capsules, sunscreen, and face and body care products
Catalysts and electroceramics	Anti-pollution equipment (catalysts) for automobiles and powergenerators and production of capacitors and resistors

### ***Sales and Marketing***

Tronox Incorporated supplies TiO<sub>2</sub> to a diverse customer base of more than 1,000 customers in approximately 90 countries, including market leaders in each of the major end-use markets for TiO<sub>2</sub>. Tronox Incorporated has supplied each of its top ten customers with TiO<sub>2</sub> for more than 10 years. In 2011, Tronox Incorporated's ten largest customers represented approximately 36.5% of its total sales volume; however, no single customer accounted for more than 10% of its total sales volume.

In addition to price and product quality, Tronox Incorporated competes on the basis of technical support and customer service. Tronox Incorporated's direct sales and technical service organizations carry out its sales and marketing strategy and work together to provide quality customer service. Tronox Incorporated's direct sales staff is trained in all of its products and applications. Due to the technical requirements of TiO<sub>2</sub> applications, Tronox Incorporated's technical service organization and direct sales offices are supported by a regional customer service staff located in each of its major geographic markets.

Tronox Incorporated's sales and marketing strategy focuses on effective customer management through the development of strong relationships throughout the company with its customers. Tronox Incorporated develops customer relationships and manages customer contact through its sales team, technical service organization, research and development team, customer service team, plant operations personnel, supply chain specialists and senior management. We believe that multiple points of customer contact facilitate efficient problem-solving, supply chain support, formula optimization and product co-development.

### ***Competitive Conditions***

The global market in which Tronox Incorporated's TiO<sub>2</sub> business operates is competitive. Competition is based on a number of factors such as price, product quality and service. Tronox Incorporated faces competition from major international producers, including DuPont, Cristal, Kronos and Huntsman, as well as smaller regional competitors. Worldwide, we believe that Tronox Incorporated and the other major producers mentioned above, are the only companies that have perfected and successfully commercialized the proprietary chloride process technology for the production of TiO<sub>2</sub>. TiO<sub>2</sub> produced using chloride process technology is preferred for some of the largest TiO<sub>2</sub> end-use applications; however, TiO<sub>2</sub> produced using sulfate process technology may also be used for many end-use applications and is preferred for certain specialty applications. We estimate that, based on gross sales volumes, these companies accounted for more than 60% of the global market share in 2010.

As of December 31, 2011, including the total production capacity of the Tiwest Joint Venture, Tronox Incorporated had global TiO<sub>2</sub> production capacity of 465,000 tonnes per year and an approximate 8% share of the global TiO<sub>2</sub> market based on capacity, according to TZMI. In addition to the major competitors discussed above, Tronox Incorporated competes with numerous smaller, regional producers, including producers in China that have expanded their sulfate production capacity during the previous five years. Tronox Incorporated has global operations with production facilities and sales and marketing presence in the Americas, Europe and the Asia-Pacific regions. Tronox Incorporated's global presence enables it to sell its products to a diverse portfolio of customers with whom Tronox Incorporated has well-established relationships.

Over the years, the industry has increased capacity through debottlenecking, brownfield projects (locations where the company has an existing infrastructure and is adding to it) and greenfield projects (locations where the company does not have an existing infrastructure). Tronox Incorporated and Exxaro recently completed a brownfield expansion of the Kwinana Facility. As a result of the projected limited availability of feedstocks, we do not foresee significant capacity increases in the near term future. DuPont is the only major producer to have announced plans to evaluate future brownfield expansion of a plant in North America and their continued pursuit of a greenfield in China.

### ***TiO<sub>2</sub> Outlook***

We consider TiO<sub>2</sub> to be a quality-of-life product, with demand affected by GDP and overall economic conditions in markets located in various regions of the world. Over the long-term, we believe global demand for TiO<sub>2</sub> will grow by approximately 3% to 4% per year. This is consistent with our expectations for the long-term growth in GDP. However, demand for TiO<sub>2</sub> in any interim or annual period may not change in the same proportion as the change in GDP. This is due in part to relative changes in the TiO<sub>2</sub> inventory levels of Tronox Incorporated's customers. We believe that our customers' inventory levels are partly influenced by their expectation for future changes in TiO<sub>2</sub> selling prices.

Looking forward, we believe that the global market for TiO<sub>2</sub> will remain healthy primarily due to support from the ongoing growth in emerging economies such as China and India. We expect moderate growth in the overall demand for TiO<sub>2</sub> in 2012 versus 2011 and expect that our sales volume will reflect a similar trend. As a result of current supply demand imbalance, we believe that the industry will focus resources on increasing available capacity through debottlenecking projects in the near term. Debottlenecking projects will be influenced by the amount of titanium feedstock that is available in the market. We believe the industry is currently experiencing a shortfall in the supply of titanium bearing ore due to a lack of reinvestment in that business during the last several years. As a result of the projected limited availability of titanium bearing ore, we do not foresee significant capacity additions coming on line in the near term, which should continue to support a favorable pricing environment for the titanium industry and our business.

### **Electrolytic and Other Chemical Products**

#### ***Background***

The electrolytic and other chemical products businesses are primarily 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.

*Battery Materials.* The battery industry is comprised of two application areas: primary (non-rechargeable) and secondary (rechargeable) with the former representing the majority of battery shipments. The primary battery market is dominated by alkaline battery technologies, which are designed to address the various power delivery requirements for consumer and industrial battery-powered devices. We believe that alkaline batteries are higher performing and more costly than batteries using the older zinc carbon technology, and represent the majority of primary battery market demand in the United States. Demand for domestic alkaline batteries in the United States is estimated to be slightly positive to flat driven by the continued growth of electronic devices partly offset by increased use of rechargeable and imported batteries.

EMD is the active cathode material for alkaline batteries. We believe that we are one of the largest producers of EMD for the global alkaline battery industry. EMD quality requirements for alkaline technology are much more demanding than for zinc carbon technology and, as a result, alkaline-grade EMD commands a higher price than zinc carbon-grade EMD. The older zinc carbon technology remains in developing countries such as China and India. As the economies of China and India continue to mature, and the need for more efficient energy sources develops, we anticipate that the demand for alkaline-grade EMD will increase. We expect demand for alkaline-grade EMD to be sustained by the continued growth of consumer electronics devices partly offset by the trend toward smaller battery sizes, rechargeable batteries, and imported batteries.

The market application for rechargeable lithium batteries includes consumer electronics such as cell phones, computers, digital cameras, and increasingly for high-power applications that include power tools, hybrid electric vehicles ( HEVs/EVs ), and interruptible power supplies. There are several competing cathode materials for this fast growing lithium battery segment, with lithium manganese oxide ( LMO ) being one of the leading technologies as utilized in the several electric vehicles.

The main raw material that we use to produce battery materials is manganese ore, which is historically purchased under both multi-year agreements and spot contracts.

*Sodium Chlorate.* The pulp and paper industry accounts for more than 95% of the market demand for sodium chlorate, which uses it to bleach pulp. Although there are other methods for bleaching pulp, we believe the chlorine dioxide process is preferred for environmental reasons. The majority of North American sodium chlorate production capacity is located in Canada due to the availability of lower cost hydroelectric power, which reduces manufacturing costs and, ultimately, product prices. However, we believe that the proximity of domestic sodium chlorate producers to the major domestic pulp and paper producers helps offset the lower-cost power advantage enjoyed by some Canadian sodium chlorate producers, through lower transportation costs.

The primary raw material that Tronox Incorporated uses to produce sodium chlorate is salt, which it purchases under multi-year agreements and spot contracts.

*Boron.* According to publicly reported industry reports, Tronox Incorporated is one of the leading suppliers of boron trichloride, along with Aviabor, Sigma Aldrich, and several Asian manufacturers. We anticipate demand for boron trichloride will remain positive driven primarily by the growth of the semiconductor industry. We believe Tronox Incorporated owns a similar leading position in the elemental boron market. We expect demand for elemental boron will continue to be largely flat following the trends in the defense and automotive industries in the United States.

*Manganese Specialty Products.* Tronox Incorporated also produces several manganese-based specialty products for the primary lithium battery market used in defense, industrial, and medical applications, and has the capability to produce battery materials for the rechargeable lithium ion battery market. We anticipate that demand for Tronox Incorporated's manganese-based specialty materials will develop in-line with general industrial production.

#### **Facilities**

Tronox Incorporated produces electrolytic and other chemical products at three United States facilities, each of which it owns. The following table summarizes Tronox Incorporated's production capacity (in gross tonnes per year) as of December 31, 2011, by location and product:

Facility	Capacity	Product
Hamilton, Mississippi	150,000	Sodium chlorate
Henderson, Nevada	27,000	EMD
Henderson, Nevada	525	Boron products

**End-Use Markets and Applications**

The various markets for the electrolytic and other chemical products are as follows:

<b>Business Application</b>	<b>Sub-Market</b>	<b>Applications</b>
Battery Materials: EMD	Non-rechargeable battery materials	Alkaline batteries for use in flashlights, electronic games, medical and industrial devices
Battery Materials: LMO	Rechargeable battery materials	Lithium batteries used in power tools, HEVs/EVs, laptops and power supplies
Sodium Chlorate	Pulp and paper industry	Pulp bleaching
Boron Trichloride	Specialty gas	Semiconductors, pharmaceuticals, high-performance fibers, specialty ceramics and epoxies
Boron Elemental	Defense, pyrotechnic and air bag industries	Igniter formulations

**Competitive Conditions and Outlook**

*Battery Materials.* The United States primary battery market is the largest in the world, accounting for over one-third of global demand for EMD, and is based on alkaline-grade EMD. According to TZMI, Tronox Incorporated is the largest supplier of EMD to the U.S. market. Other significant producers include Tosoh, Erachem and Delta. The remainder of global capacity is represented by various Chinese producers. The global EMD market is challenged by excess supply that has resulted in successful antidumping determinations in Europe, Japan and the United States that has contributed to improved economics for the industry.

For rechargeable batteries, LMO remains one of the leading cathode materials for Electric Vehicles, power tools and other high-power applications. We project the demand for LMO to significantly increase driven by Electric Vehicles that is expected to be supplied by Nippon Denko, Mitsui, Toda, and other leading Asian LMO materials producers.

*Sodium Chlorate.* According to TZMI, Tronox Incorporated accounts for an estimated 7.0% share of North American sodium chlorate capacity, and we believe it has the third largest plant in North America. Our significant competitors include ERCO, Eka Chemicals, Canexus and Kemira Chemicals. We expect the North American market will remain balanced as the continued rationalization of smaller, less efficient chlorate producers will continue to offset flat to declining demand in pulp and paper manufacturing.

*Boron Products.* We believe that Tronox Incorporated has a substantial share of the installed global capacity for boron trichloride followed by Aviabor, Sigma Aldrich, and several Asian manufacturers. We anticipate the market for boron trichloride will remain positive underpinned by the semiconductor market with new liquid crystal display and 3D TV plants coming online in Asia combined with continued growth of new pharmaceutical drug deliveries. We believe Tronox Incorporated owns a similar leading capacity share in elemental boron. We expect demand will continue to follow the trends in the United States automotive and defense industries.

**Research and Development**

Tronox Incorporated employs scientists, chemists, engineers and skilled technicians to provide the technology (products and processes) for its businesses. Tronox Incorporated's product development personnel have a high level of expertise in the plastics industry and polymer additives, the coatings industry and formulations, surface chemistry, material science, analytical chemistry and particle physics. Among the process

technology development group's highly developed skills are computational fluid dynamics, process modeling, particle growth physics, extractive metallurgy, corrosion engineering and thermodynamics. The majority of scientists supporting Tronox Incorporated's research and development efforts are located in Oklahoma City, Oklahoma. Tronox Incorporated's expenditures for research and development were approximately \$8.7 million, \$0.4 million, \$6.1 million and \$5.0 million for the eleven months ended December 31, 2011, one month ended January 31, 2011 and years ended December 31, 2010 and 2009, respectively.

New process developments are focused on increased throughput, control of particle physical properties and general processing equipment-related issues. Ongoing development of process technology contributes to cost reduction, enhanced production flexibility, increased capacity and improved consistency of product quality.

In 2010, Tronox Incorporated completed development of incremental improvements to two existing coatings grades of TiO<sub>2</sub>. Additionally, progress towards next generation coatings grades was significantly advanced. Further work to optimize organic treatments on TiO<sub>2</sub> grades for plastic applications was carried out. Several plant trials involving process technology modifications have successfully demonstrated increased throughput of product from existing assets.

In 2010, Tronox Incorporated continued development of several new electrolytic and specialty products with the major focus on advanced battery materials. This includes new LMO and lithium manganese grades specially engineered for HEV applications and for advanced rechargeable battery systems.

In 2012, development and commercialization efforts of Tronox Incorporated will be focused on several TiO<sub>2</sub> products that deliver added value to customers by way of enhanced properties of the pigment.

### **Patents and Other Intellectual Property**

Patents held for Tronox Incorporated's products and production processes are important to its long-term success. Tronox Incorporated seeks patent protection for its technology where competitive advantage may be obtained by patenting, and files for broad geographic protection given the global nature of its business. Tronox Incorporated's proprietary TiO<sub>2</sub> technology is the subject of over 200 patents worldwide, the substantial majority of which relate to its chloride products and production technology.

At December 31, 2011, Tronox Incorporated held approximately 216 patents, of which approximately 135 were considered significant to our business. Tronox Incorporated defines significant to its business as patents that are either (1) presently employed in its process or to produce products to its advantage, (2) may not be presently employed by Tronox Incorporated but are defensive to prevent competitors from using the technology to their advantage or (3) patents that are likely to be utilized by Tronox Incorporated in future process or product advancements. Tronox Incorporated's significant patents have expiration dates ranging from 2013 through 2032.

Tronox Incorporated also relies upon and has taken steps to secure its unpatented proprietary technology, know-how and other trade secrets. Tronox Incorporated's proprietary chloride production technology is an important part of its overall technology position. Tronox Incorporated is committed to pursuing technological innovations in order to maintain its competitive position.

### **Employees**

As of December 31, 2011, Tronox Incorporated had 925 employees, with 650 in the United States, 247 in Europe, 21 in Australia and 7 in other international locations. None of Tronox Incorporated's employees in the United States are represented by collective bargaining agreements, and substantially all of its employees in Europe are represented by works councils. We consider relations with Tronox Incorporated's employees to be good. In addition, as of December 31, 2011, the Tiwest Joint Venture had 657 employees, all of whom were located in Australia. Approximately 48% of those employees are represented by collective bargaining agreements. We consider relations with the employees of the Tiwest Joint Venture to be good.

### **Seasonality**

Because TiO<sub>2</sub> is widely used in paint and other coatings, TiO<sub>2</sub> is in higher demand prior to the painting season (spring and summer in the Northern Hemisphere).

### **Government Regulations and Environmental Matters**

#### ***General***

Tronox Incorporated 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 Tronox Incorporated's operations and facilities. At many of our operations, we also comply with worldwide, voluntary standards developed by the International Organization for Standardization ( ISO ), a nongovernmental organization that promotes the development of standards and serves as a bridging organization for quality and environmental standards, such as ISO 9002 for quality management and ISO 14001 for environmental management.

#### ***Chemical Registration***

The European Union adopted a new regulatory framework for chemicals in 2006 known as Registration, Evaluation and Authorization of Chemicals ( REACH ). Manufacturers and importers of chemical substances must register information regarding the properties of their existing chemical substances with the European Chemicals Agency ( ECHA ). The timeline for existing chemical substances to be registered is based on volume and toxicity. The first group of chemical substances was required to be registered in 2010 and the remainder is due to be registered in 2013 and 2018. Tronox Incorporated has registered those products requiring registration by the 2010 deadline. The REACH regulations also require chemical substances which are newly imported or manufactured in the European Union to be registered before being placed on the market. These substances are referred to as non-phase-in substances. Tronox Incorporated is currently working on registration for the non-phase-in substances. Products containing greater than 0.1% of substances determined to be very high concern will be placed on a candidate list for authorization. If safer alternatives for any of these chemical substances on the candidate list exist, then those chemical substances may not be authorized. Tronox Incorporated currently does not have any products that would be placed on the candidate list. We do not expect REACH costs of compliance to be material to our operations at this time.

The United States has chemical regulation under the Environmental Protection Agency (the EPA ) through the Toxic Substances Control Act ( TSCA ). TSCA requires various reporting mechanisms for new and existing chemicals. The EPA announced in 2009 a comprehensive approach to improve the chemicals management program under TSCA. This may result in additional data requirements, testing, restrictions or bans on a chemical substance depending on the risk a chemical may pose. We do not anticipate any costs or actions material to its operation at this time due to these actions. Tronox Incorporated is currently monitoring proposed legislation regarding TSCA and assessing any potential impacts.

#### ***Greenhouse Gas ( GHG ) Regulation***

Tronox Incorporated currently reports and manages GHG emissions as required by law for sites located in areas (European Union/Australia) requiring such managing and reporting. While the United States has not adopted any federal climate change legislation, the EPA has introduced some GHG programs. For example, under the EPA's GHG Tailoring Rule, expansions or new construction could be subject to the Clean Air Act's Prevention of Significant Deterioration requirements. Some of Tronox Incorporated's facilities are currently subject to GHG emissions monitoring and reporting. Changes or additional requirements due to GHG regulations could impact Tronox Incorporated's capital and operating costs. However, it is not possible at the present time to estimate any financial impacts to these U.S. operating sites. Also, some in the scientific community believe that increasing concentrations of GHGs in the atmosphere may result in climatic changes. Depending on the severity

of climatic changes, our operations could be adversely affected. The Tiwest Joint Venture will be subject to a new Australian carbon tax law beginning in 2012, resulting in an estimated \$10.0 million Australian dollar impact annually.

### *Environmental Matters*

A variety of laws and regulations relating to environmental protection affect almost all of Tronox Incorporated's operations. Under these laws, Tronox Incorporated is or may be required to obtain or maintain permits or licenses in connection with its operations. In addition, these laws may require Tronox Incorporated to remove or mitigate the effects on the environment of the disposal or release of chemical, petroleum, low-level radioactive and other substances at its facilities. Operation of pollution-control equipment usually entails additional expense. Some expenditures to reduce the occurrence of releases into the environment may result in increased efficiency; however, most of these expenditures produce no significant increase in production capacity, efficiency or revenue.

Tronox Incorporated is in substantial compliance with applicable environmental rules and regulations. Currently, Tronox Incorporated does not have any outstanding notices of violation or orders from regulatory agencies.

The table below presents environmental related expenditures Tronox Incorporated incurred for the eleven months ended December 31, 2011, and one month ended January 31, 2011, and projections of expenditures for the next two years. While it is difficult to estimate the total direct and indirect costs of government environmental regulations, the table below includes our current estimate of Tronox Incorporated's expenditures for 2012 and 2013.

	Year Ending December 31,		
	2011	Estimate 2012	Estimate 2013
Cash expenditures of environmental reserves	\$ 0.2	\$ 0.1	\$ 0.1
Recurring operating expenses	30.0	32.1	33.0
Environmental capital expenditures associated with ongoing operations	3.6	6.5	7.1

Recurring operating expenses are expenditures related to the maintenance and operation of environmental equipment such as incinerators, waste treatment systems and pollution control equipment, as well as the cost of materials, energy and outside services needed to neutralize, process, handle and dispose of current waste streams at Tronox Incorporated's operating facilities. These operating and capital expenditures are necessary to ensure that ongoing operations are handled in an environmentally safe and effective manner.

From time to time, Tronox Incorporated may be party to a number of legal and administrative proceedings involving environmental matters or other matters in various courts or agencies. These could include proceedings associated with businesses and facilities operated or used by Tronox Incorporated's affiliates and may include claims for personal injuries, property damages, breach of contract, injury to the environment, including natural resource damages, and non-compliance with, or lack of properly updated or renewed, permits. Tronox Incorporated's current operations also involve management of regulated materials and are subject to various environmental laws and regulations.

In accordance with Accounting Standards Codification (ASC) 450, *Contingencies* (ASC 450), and ASC 410, *Asset Retirement and Environmental Obligations* (ASC 410), Tronox Incorporated recognizes a loss and records an undiscounted liability when litigation has commenced or a claim or an assessment has been asserted, or, based on available information, commencement of litigation or assertion of a claim or assessment is probable, and the associated costs can be estimated. It is not possible for Tronox Incorporated to reliably estimate the amount and timing of all future expenditures related to environmental matters because, among other reasons,



environmental laws and regulations, as well as enforcement policies and clean up levels, are continually changing, and the outcome of court proceedings, alternative dispute resolution proceedings (including mediation) and discussions with regulatory agencies is inherently uncertain.

We believe that Tronox Incorporated has reserved adequately for the probable and reasonably estimable costs of known contingencies. There is no environmental litigation, claim or assessment that has been asserted nor is there any probability of an assessment or a claim for which the Company has not recorded a liability. However, additions to the reserves may be required as additional information is obtained that enables us to better estimate our liabilities. We cannot reliably estimate the amount of future additions to the reserves at this time. In certain situations, reserves may be probable but may not be estimable. Additionally, sites may be identified in the future where we could have potential liability for environmental related matters. We would not establish reserves for any such sites. For additional discussion of environmental matters, see Management's Discussion and Analysis of Financial Condition and Results of Operations.

## **Legal Proceedings**

### ***Chapter 11 Proceedings***

On the Petition Date, the Debtors, including Tronox Incorporated, filed voluntary petitions in the Bankruptcy Court seeking reorganization relief under Bankruptcy Code. The Debtors' Chapter 11 cases were consolidated for procedural purposes and were jointly administered under the caption *In re Tronox Incorporated, et al.*, Case No. 09-10156 (ALG) (the Chapter 11 Cases), and the Debtors operated their businesses and managed their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Subsequent to its Chapter 11 filing, Tronox Incorporated recorded its financial position and results of operations in accordance with ASC 852, *Reorganizations* (ASC 852). The financial statements for periods in which Tronox Incorporated was operating under Chapter 11 distinguished transactions and events directly associated with the reorganization from the ongoing operations of the business. Tronox Incorporated recorded reorganization items separately within the operating, investing, and financing categories of the statement of cash flows and disclosed prepetition liabilities subject to compromise separately from those not subject to compromise (such as fully secured liabilities that were expected not to be compromised) and post-petition liabilities on its balance sheet.

On the Confirmation Date, the Bankruptcy Court entered the Confirmation Order confirming the Plan. Material conditions to the Plan, most notably the approval under U.S. federal and applicable state environmental law of the settlement of the Legacy Environmental Liabilities, were resolved during the period from the Confirmation Order through the Effective Date, on which date the Debtors completed their reorganization under the Bankruptcy Code and the Plan became effective. The distribution of securities under the Plan commenced on the Effective Date.

Having resolved the material contingencies related to implementing the Plan, most notably the approval of the settlement of the KM Legacy Liabilities on January 26, 2011 and due to the proximity to Tronox Incorporated's subsequent accounting period, which closed on January 31, 2011, Tronox Incorporated began applying fresh-start accounting and reporting effective as of January 31, 2011. Fresh-start accounting and reporting provisions were applied pursuant to ASC 852, and the financial statements as of February 1, 2011 and for subsequent periods report the results of Tronox Incorporated with no beginning retained earnings or accumulated deficit. Any presentation of Tronox Incorporated after February 1, 2011 represents the financial position and results of operations of the new reporting entity and is not comparable to prior periods presented.

***Reorganization Plan***

Tronox Incorporated reorganized under Chapter 11 of the Bankruptcy Code, which is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11 of the Bankruptcy Code, a debtor may reorganize its business for the benefit of its stakeholders. Completion of a plan of reorganization is the principal objective of a Chapter 11 case. Among other things, the Confirmation Order discharges Tronox Incorporated from any debt arising before the Petition Date, eliminates all of the rights and interests of pre-bankruptcy equity security holders and substitutes the obligations set forth in the Plan for those pre-bankruptcy claims and equity interests.

The reorganization plan was designed to resolve Tronox Incorporated's KM Legacy Liabilities and ensure that Tronox Incorporated emerged from Chapter 11 free of its significant legacy liabilities, sufficiently capitalized and poised for growth. With respect to environmental claims, in exchange for an overall package of value allocated on the Effective Date to certain environmental response trusts and environmental agencies, the holders of environmental claims provided Tronox Incorporated with a release and/or discharge from Legacy Environmental Liabilities from and after the Effective Date. The bankruptcy environmental settlement included covenants protecting Tronox Incorporated from enforcement action by key U.S. governmental agencies and several state and local agencies for owned and many non-owned legacy sites specifically identified by the environmental settlement agreement. With respect to tort claims, in exchange for an overall package of value allocated on the Effective Date to a tort claims trust, the holders of tort claims provided Tronox Incorporated with a release and discharge from legacy tort liability from and after the Effective Date.

As a result of the discharge and/or release of legacy liabilities via the environmental and tort settlements, the Plan preserved the going-concern value of Tronox Incorporated, which was reorganized around its existing operating locations, including: (i) its headquarters facility at Oklahoma City, Oklahoma; (ii) the TiO<sub>2</sub> facilities at Hamilton, Mississippi and Botlek, the Netherlands; (iii) the electrolytic chemical operations at Henderson, Nevada (except that the real property and buildings associated with such business were transferred to an environmental response trust, and Tronox Incorporated is not responsible for environmental remediation related to historic contamination at such site), and Hamilton, Mississippi; and (iv) its interest in the Tiwest Joint Venture in Australia.

To fund cash payments required by the Plan and meet the going-forward operating and working capital needs of the business, Tronox Incorporated relied on a combination of debt financing and new equity investments from certain of its pre-Effective Date creditors. Specifically, Tronox Incorporated completed the following reorganization transactions:

The settlement of government claims related to Tronox Incorporated's pre-bankruptcy Legacy Environmental Liabilities at legacy sites (both owned and non-owned) through the creation of certain environmental response trusts and a litigation trust;

The settlement of private party pre-bankruptcy claims related to Tronox Incorporated's tort liabilities related to legacy sites (both owned and non-owned) through the creation of a tort claims trust and a litigation trust;

Total funded first lien debt of approximately \$470 million at the time of emergence from bankruptcy;

\$185.0 million in new equity investment in Tronox Incorporated raised through a rights offering to certain of Tronox Incorporated's unsecured creditors for an aggregate of 49.1% of the shares of Tronox Incorporated common stock issued on the Effective Date;

The issuance of shares of Tronox Incorporated common stock such that holders of certain allowed unsecured claims received their pro rata share of 50.9% of the shares of Tronox Incorporated common stock issued on the Effective Date; and

The issuance of a package of warrants to existing holders of equity, consisting of two tranches, to purchase their pro rata share of a combined total of 7.5% of the shares of Tronox Incorporated common stock issued on the Effective Date, together with all shares of Tronox Incorporated common stock issuable upon exercise of such warrants.

### ***Germany Insolvency Petition***

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

### ***Hamilton Plant***

The EPA and the Mississippi Department of Environmental Quality conducted a Resource Conservation and Recovery Act Compliance Evaluation Inspection ( RCRA CEI ) at the Hamilton facility during April 2006. In November 2006, the EPA transmitted to the facility a copy of its RCRA CEI Report and Sampling Report, which identified a number of alleged violations of the Mississippi Hazardous Waste Management Regulations. In March 2007, the facility provided a written response to the EPA concerning the alleged violations. In November 2007, the U.S. Department of Justice (the DOJ ) informed Tronox Incorporated that the EPA, Region 4, had referred the alleged violations to the DOJ for civil enforcement. The DOJ filed a proof of claim on behalf of EPA in the bankruptcy seeking civil penalties for the alleged RCRA violations. The claim was settled as a part of the environmental settlement of certain legacy environmental liabilities and pursuant to the Plan, Tronox Incorporated has no ongoing liabilities for this location regarding that claim from and after the Effective Date.

### ***Anadarko Litigation***

In May 2009, Tronox Incorporated and certain of its affiliates filed a lawsuit against Anadarko and Kerr-McGee (a predecessor to Anadarko) asserting a number of claims, including claims for actual and constructive fraudulent conveyance (the Anadarko Claim ). In connection with the Chapter 11 proceedings of Tronox Incorporated, Tronox Incorporated assigned all of the Anadarko Claim to a litigation trust on behalf of the holders of environmental claims and tort claims against Tronox Incorporated, pursuant to a full satisfaction of such claims. Tronox Incorporated has no economic interest in the litigation trust. However, pursuant to the terms of the litigation trust, Tronox Incorporated could continue to be treated as the owner of the Anadarko Claim solely for purposes of federal and state income taxes. Depending on the outcome of the Anadarko Claim, it is possible that Tronox Incorporated will receive the benefit of certain tax deductions that would result if the Anadarko Claim is resolved successfully and the proceeds of such Claim are used as contemplated under the terms of the litigation trust.

### **Item 1A. Risk Factors.**

*An investment in our securities involves a high degree of risk. An investor should carefully consider the risks described below as well as other information contained in this registration statement. The risks and uncertainties described below are not the only ones we face. We have included certain risk factors related to the Transaction in the S-4 Registration Statement, which is incorporated by reference herein. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our securities could decline and an investor may lose all or part of his or her investment. Certain statements in the following risk factors constitute forward-looking statements. See Cautionary Note Regarding Forward-Looking Statements.*

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***Tronox Incorporated's financial information following its emergence from bankruptcy is not comparable to Tronox Incorporated's financial information from prior periods.***

Effective as of January 31, 2011, as a result of Tronox Incorporated's emergence from bankruptcy, Tronox Incorporated has applied fresh-start accounting. As a result of fresh-start accounting, the accumulated deficit was eliminated and Tronox Incorporated's reorganization value, which represents estimates of the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for the assets of the entity immediately after the reorganization, was allocated to the fair value of assets. In addition to fresh-start accounting, Tronox Incorporated's consolidated financial statements reflect all effects of the transactions contemplated by its reorganization plan. Thus, Tronox Incorporated's balance sheets and statements of operations data post-emergence are not comparable in many respects to its consolidated balance sheets and consolidated statements of operations data for periods prior to the application of fresh-start accounting and prior to accounting for the effects of the reorganization.

***Market conditions, global and regional economic downturns, cyclical factors and risks associated with TiO<sub>2</sub> that adversely affect the demand for the end-use products that contain Tronox Incorporated's TiO<sub>2</sub> could adversely affect the profitability of Tronox Incorporated's operations and the prices at which Tronox Incorporated can sell its products, negatively impacting its financial results.***

The majority of Tronox Incorporated's revenue has come from the sale of TiO<sub>2</sub> (85.5% in 2011, 82.3% in 2010 and 81.2% in 2009). TiO<sub>2</sub> is a chemical used in many quality-of-life products for which demand historically has been linked to Global GDP and discretionary spending, which can be negatively impacted by regional and world events or economic conditions generally, such as terrorist attacks, the incidence or spread of contagious diseases or other economic, political or public health or safety conditions. Events such as these are likely to cause a decrease in demand for Tronox Incorporated's products and, as a result, may have an adverse effect on Tronox Incorporated's results of operations and financial condition. Historically, demand for TiO<sub>2</sub> decreased in 2008 and 2009 due to the worldwide financial crisis, following several years of increasing growth, resulting in lower prices and reduced production by the major producers. The increase in demand during 2010 and 2011 has resulted in increasing prices of TiO<sub>2</sub> and titanium feedstock, which have been further bolstered by the reduced availability of titanium feedstock.

The future profitability of Tronox Incorporated's operations, and cash flows generated by those operations, also will be affected by the available supply of its products in the market, such as TiO<sub>2</sub> pigment, feedstock and zircon.

Additionally, the demand for TiO<sub>2</sub> during a given year is subject to seasonal fluctuations. TiO<sub>2</sub> sales are generally higher in the second and third quarters of the year primarily due to the increase in paint production to meet demand resulting from the spring and summer painting season in North America and Europe. Tronox Incorporated may be adversely affected by existing or future cyclical changes, and such conditions may be sustained or further aggravated by anticipated or unanticipated changes in regional weather conditions. For example, poor weather conditions in a region can lead to an abbreviated painting season, which can depress consumer sales of paint products that use TiO<sub>2</sub>.

Tronox Incorporated does not currently enter into commodity derivatives or hedging arrangements on its future production, so it is exposed to the impact of any significant decrease in the price of its products.

***Tronox Incorporated's results of operations may be adversely affected by fluctuations in currency exchange rates.***

The financial condition and results of operations of Tronox Incorporated's operating entities in the Netherlands and Australia are reported in various foreign currencies and then converted into U.S. dollars at the applicable exchange rate for inclusion in Tronox Incorporated's financial statements. As a result, any volatility of the U.S. dollar against these foreign currencies creates uncertainty for and may have a negative impact on reported sales and operating margin.

In addition, operating entities often need to convert currencies they receive for their products into currencies in which they purchase raw materials or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. Because Tronox Incorporated has significant operations in Europe, it is exposed primarily to fluctuations in the Euro.

Tronox Incorporated from time to time has sought to minimize its foreign currency risk by engaging in hedging transactions. However, Tronox Incorporated may be unable to effectively manage its foreign currency risk, and any volatility in foreign currency exchange rates may have a material effect on its financial condition or results of operations.

***Tronox Incorporated's operations may be negatively impacted by inflation.***

Tronox Incorporated's operations have been materially affected by inflation in the countries in which it operates in recent years, as shown by the average inflation rates over the periods indicated in the table below for the United States and Australia.

	2008-2009	2009-2010	2010-2011
United States	(0.4)%	1.6%	3.2%
Australia	2.1%	2.7%	3.1%

Tronox Incorporated's profits and financial condition could be adversely affected when cost inflation is not offset by devaluation in operating currencies or an increase in the price of its products.

***Tronox Incorporated's industry and the end-use markets in which it competes are highly competitive. This competition may adversely affect Tronox Incorporated's results of operations and operating cash flows.***

Each of the markets in which Tronox Incorporated competes is highly competitive. Competition is based on a number of factors such as price, product quality and service. Tronox Incorporated faces significant competition from major international and smaller regional competitors. Tronox Incorporated's most significant competitors include major chemical and materials manufacturers and diversified companies, a number of which have substantially larger financial resources, greater personnel and larger facilities than Tronox Incorporated does. The additional resources, greater personnel and larger facilities of such competitors may give them a competitive advantage when responding to market conditions and capitalizing on operating efficiencies. Increased competition or an oversupply in the market could result in reduced sales, which could adversely affect Tronox Incorporated's profitability and operating cash flows. An increased availability of supply, which results in a decrease in product prices below Tronox Incorporated's cash cost of production for any sustained period, may lead to losses and require Tronox Incorporated to curtail or suspend certain operations.

In addition, within the end-use markets in which Tronox Incorporated competes, competition between products is intense. Tronox Incorporated faces substantial risk that certain events, such as new product development by competitors, changing customer needs, production advances for competing products or price changes in raw materials, could cause Tronox Incorporated's customers to switch to its competitors' products. If Tronox Incorporated is unable to develop and produce or market its products to compete effectively against its competitors following such events, its results of operations and operating cash flows may suffer.

***Third parties may develop new intellectual property rights for processes and/or products that Tronox Incorporated would want to use, but would be unable to do so; or, third parties may claim that the products Tronox Incorporated makes or the processes that Tronox Incorporated uses infringe their intellectual property rights, which may cause Tronox Incorporated to pay unexpected litigation costs or damages or prevent Tronox Incorporated from making, using or selling products it makes or require alteration of the processes it uses.***

Although there are currently no known pending or threatened proceedings or claims relating to alleged infringement, misappropriation or violation of the intellectual property rights of others, Tronox Incorporated may be subject to legal proceedings and claims in the future in which third parties allege that their patents or other

intellectual property rights are infringed, misappropriated or otherwise violated by Tronox Incorporated or its products or processes. In the event that any such infringement, misappropriation or violation of the intellectual property rights of others is found, Tronox Incorporated may need to obtain licenses from those parties or substantially re-engineer its products or processes to avoid such infringement, misappropriation or violation. Tronox Incorporated might not be able to obtain the necessary licenses on acceptable terms or be able to re-engineer its products or processes successfully. Moreover, if Tronox Incorporated is found by a court of law to infringe, misappropriate or otherwise violate the intellectual property rights of others, it could be required to pay substantial damages or be enjoined from making, using or selling the infringing products or technology. Tronox Incorporated also could be enjoined from making, using or selling the allegedly infringing products or technology pending the final outcome of the suit. Any of the foregoing could adversely affect Tronox Incorporated's financial condition and results of operations.

Results of Tronox Incorporated's operations may also be negatively impacted if a competitor develops or has the right to use intellectual property rights for new processes or products and Tronox Incorporated cannot obtain similar rights on favorable terms and is unable to independently develop non-infringing competitive alternatives.

***If Tronox Incorporated's intellectual property were compromised or copied by competitors, or if competitors were to develop similar intellectual property independently, its results of operations could be negatively affected.***

Tronox Incorporated's success depends to a significant degree upon its ability to protect and preserve its intellectual property rights. Although Tronox Incorporated owns and has applied for numerous patents and trademarks throughout the world, Tronox Incorporated may have to rely on judicial enforcement of its patents and other proprietary rights. Tronox Incorporated's patents and other intellectual property rights may be challenged, invalidated, circumvented, and rendered unenforceable or otherwise compromised. A failure to protect, defend or enforce Tronox Incorporated's intellectual property could have an adverse effect on its financial condition and results of operations.

Tronox Incorporated also relies upon unpatented proprietary technology, know-how and other trade secrets to maintain its competitive position. While Tronox Incorporated maintains policies to enter into confidentiality agreements with its employees and third parties to protect its proprietary expertise and other trade secrets, these agreements may not be enforceable or, even if legally enforceable, Tronox Incorporated may not have adequate remedies for breaches of such agreements. Tronox Incorporated also may not be able to readily detect breaches of such agreements. The failure of Tronox Incorporated's patents or confidentiality agreements to protect its proprietary technology, know-how or trade secrets could result in significantly lower revenues, reduced profit margins or loss of market share.

In addition, Tronox Incorporated may be unable to determine when third parties are using its intellectual property rights without its authorization. Tronox Incorporated also has licensed certain of its intellectual property rights to third parties, and Tronox Incorporated cannot be certain that its licensees are using its intellectual property only as authorized by the applicable license agreement. The undetected or unremedied unauthorized use of Tronox Incorporated's intellectual property rights or the legitimate development or acquisition of intellectual property related to its industry by third parties could reduce or eliminate any competitive advantage Tronox Incorporated has as a result of its intellectual property, adversely affecting its financial condition and results of operations. If Tronox Incorporated must take legal action to protect, defend or enforce its intellectual property rights, any suits or proceedings could result in significant costs and diversion of Tronox Incorporated's resources and its management's attention, and it may not prevail in any such suits or proceedings. A failure to protect, defend or enforce Tronox Incorporated's intellectual property rights could have an adverse effect on its financial condition and results of operations.

## Operational Risks

*Given the nature of Tronox Incorporated's chemical operations, Tronox Incorporated faces a material risk of liability, delays and increased cash costs of production from environmental and industrial accidents and operational breakdowns.*

Tronox Incorporated's businesses involve significant risks and hazards, including environmental hazards, industrial accidents and breakdowns of equipment and machinery. Tronox Incorporated's business is exposed to hazards associated with chemical manufacturing and the related storage, handling and transportation of raw materials, products and wastes. The occurrence of any of these or other hazards could delay production, suspend operations, increase repair, maintenance or medical costs and could have an adverse effect on the productivity and profitability of a particular manufacturing facility or on Tronox Incorporated as a whole.

There is also a risk that Tronox Incorporated's key raw materials or its products may be found to have currently unrecognized toxicological or health-related impact on the environment or on its customers or employees. Such hazards may cause personal injury and loss of life, damage to property and contamination of the environment, which could lead to government fines or work stoppage injunctions and lawsuits by injured persons. If such actions are determined to be adverse to Tronox Incorporated, it may have inadequate insurance to cover such claims, or it may have insufficient cash flow to pay for such claims. Such outcomes could adversely affect Tronox Incorporated's financial condition and results of operations.

*Tronox Incorporated's insurance coverage may prove inadequate to satisfy future claims against it.*

Tronox Incorporated maintains third-party property, business interruption, casualty and terrorism insurance, with deductibles that are believed to be in accordance with customary industry practices, but Tronox Incorporated is not fully insured against all potential hazards incident to its businesses, including losses resulting from natural disasters or terrorist acts and those related to past activities for which it may not have an adequate indemnification or contribution remedy. In addition, insurance may not be available in the future at economically acceptable premiums. As a result, if Tronox Incorporated were to incur a significant liability for which it was not fully insured, it might not be able to finance the amount of the uninsured liability on terms acceptable to it or at all, and might be obligated to divert a significant portion of its cash flow from normal business operations.

*Fluctuations in costs of Tronox Incorporated's raw materials or its access to supplies of its raw materials could have an adverse effect on its results of operations and financial condition.*

In 2011, raw materials used in Tronox Incorporated's production of TiO<sub>2</sub> constituted approximately 34.9% of its operating expenses. Fuel and energy linked to commodities, such as diesel, heavy fuel oil, and coal, and other consumables, such as chlorine, illuminating paraffin, electrodes and anthracite, consumed in Tronox Incorporated's manufacturing and mining operations form an important part of its operating costs. Tronox Incorporated will have no control over the costs of these consumables, many of which are linked to some degree to the price of oil and coal, and the costs of many of these raw materials may fluctuate widely for a variety of reasons, including changes in availability, major capacity additions or reductions or significant facility operating problems. These fluctuations could negatively affect Tronox Incorporated's operating margins and its profitability. As these costs rise, Tronox Incorporated's operating expenses will increase and could adversely affect its business, especially if it is unable to pass price increases in raw materials through to its customers.

Over the last several years TiO<sub>2</sub> prices have risen dramatically while titanium feedstock prices have risen less. Therefore, our margins have expanded significantly. This may result in customers curtailing purchases, or developing substitute or vertically integrating themselves.

***The capacity and cost of transportation facilities, as well as transportation delays and interruptions, could adversely affect Tronox Incorporated's ability to supply titanium feedstock to its pigment operations and its products to its customers.***

Tronox Incorporated's ability to sell TiO<sub>2</sub> pigment, zircon and other products depends primarily upon road transport, third-party rail systems, ports, storage and container shipping. Increases in transportation costs or a lack of sufficient trucking, rail or cargo vessel or container capacity could make Tronox Incorporated's products less competitive than those produced by other companies. Tronox Incorporated has no control over those logistical factors which effect transport efficiency, such as the condition of the roads or the quality of ports from which its products are exported, and alternative transportation and delivery systems generally are inadequate or unsuitable to handle the quantity of Tronox Incorporated's shipments and to ensure timely delivery. If Tronox Incorporated is unable to obtain road, rail, sea or other transportation services, or to do so on a cost-effective basis, its business and growth strategy would be adversely affected.

***If Tronox Incorporated is unable to innovate and successfully introduce new products, or new technologies or processes reduce the demand for its products or the price at which it can sell products, its profitability could be adversely affected.***

Tronox Incorporated's industries and the end-use markets into which it sells its products experience periodic technological change and product improvement. Tronox Incorporated's future growth will depend on its ability to gauge the direction of commercial and technological progress in key end-use markets and on its ability to fund and successfully develop, manufacture and market products in such changing end-use markets. Tronox Incorporated must continue to identify, develop and market innovative products or enhance existing products on a timely basis to maintain its profit margins and its competitive position. Tronox Incorporated may be unable to develop new products or technology, either alone or with third parties, or license intellectual property rights from third parties on a commercially competitive basis. If Tronox Incorporated fails to keep pace with the evolving technological innovations in its end-use markets on a competitive basis, its financial condition and results of operations could be adversely affected.

In addition, new technologies or processes have the potential to replace or provide lower-cost alternatives to Tronox Incorporated's products, such as new processes that reduce TiO<sub>2</sub> in consumer products or the use of chloride slag in the production of TiO<sub>2</sub> pigment, which could result in TiO<sub>2</sub> pigment producers using less chloride slag, or to reduce the need for TiO<sub>2</sub> pigment in consumer products, which could depress the demand and pricing for TiO<sub>2</sub> pigment. We cannot predict whether technological innovations will, in the future, result in a lower demand for its products or affect the competitiveness of its business. Tronox Incorporated may be required to invest significant resources to adapt to changing technologies, markets and competitive environments.

***Implementing a new enterprise resource planning system could interfere with Tronox Incorporated's business or operations and could adversely impact its financial position, results of operations and cash flows.***

Tronox Incorporated is in the process of implementing a new enterprise resource planning system. This project requires significant investment of capital and human resources, the re-engineering of many processes of Tronox Incorporated's business, and the attention of many employees who would otherwise be focused on other aspects of its business. Any disruptions, delays or deficiencies in the design and implementation of this new system could potentially result in higher costs than Tronox Incorporated had anticipated and could adversely affect Tronox Incorporated's ability to provide services to its customers and vendors, file reports with regulatory agencies in a timely manner, manage its internal controls or otherwise operate its business. Any of these consequences could have an adverse effect on Tronox Incorporated's results of operations and financial condition.



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***Tronox Incorporated competes with other mining and chemical businesses for key human resources in the countries in which it operates, and its business will suffer if it is unable to hire highly skilled employees or if its key officers or employees discontinue employment with Tronox Incorporated.***

Tronox Incorporated competes with other chemical and mining companies, and other companies generally, in the countries in which it operates to attract and retain key human resources at all levels with the appropriate technical skills and operating and managerial experience necessary to continue operating and expand its businesses. These operations use modern techniques and equipment and accordingly require various types of skilled workers. The success of Tronox Incorporated's business is materially dependent upon the skills, experience and efforts of its key officers and skilled employees. The global shortage of key mining skills, including geologists, mining engineers, metallurgists and skilled artisans, has been exacerbated by increased mining activity across the globe. Despite various initiatives, Tronox Incorporated may not be able to attract and retain skilled and experienced employees. Should Tronox Incorporated lose any of its key personnel or fail to attract and retain key qualified personnel or other skilled employees, its business may be harmed and its operational results and financial condition could be affected.

***The labor and employment laws in many jurisdictions in which Tronox Incorporated operates are more onerous than in the United States; and some of Tronox Incorporated's labor force has substantial works council or trade union participation, which creates a risk of disruption from labor disputes and new law affecting employment policies.***

Following completion of the Transaction, a majority of Tronox Incorporated's employees will be located outside the United States. In most of those countries, labor and employment laws are more onerous than in the United States and, in many cases, grant significant job protection to employees, including rights on termination of employment.

Labor costs constituted 12.7% of Tronox Incorporated's TiO<sub>2</sub> production costs (excluding depreciation). Some of Tronox Incorporated's employees in the Netherlands are represented by a works council by law, which subjects Tronox Incorporated to employment arrangements very similar to collective bargaining agreements.

Tronox Incorporated is required to consult with and seek the consent or advice of various employee groups or works councils that represent its employees for any changes to its activities or employee benefits. This requirement could have a significant impact on its flexibility in managing costs and responding to market changes.

## **Regulatory Risks**

***Violations or noncompliance with the extensive environmental, health and safety laws and regulations to which Tronox Incorporated is subject or changes in laws or regulations governing Tronox Incorporated's operations could result in unanticipated loss or liability.***

Tronox Incorporated's operations and production facilities are subject to extensive environmental and health and safety laws and regulations at national, international and local levels in numerous jurisdictions relating to pollution, protection of the environment, transporting and storing raw materials and finished products and storing and disposing of hazardous wastes, as discussed under Item 1. Business Government Regulations and Environmental Matters. The costs of compliance with the extensive environmental, health and safety laws and regulations to which Tronox Incorporated is subject or the inability to obtain, update or renew permits required for operation or expansion of its business could reduce its profitability or otherwise adversely affect its business. Tronox Incorporated may in the future incur substantial costs, including fines, damages, criminal or civil sanctions and remediation costs, or experience interruptions in its operations, for violations arising under these laws and regulations. In the event of a catastrophic incident involving any of the raw materials Tronox Incorporated uses or chemicals or mineral products it produces, Tronox Incorporated could incur material costs as a result of addressing the consequences of such event.

Changes to existing laws governing Tronox Incorporated's operations, especially changes in laws relating to transportation of mineral resources, the treatment of land and infrastructure, the remediation of mines, tax royalties, exchange control restrictions, environmental remediation, mineral rights, ownership of mining assets or the rights to prospect and mine may have a material adverse effect on Tronox Incorporated's future business, operations and financial performance. There is risk that onerous conditions may be attached to authorizations in the form of mining rights, miscellaneous licenses and environmental approvals or that the grant of these approvals may be delayed or not granted.

While Tronox Incorporated received a discharge and/or release for its significant legacy environmental and tort liabilities upon emergence from the Chapter 11 cases, from time to time Tronox Incorporated may be party to a number of legal and administrative proceedings involving environmental and other matters in various courts and before various agencies. These could include proceedings associated with facilities owned, operated or used by Tronox Incorporated, and may include claims for personal injuries, property damages and injury to the environment, including natural resource damages and non-compliance with permits. Any determination that one or more of Tronox Incorporated's key raw materials or products has, or is characterized as having, a toxicological or health-related impact on its environment, customers or employees could subject Tronox Incorporated to additional legal claims. These proceedings and any such additional claims may be costly and may require a substantial amount of management attention, which may have an adverse effect on Tronox Incorporated's financial condition and results of operations.

Tronox Incorporated's current operations involve the production and management of regulated materials that are subject to various environmental laws and regulations and are dependent on the periodic renewal of permits from various governmental agencies. The inability to obtain, update or renew permits related to the operation of Tronox Incorporated's business, or the costs required in order to comply with permit standards, could have a material adverse affect on Tronox Incorporated. No significant difficulties in obtaining such permits are anticipated at this time.

If Tronox Incorporated fails to comply with the conditions of its permits governing the production and management of regulated materials, mining licenses or leases or the provisions of the applicable law, these permits, mining licenses or leases could be cancelled or suspended, and Tronox Incorporated could be prevented from obtaining new mining and prospecting rights, which could materially and adversely affect Tronox Incorporated's business, operating results and financial condition. In addition, if Tronox Incorporated is unable to obtain or maintain necessary permits, authorizations or agreements to prospect or mine or to implement planned projects or continue its operations under conditions or within timeframes that make such operations economically viable, Tronox Incorporated's operational results and financial condition could be adversely affected.

## **Item 2. Financial Information.**

The following table sets forth selected historical financial data of Tronox Incorporated as of the dates and for the periods indicated. The statement of operations and balance sheet data, as of and for the eleven months ended December 31, 2011, one month ended January 31, 2011 and years ended December 31, 2010, 2009 and 2008, have been derived from Tronox Incorporated's audited Consolidated Financial Statements included in Item 13 of this registration statement.

Tronox Incorporated is unable to prepare financial statements for 2007 in accordance with GAAP without unreasonable effort and expense. As discussed in Note 5 to Tronox Incorporated's audited Consolidated Financial Statements, in May 2009, Tronox Incorporated filed a Form 8-K under Item 4.02 indicating that its previously issued financial statements could no longer be relied upon because Tronox Incorporated failed to establish adequate environmental and other contingent reserves as required by applicable accounting pronouncements. The financial statements affected by this disclosure are Tronox Incorporated's previously issued financial statements for the year ended December 31, 2007, along with the financial information for the first three quarters of 2008. Tronox Incorporated has not restated periods prior to January 1, 2008, as it does not

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believe the errors discussed below are material to current or future investors. See Notes 1 and 5 to Tronox Incorporated's audited Consolidated Financial Statements included in Item 13 of this registration statement for additional information. As such, Tronox Incorporated requested from the SEC, and subsequently received, permission to exclude selected financial information in the table below for 2007.

This information should be read in conjunction with Tronox Incorporated's audited Consolidated Financial Statements (including the notes thereto) and Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Successor	One	Predecessor		
	Eleven Months Ended December 31, 2011	Month Ended January 31, 2011	2010	2009	2008
(Millions of dollars, except per share data)					
<b>Statement of Operations Data:</b>					
Net Sales	\$ 1,543.4	\$ 107.6	\$ 1,217.6	\$ 1,070.1	\$ 1,245.8
Cost of goods sold	(1,104.5)	(82.3)	(996.1)	(931.9)	(1,133.4)
Gross Margin	438.9	25.3	221.5	138.2	112.4
Selling, general and administrative expenses	(151.7)	(5.4)	(59.2)	(71.7)	(114.1)
Litigation/arbitration settlement	9.8				
Gain on land sales				1.0	25.2
Impairment of long-lived assets (1)				(0.4)	(24.9)
Restructuring charges (2)				(17.3)	(9.6)
Net loss on deconsolidation of subsidiary				(24.3)	
Provision for environmental remediation and restoration, net of reimbursement (3)	4.5		47.3		(72.9)
Income (Loss) from Operations	301.5	19.9	209.6	25.5	(83.9)
Interest and debt expense (4)	(30.0)	(2.9)	(49.9)	(35.9)	(53.9)
Gain on liquidation of subsidiary (5)			5.3		
Other income (expense)	(9.8)	1.6	(13.6)	(10.3)	(9.5)
Reorganization income (expense)		613.6	(144.8)	(9.5)	
Income (Loss) from Continuing Operations before Income Taxes	261.7	632.2	6.6	(30.2)	(147.3)
Income tax benefit (provision)	(20.2)	(0.7)	(2.0)	1.5	1.8
Income (Loss) from Continuing Operations	241.5	631.5	4.6	(28.7)	(145.5)
Income (Loss) from discontinued operations, net of income tax benefit (provision) (6)		(0.2)	1.2	(9.8)	(189.4)
Net Income (Loss)	\$ 241.5	\$ 631.3	\$ 5.8	\$ (38.5)	\$ (334.9)
Earnings (Loss) from Continuing Operations per Common Share:					
Basic	\$ 16.12	\$ 15.29	\$ 0.11	\$ (0.70)	\$ (3.55)
Diluted	\$ 15.46	\$ 15.25	\$ 0.11	\$ (0.70)	\$ (3.55)
<b>Balance Sheet Data</b>					
Working Capital (7)	\$ 488.1	\$ 458.2	\$ 483.4	\$ 488.7	\$ (246.7)
Property, plant and equipment, net (1)	554.5	317.5	315.5	313.6	347.3
Total assets	\$ 1,657.4	\$ 1,090.5	\$ 1,097.9	\$ 1,117.8	\$ 1,044.5
Noncurrent liabilities					
Long-term debt (7)	\$ 421.4	\$ 420.7	\$ 420.7	\$ 423.3	\$
Environmental remediation and/or restoration (8)	0.5	0.6	0.6	0.3	546.0
All other noncurrent liabilities	274.5	268.8	154.0	50.0	125.4
Total liabilities	\$ 905.1	\$ 848.0	\$ 827.6	\$ 682.6	\$ 1,642.0

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Liabilities subject to compromise	\$	\$ 896.7	\$ 900.3	\$ 1,048.4	\$
Total stockholders' equity	\$ 752.3	\$ (654.2)	\$ (630.0)	\$ (613.2)	\$ (597.5)
<b>Supplemental Information:</b>					
Depreciation and amortization expense	\$ 79.1	\$ 4.1	\$ 50.1	\$ 53.1	\$ 75.7
Capital expenditures	\$ 132.9	\$ 5.5	\$ 45.0	\$ 24.0	\$ 34.3
EBITDA (9)	\$ 370.8	\$ 639.0	\$ 107.8	\$ 49.0	\$ (207.1)
Adjusted EBITDA (9)	\$ 468.3	\$ 24.3	\$ 203.1	\$ 141.5	\$ 99.3

- (1) In 2008, Tronox Incorporated recorded impairment charges for long-lived assets of approximately \$3.3 million related to Savannah, Georgia, and approximately \$21.6 million related to Botlek, the Netherlands. See Management's Discussion and Analysis of Financial Condition and Operations Critical Accounting Policies for further discussion of Tronox Incorporated's impairment testing methodology.
- (2) Restructuring charges in 2009 were primarily the result of the idling of Tronox Incorporated's Savannah plant. Restructuring charges in 2008 resulted primarily from work force reduction programs, along with asset retirement obligation adjustments.
- (3) In 2010, Tronox Incorporated recorded receivables from its insurance carrier related to environmental clean-up obligations at the Henderson facility. Due to the accounting for the KM Legacy Liabilities, as described in Notes 1 and 5 to the annual Consolidated Financial Statements, the obligation for this clean-up work had been recorded in 2008 and prior years. For further details, see Notes 2 and 3 to the annual Consolidated Financial Statements.
- (4) Excludes \$2.8 million, \$33.3 million, \$32.1 million and nil in the one month ended January 31, 2011 and the years ended December 31, 2010, 2009 and 2008, respectively, that would have been payable under the terms of the 9.5% senior unsecured notes.
- (5) The liquidation of certain holding companies resulted in a non-cash net gain resulting from the realization of cumulative translation adjustments.
- (6) See Note 20 to the annual Consolidated Financial Statements included in this registration statement for further information on Income (loss) from discontinued operations.
- (7) Working capital is defined as the excess (deficit) of current assets over current liabilities. Due to Tronox Incorporated's financial condition, the entire balance of its outstanding debt of \$562.8 million was classified as current obligations as of December 31, 2008, resulting in long-term debt having a balance of nil and working capital being negative. In 2009, the \$350.0 million senior unsecured notes were reclassified to Liabilities Subject to Compromise.
- (8) As a result of the bankruptcy filing and the KM Legacy Liability accounting, as described in Note 1 to the annual Consolidated Financial Statements, environmental remediation and/or restoration liabilities were reclassified to Liabilities Subject to Compromise in 2009.
- (9) EBITDA represents net income (loss) before net interest expense, income tax benefit (provision), and depreciation and amortization expense. Adjusted EBITDA represents EBITDA as further adjusted to reflect the items set forth in the table below.

EBITDA and Adjusted EBITDA, which are used by management to measure performance, are non-GAAP financial measures. Management believes that EBITDA and Adjusted EBITDA are useful to investors, as EBITDA is commonly used in the industry as a means of evaluating operating performance and Adjusted EBITDA is used in our debt instruments to determine compliance with financial covenants. Both EBITDA and Adjusted EBITDA are included as a supplemental measure of our operating performance because they eliminate items that have less bearing on operating performance and highlight trends in the core business that may not otherwise be apparent when relying solely on GAAP financial measures. In addition, Adjusted EBITDA is one of the primary measures management uses for planning and budgeting processes and to monitor and evaluate financial and operating results. EBITDA and Adjusted EBITDA are not recognized terms under GAAP and do not purport to be an alternative to measures of our financial performance as determined in accordance with GAAP, such as net income (loss). Because other companies may calculate EBITDA and Adjusted EBITDA differently than we do, EBITDA may not be, and Adjusted EBITDA as presented herein is not, comparable to similarly titled measures reported by other companies.

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The following table reconciles net income (loss) to EBITDA and Adjusted EBITDA for the periods presented:

	Successor Eleven Months Ended December 31, 2011	One Month Ended January 31, 2011	Predecessor Year Ended December 31,		
			2010	2009	2008
	(Millions of dollars)				
Net income (loss)	\$ 241.5	\$ 631.3	\$ 5.8	\$ (38.5)	\$ (334.9)
Interest and debt expense	30.0	2.9	49.9	35.9	53.9
Income tax provision (benefit)	20.2	0.7	2.0	(1.5)	(1.8)
Depreciation and amortization expense	79.1	4.1	50.1	53.1	75.7
<b>EBITDA</b>	<b>370.8</b>	<b>639.0</b>	<b>107.8</b>	<b>49.0</b>	<b>(207.1)</b>
Reorganization expense associated with bankruptcy (a)		45.5	144.8	13.0	
Gain on fresh-start accounting		(659.1)			
Noncash gain on liquidation of subsidiary	(0.2)		(5.3)		
Provision for environmental remediation and restoration, net of reimbursements (b)	(4.5)		(47.3)		72.9
(Income) loss from discontinued operations		0.2	(1.2)	9.8	189.4
Restructuring costs not associated with the bankruptcy					13.5
Pension and post retirement settlement/curtailments				10.0	26.2
Gain on sale of assets				(1.0)	(25.2)
Impairment charges (d)				0.4	24.9
Unusual or non-recurring items (e)				24.3	
Litigation settlement	(9.8)				
Plant closure costs		0.1	1.3	24.5	
Fresh-start inventory mark-up	35.5				
Stock-based compensation	13.8		0.5	0.2	0.5
Foreign currency remeasurement	7.3	(1.3)	11.8	15.1	(6.8)
Transaction costs, registration rights penalty and financial statement costs (f)	39.2				
Other items (g)	16.2	(0.1)	(9.3)	(3.8)	11.0
<b>Adjusted EBITDA</b>	<b>\$ 468.3</b>	<b>\$ 24.3</b>	<b>\$ 203.1</b>	<b>\$ 141.5</b>	<b>\$ 99.3</b>

- (a) Tronox Incorporated incurred costs related to the Chapter 11 bankruptcy proceedings. These items include cash and non-cash charges related to contract terminations, prepetition obligations, debtor-in-possession financing costs, legal and professional fees.
- (b) In 2010, Tronox Incorporated recorded receivables from its insurance carrier related to environmental clean-up obligations at the Henderson facility. Due to the accounting for the KM Legacy Liabilities, as described in Notes 1 and 5 to the annual Consolidated Financial Statements, the obligation for this clean-up work had been recorded in 2008 and prior years.
- (c) Restructuring costs in 2008 resulted primarily from work force reduction programs along with asset retirement obligation adjustments.
- (d) In 2008, Tronox Incorporated recorded impairment charges for long-lived assets of approximately \$3.3 million related to Savannah, Georgia, and approximately \$21.6 million related to Botlek, the Netherlands. See Management's Discussion and Analysis of Financial Condition and Operations Critical Accounting Policies for further discussion of our impairment testing methodology.
- (e) The 2009 amount represents the net loss on deconsolidation of Tronox Incorporated's German subsidiaries.

- (f) Transaction costs and financial statement restatement costs include expenses related to the Transaction of \$20.2 million, the registration rights penalty of \$2.0 million, fresh-start accounting fees of \$2.5 million, costs associated with restating Tronox Incorporated's environmental reserves of \$5.1 million and the auditing of the historical financial statements of \$3.5 million. Costs associated with the Transaction include professional fees related to due diligence and transaction advice as well as investment banking fees. Additionally, Tronox Incorporated incurred legal fees associated with the exit from bankruptcy and the Transaction of \$5.9 million.
- (g) Includes noncash pension and postretirement healthcare costs and accretion expense.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis should be read in conjunction with the information contained in the audited annual Consolidated Financial Statements for Tronox Incorporated for the eleven months ended December 31, 2011, one month ended January 31, 2011 and years ended December 31, 2010 and 2009 and the related notes thereto included in Item 13 of this registration statement. This discussion 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. See Cautionary Note Regarding Forward-Looking Statements.*

*This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain financial measures, in particular the presentation of Income (Loss) from Operations, which are not presented in accordance with GAAP. These non-GAAP financial measures are being presented because they provide Tronox Incorporated and readers of this registration statement with additional insight into Tronox Incorporated's operational performance relative to earlier periods and relative to its competitors. We do not intend for these non-GAAP financial measures to be a substitute for any GAAP financial information. Readers of this registration statement should use these non-GAAP financial measures only in conjunction with the comparable GAAP financial measures. Reconciliations of Income (Loss) from Operations to Income (Loss) from Continuing Operations, the most comparable GAAP measure, are provided in this proxy statement/prospectus.*

**General**

Tronox Incorporated is one of the leading producers and marketers of TiO<sub>2</sub> by capacity, which is used in consumer products such as paint, plastic and certain specialty products. Tronox Incorporated is one of the few TiO<sub>2</sub> manufacturers with global operations having production facilities and sales and marketing presence in the Americas, Europe and the Asia-Pacific regions.

Tronox Incorporated operates chloride process TiO<sub>2</sub> production facilities in Hamilton, Mississippi; Botlek, the Netherlands; and Kwinana, Western Australia. The Hamilton, Mississippi facility is the third largest plant of its kind and the Kwinana Facility is a fully integrated facility that is part of the Tiwest Joint Venture. In connection with the Transaction, the Tiwest Joint Venture will become a wholly-owned business of Tronox Incorporated. The joint venture is an integral aspect of our operations due to its backward integration into titanium ore raw materials. See the discussion of the Tiwest Joint Venture below.

Tronox Incorporated's global presence enables it to sell its products to a diverse portfolio of customers with whom it has well-established relationships. Tronox Incorporated's 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<sub>2</sub>. Additionally, Tronox Incorporated has supplied each of its top ten customers with TiO<sub>2</sub> for more than ten years.

In addition to its pigment business, Tronox Incorporated has other operations that manufacture and market electrolytic and specialty chemical products. Tronox Incorporated's electrolytic and other chemical products business produces 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.

*The Tiwest Joint Venture.* Historically, Tronox Incorporated and Exxaro have operated the Tiwest Joint Venture, which includes a chloride process TiO<sub>2</sub> plant located at the Kwinana Facility, a mining venture in Cooljarloo, Western Australia, and a mineral separation plant and 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 produced by the Tiwest Joint Venture are used by its own mining and separation facilities, and sold to Tronox Incorporated facilities and to third parties. These



include natural rutile, leucoxene and the co-product zircon. Because of the terms of the joint ownership agreement governing the Tiwest Joint Venture, the joint venture is proportionately consolidated in Tronox Incorporated's financial statements. The assets in the Tiwest Joint Venture are jointly controlled by Tronox Incorporated and Exxaro, as each has an undivided interest in them. As a result, Tronox Incorporated's Consolidated Balance Sheets presented in this registration statement include Tronox Incorporated's share of the assets that are jointly controlled and Tronox Incorporated's share of the liabilities for which it is jointly responsible. Tronox Incorporated's Consolidated Statements of Operations include its share of the income and expenses of the Tiwest Joint Venture. Through a separate agreement, Tronox Incorporated is responsible for the marketing of Exxaro's share of the TiO<sub>2</sub> production in which capacity it acts as principal and bears the credit risk for such sales. As a result, the aggregate TiO<sub>2</sub> production allocated to Exxaro has been included in Tronox Incorporated's net sales, and the cost attributable to buying Exxaro's share of TiO<sub>2</sub> production at market price has been included in Tronox Incorporated's cost of goods sold. In connection with the Transaction, Exxaro's share in the Tiwest Joint Venture will be transferred to Tronox Limited.

*Segment Evaluation.* Tronox Incorporated's business has one reportable segment, pigment. The pigment segment primarily produces and markets TiO<sub>2</sub>, and has production facilities in the United States, Australia and the Netherlands. Tronox Incorporated's other business line, electrolytic and other chemical products, is comprised of its electrolytic manufacturing and marketing operations. Corporate and other is comprised of corporate activities and businesses that are no longer in operation. Although Tronox Incorporated's electrolytic and other chemical products business line and corporate and other do not constitute reportable segments under ASC 280, *Segment Reporting*, they are discussed and disclosed separately in this registration statement as management believes that providing this information is useful to the readers.

Tronox Incorporated evaluates the pigment segment's performance separately based on segment income (loss) from operations, 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 Tronox Incorporated's segment and other business lines is a financial measure of its performance, which is not determined in accordance with 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.

#### ***General Factors Affecting the Results of Continuing Operations***

The following strategic and operational events during the eleven months ended December 31, 2011, one month ended January 31, 2011 and years ended December 31, 2010 and 2009, affected Tronox Incorporated's results of operations as follows:

*RTI Hamilton Settlement* The outstanding legal disputes between Tronox Incorporated 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 Incorporated \$10.5 million on September 12, 2011, including \$0.7 million in payment for capital costs incurred by Tronox Incorporated in relation to the agreement, including interest.

*Tiwest Joint Venture Expansion* The expansion of the Tiwest Joint Venture TiO<sub>2</sub> plant in Kwinana, Western Australia was completed and commissioned at the end of the second quarter of 2010. The expansion increased TiO<sub>2</sub> production capacity at the Kwinana Facility from 110,000 to 150,000 tonnes per annum. While Tronox Incorporated was in bankruptcy, Exxaro funded the majority of the expansion. Tronox Incorporated bought into its 50.0% share of the TiO<sub>2</sub> plant expansion as of June 30, 2011 for \$79.1 million. Going forward, Tronox Incorporated expects that the increase in tonnes per annum will increase profitability due to acquiring the incremental production at the cost of production versus purchasing the tonnes at market prices.

**Financing Arrangement** In March 2011, the Tiwest Joint Venture acquired a steam and electricity gas fired co-generation plant adjacent to the Kwinana Facility, through a five year financing arrangement. Tronox Western Australia Pty Ltd, our wholly-owned subsidiary, owns a 50.0% undivided interest in the co-generation plant through the Tiwest Joint Venture. As a result, Tronox Incorporated incurred additional debt totaling \$8.0 million in order to finance its share of the asset purchase. Under the financing arrangement, monthly payments are required and interest accrues on the remaining balance owed at the rate of 6.5% per annum. During the eleven months ended December 31, 2011, Tronox Incorporated made scheduled repayments of \$1.5 million. In connection with the Transaction, the operations of the Tiwest Joint Venture will become wholly-owned by Tronox Incorporated, and we expect Tronox Incorporated will continue to experience increased profitability from the plant.

**Tiwest Joint Venture Outages** During the fourth quarter of 2010, the Tiwest Joint Venture was impacted by outages experienced by the Kwinana Facility's industrial gas supplier, Air Liquide WA. The Kwinana Facility lost 13 days of production with approximately another 12 days of production at significantly reduced rates. As a result of these outages and the lost production, Tronox Incorporated recorded idle facility charges of \$3.3 million during the fourth quarter. Tronox Incorporated is reviewing both contractual and insurance remedies to mitigate the business interruption loss, but does not yet have an estimate for any potential recovery.

**Savannah Facility** In December 2009, Tronox Incorporated completed the idling of the Savannah TiO<sub>2</sub> operations. On July 21, 2009, Tronox Incorporated announced its decision to idle the production at its Savannah facility. Tronox Incorporated subsequently removed all proprietary technology related to the TiO<sub>2</sub> operations, wrote down certain inventories to net realizable value and recognized a restructuring charge for severance payments to employees of the Savannah TiO<sub>2</sub> operations. Pursuant to the Plan, the Savannah site was transferred to an environmental response trust upon Tronox Incorporated's emergence from bankruptcy on February 14, 2011. Tronox Incorporated has determined that the Savannah TiO<sub>2</sub> operations do not meet the criteria for discontinued operations treatment. Therefore, the financial results of the Savannah TiO<sub>2</sub> operations are included in the pigment segment. The sulfuric acid operations and other residual costs related to the former sulfate operations are included in corporate and other. Historical revenues attributable to our Savannah facility for the eleven months ended December 31, 2011, one month ended January 31, 2011 and years ended December 31, 2010 and 2009 were \$0.1 million, \$2.4 million, \$37.4 million and \$107.4 million, respectively.

#### ***Emergence from Chapter 11***

On the Petition Date, the Debtors, including Tronox Incorporated, filed voluntary petitions in the United States Bankruptcy Court seeking reorganization relief under the Bankruptcy Code. The Chapter 11 cases were consolidated for procedural purposes and were jointly administered under the caption *In re Tronox Incorporated, et al.*, Case No. 09-10156 (ALG), and the Debtors operated their businesses and managed their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Material conditions to the Plan, most notably the settlement of the claims related to the Debtor's Legacy Environmental Liabilities and Legacy Tort Liabilities were resolved during the period from the Confirmation Date until January 26, 2011. Subsequently, on the Effective Date, Tronox Incorporated emerged from bankruptcy and continued operations as reorganized Tronox Incorporated.

Following its emergence from the Chapter 11 proceedings, reorganized Tronox Incorporated was 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 were 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 Incorporated, 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, the 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 emergence from the Chapter 11 proceedings, Tronox Incorporated 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 prior to the Debtors' emergence from bankruptcy, 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.

The consummation of the Plan resulted in a substantial realignment of the interests in Tronox Incorporated between existing prepetition creditors and stockholders. As a result, Tronox Incorporated was required to adopt fresh-start accounting. Having resolved the material contingencies related to implementing the Plan, most notably the approval under U.S. federal and applicable state environmental law of the settlement of the Legacy Environmental Liabilities, on January 26, 2011, and due to the proximity to Tronox Incorporated's end of the month accounting period, which closed on January 31, 2011, it applied fresh-start accounting as of January 31, 2011. Tronox Incorporated evaluated the activity between January 26, 2011 and January 31, 2011 and, based upon the immateriality of such activity, concluded that the use of January 31, 2011 to reflect the fresh-start accounting adjustments was appropriate for financial reporting purposes. The use of the January 31, 2011 date is for financial reporting purposes only and does not affect the Effective Date of the Plan. 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 Incorporated and its subsidiaries on a fresh-start basis for the period following January 31, 2011 (Successor), and of Tronox Incorporated and its subsidiaries on a historical basis for the periods through January 31, 2011 (Predecessor). Fresh-start accounting and reporting provisions were applied pursuant to ASC 852 and the financial statements as of February 1, 2011 and for subsequent periods report the results of Tronox Incorporated with no beginning retained earnings or accumulated deficit.

The primary impacts of Tronox Incorporated's reorganization pursuant to the Plan and the adoption of fresh-start accounting on its results of operations were as follows:

*Depreciation and amortization expense*

Depreciation and amortization expense was higher in 2011 compared to 2010 as a result of the revaluation of assets for fresh-start accounting. Revaluation increased depreciation and amortization by \$26.8 million in 2011. For additional information on the revaluation of assets, see Note 4 to the Consolidated Financial Statements. Depreciation and amortization as reported for both periods presented is as follows:

	Successor Eleven Months Ended December 31, 2011	One Month Ended January 31, 2011	Predecessor Year Ended December 31,	
			2010	2009
	(Millions of dollars)			
<b>Cost of goods sold:</b>				
Depreciation	\$ 54.0	\$ 3.6	\$ 44.1	\$ 45.9
Amortization	1.4	0.3	3.2	3.3
<b>Selling, general and administrative expenses:</b>				
Depreciation	2.1	0.2	2.8	3.9
Amortization	21.6			
<b>Total</b>	<b>\$ 79.1</b>	<b>\$ 4.1</b>	<b>\$ 50.1</b>	<b>\$ 53.1</b>

*Interest expense*

Lower interest expense in 2011 compared to 2010 was largely driven by lower interest rates and lower amortization of debt issuance costs on our debtor-in possession (DIP) facilities. In October 2010, Tronox Incorporated refinanced its second DIP facility into a final DIP facility, lowering the interest rate from 9% to 7%. On February 14, 2011, the final DIP facility converted into a \$425.0 million exit facility (the Exit Financing Facility) which bears interest at the same rate. 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. See the discussion in Capital Resources for additional information on the DIP facilities.

	Successor Eleven Months Ended December 31, 2011	One Month Ended January 31, 2011	Predecessor Year Ended December 31,	
			2010	2009
	(Millions of dollars)			
Interest Expense	\$ 30.0	\$ 2.9	\$ 49.9	\$ 35.9

**Anadarko Litigation**

In May 2009, Tronox Incorporated and certain of its affiliates filed a lawsuit against Anadarko and Kerr-McGee (a predecessor to Anadarko) asserting the Anadarko Claim. In connection with the Chapter 11 proceedings of Tronox Incorporated, Tronox Incorporated assigned all of the Anadarko Claim to a litigation trust on behalf of the holders of environmental claims and tort claims against Tronox Incorporated, pursuant to a full satisfaction of such claims. Tronox Incorporated has no economic interest in the litigation trust. However, pursuant to the terms of the litigation trust, Tronox Incorporated could continue to be treated as the owner of the Anadarko Claim solely for purposes of federal and state income taxes. Depending on the outcome of the

Anadarko Claim, it is possible that Tronox Incorporated will receive the benefit of certain tax deductions that would result if the Anadarko Claim is resolved successfully and the proceeds of such Claim are used as contemplated under the terms of the litigation trust.

### **Business Environment**

The following discussion includes trends and factors that may affect future operating results.

#### ***Supply and Demand***

The majority of Tronox Incorporated's revenue comes from the sale of TiO<sub>2</sub> (85.5% in 2011, 82.3% in 2010 and 81.2% in 2009). TiO<sub>2</sub> is a chemical used in many quality-of-life products, such as paints, plastics, paper, inks and rubber as well as in various specialty applications. Demand for TiO<sub>2</sub> decreased in 2008 and 2009 due to the worldwide financial crisis, following several years of increasing growth, resulting in lower prices and temporary and permanent reductions in production by the major producers. The increase in demand during 2010 and 2011 has resulted in increasing prices of TiO<sub>2</sub>, which were further bolstered by the reduced availability of titanium feedstock. Over the long-term, management expects the demand for TiO<sub>2</sub> to grow in tandem with its expectations for the long-term growth in global GDP.

#### ***Pricing***

Throughout 2010 and 2011, due to supply and demand dynamics, TiO<sub>2</sub> prices, along with titanium feedstock prices, have risen substantially. The increase in TiO<sub>2</sub> prices is more transparent in the current year results of operations as the prices continued to rise steadily throughout 2011, while the increase in titanium feedstock prices, although occurring throughout the year, experienced the greatest increase during the fourth quarter. As a result, Tronox Incorporated's margins have expanded significantly during 2011. Changes in demand for TiO<sub>2</sub> in any interim or annual period may affect pricing upward or downward.

#### ***Raw Materials***

In 2011 and 2010, raw materials used in the production of TiO<sub>2</sub> constituted approximately 34.9% and 33.8%, respectively, of our TiO<sub>2</sub> production costs. The primary raw material used in the production of TiO<sub>2</sub>, titanium feedstock ore, experienced significant increases in price during 2011. Tronox Incorporated's price for raw material increased 19%. As the cost of titanium feedstock continues to rise, Tronox Incorporated's operating expenses will continue to increase, and it may be unable to pass price increases through to its customers. Due to the constraints of adding significant new production capacity for titanium feedstock, Tronox Incorporated expects titanium feedstock production to remain constrained thereby putting upward pressure on its raw material costs.

#### ***Seasonality***

The demand for TiO<sub>2</sub> during a given year is subject to seasonal fluctuations. TiO<sub>2</sub> sales are generally higher in the second and third quarters of the year primarily due to the increase in paint production to meet demand resulting from the spring and summer painting season in North America and Europe.

#### ***Currency Exchange Rates***

The financial condition and results of operations of Tronox Incorporated operating entities in the Netherlands and Australia are reported in various foreign currencies and then converted into U.S. dollars at the applicable exchange rate for inclusion in its consolidated financial statements. As a result, any volatility of the U.S. dollar against these foreign currencies creates uncertainty for and may have a positive or negative impact on reported sales and operating margins. During 2011, Tronox Incorporated experienced unfavorable foreign currency effects. Foreign currency effects appear in the financial statements in several ways. First, they impact

reported amounts of revenues and expenses and are embedded in each line item of the financials. Second, for changes in reported asset and liability amounts in either income and expense or in cumulative translation adjustments in Accumulated other comprehensive income (loss) on the Consolidated Balance Sheets. Foreign currency losses recognized in Other income (expense) on the Consolidated Statements of Operations were \$7.8 million for the eleven months ended December 31, 2011, while foreign currency gains recognized were \$1.5 million for the one month ended January 31, 2011.

### ***Competition***

Each of the markets in which Tronox Incorporated competes is highly competitive. Competition is based on a number of factors such as price, product quality and service. Tronox Incorporated faces significant competition from major international and smaller regional competitors. The most significant competitors include major chemical and materials manufacturers and diversified companies, a number of which have substantially larger financial resources and a greater number of personnel than Tronox Incorporated.

Within the end-use markets in which Tronox Incorporated competes, competition between products is intense. Tronox Incorporated faces substantial risk that certain events, such as new product development by competitors, changing customer needs, production advances for competing products or price changes in raw materials, could cause its customers to switch to its competitors' products.

### **Government Regulations and Environmental Matters**

Tronox Incorporated 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 its operations and facilities. At many of its operations, Tronox Incorporated also complies with worldwide, voluntary standards developed by the ISO.

Tronox Incorporated is in compliance with applicable environmental rules and regulations. Currently, Tronox Incorporated does not have any outstanding notices of violations or orders from regulatory agencies.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with GAAP 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 Tronox Incorporated's accounting policies are considered critical as they are both important to reflect Tronox Incorporated'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 Tronox Incorporated.

#### *Long-Lived Assets*

Key estimates related to long-lived assets include useful lives, recoverability of carrying values and the existence of any retirement obligations. As a result of future decisions, such estimates could be significantly modified. The estimated useful lives of property, plant and equipment range from three to forty years, and depreciation is recognized on a straight-line basis. Useful lives are estimated based upon Tronox Incorporated's historical experience, engineering estimates and industry information. These 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. Tronox Incorporated evaluates 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.

#### *Intangible Assets*

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.

#### *Asset Retirement Obligations*

To the extent a legal obligation exists, an asset retirement obligation is recorded at its estimated fair value and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows discounted at Tronox Incorporated's credit-adjusted risk-free interest rate. No market-risk premium has been included in the calculation of asset retirement obligation balances since no reliable estimate can be made by management.

Tronox Incorporated's most significant asset retirement obligation at December 31, 2011 and 2010 was its share of mine closure and rehabilitation costs associated with the Tiwest Joint Venture. Significant judgment is applied in estimating the ultimate cost that will be required to rehabilitate the mines. Management used the following assumptions in determining asset retirement obligations associated with mine closure and rehabilitation costs associated with the Tiwest Joint Venture:

Inflation of 2.5% per year during 2011 and 2.5% per year during 2010;

Credit adjusted risk-free rate of 6.1% per year during 2011 and 13.6% per year during 2010;

Life of mine over 15 years in 2011 and 13 years in 2010; and

Life of mine rehabilitation over 18 years in 2011 and 19 years in 2010.

A primary factor resulting in the 2010 credit adjusted risk-free rate of 13.6% was Tronox Incorporated's bankruptcy status.

#### *Restructuring and Exit Activities*

Tronox Incorporated's 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. Tronox Incorporated evaluates the estimates on a quarterly basis and adjust the reserves when information indicates that the estimates are above or below the initial estimates. Tronox Incorporated cannot predict when or if future restructuring or exit reserves will be required.

#### *Environmental Costs and Other Contingency Reserves*

In accordance with ASC 450, *Contingencies*, and ASC 410, management makes judgments and estimates in accordance with applicable accounting rules when it establishes reserves for environmental costs, 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*

Tronox Incorporated 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 Tronox Incorporated 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. Tronox Incorporated 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*, requires that all available positive and negative evidence be weighted to determine whether a valuation allowance should be recorded.

The amount of income taxes Tronox Incorporated pays is subject to ongoing audits by federal, state and foreign tax authorities, which may result in proposed assessments. Tronox Incorporated's estimate for the potential outcome for any uncertain tax issue is highly judgmental. Tronox Incorporated 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, Tronox Incorporated records the amount that has a greater than 50.0% 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 Tronox Incorporated 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*

Tronox Incorporated provides pension and postretirement benefits for qualifying employees worldwide. However, Tronox Incorporated 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*.

#### *U.S. Plans*

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

*Discount Rate.* The discount rate selected for all U.S. plans was 4.50% as of December 31, 2011 and 5.00% at both January 31, 2011 and 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 a yield curves model developed from a universe of Aa-graded U.S. currency corporate bonds (obtained from Bloomberg) with at least

\$50.0 million outstanding. Bonds with features that imply unreliable pricing, a less than certain cash flow, or other indicators of optionality are filtered out of the universe. The remaining universe is categorized into maturity groups, and within each of the maturity groups yields are ranked into percentiles.

*Expected Long-term Rate of Return.* The estimated long-term rate of return assumption used in the determination of net periodic cost for the years ended December 31, 2011 and 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.* Tronox Incorporated's estimated rate of compensation increase was 3.50% at both December 31, 2011 and 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.* At December 31, 2011, the assumed health care cost trend rates used to measure the expected cost of benefits covered by the postretirement healthcare plan was 9.0% in 2012, gradually declining to 5.0% in 2018 and thereafter. A 1% increase in the assumed health care cost trend rate for each future year would increase the accumulated postretirement benefit obligation at December 31, 2011 by \$1.0 million, while the aggregate of the service and interest cost components of the 2011 net periodic postretirement cost would increase by \$0.1 million. A 1% decrease in the trend rate for each future year would reduce the accumulated benefit obligation at December 31, 2011 by \$0.8 million and decrease the aggregate of the service and interest cost components of the net periodic postretirement cost for 2011 by \$0.1 million.

#### *Foreign Benefit Plans*

Tronox Incorporated currently provides defined benefit retirement plans (funded) for qualifying employees in the Netherlands. 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 Tronox Incorporated's foreign retirement plans:

*Discount Rate.* The discount rate selected for the Netherlands plan was 5.25% as of December 31, 2011 and 2010, which is based on long-term Euro corporate bond index rates that correlate with anticipated cash flows associated with future benefit payments.

*Expected Long-term Rate of Return.* The expected long-term rate of return assumption for the Netherlands plan of 5.25% as of December 31, 2011 and 5.75% as of December 31, 2010 was 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.

*Rate of Compensation Increases.* Tronox Incorporated determines its rate of compensation assumptions based on its long-term plans for compensation increases specific to employee groups covered. At December 31, 2011 and 2010, the rate of compensation increases for the Netherlands plan was 3.50%.

#### **Recent Accounting Pronouncements**

In June 2011, the Financial Accounting Standards Board ( 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. On December 28, 2011, the FASB issued ASU 2011-12, which defers certain requirements of ASU 2011-05. The remaining requirements of ASU 2011-05 are 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.

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. Management does not anticipate that the adoption of this guidance will have a material impact on its consolidated financial statements.

## Results of Operations

### *The Eleven Months Ended December 31, 2011, One Month Ended January 31, 2011 and Twelve Months Ended December 31, 2010*

The following table presents Tronox Incorporated's results of operations for the periods indicated.

	Successor Eleven Months Ended December 31, 2011	Predecessor One Month Ended January 31, 2011	Year Ended December 31, 2010
	(Millions of dollars)		
<b>Net Sales</b>	\$ 1,543.4	\$ 107.6	\$ 1,217.6
Cost of goods sold	(1,104.5)	(82.3)	(996.1)
<b>Gross Margin</b>	438.9	25.3	221.5
Selling, general and administrative expenses	(151.7)	(5.4)	(59.2)
Litigation/arbitration settlement	9.8		
Provision for environmental remediation and restoration, net of reimbursements	4.5		47.3
<b>Income from Operations</b>	301.5	19.9	209.6
Interest and debt expense	(30.0)	(2.9)	(49.9)
Other income (expense)	(9.8)	1.6	(8.3)
Reorganization income (expense)		613.6	(144.8)
<b>Income from Continuing Operations before Income Taxes</b>	261.7	632.2	6.6
Income tax provision	(20.2)	(0.7)	(2.0)
<b>Income from Continuing Operations</b>	\$ 241.5	\$ 631.5	\$ 4.6

*Net sales* were \$1,543.4 for the eleven months ended December 31, 2011 and \$107.6 million for the one month ended January 31, 2011 compared to \$1,217.6 million for the year ended December 31, 2010. Pigment segment sales accounted for approximately 92.0%, 86.5%, 87.7% of our total sales during the eleven months ended December 31, 2011, one month ended January 31, 2011 and year ended December 31, 2010, respectively. Both sales price and sales volumes of TiO<sub>2</sub> and mineral products increased throughout 2011. See discussion of Net Sales by business line for the further information.

*Cost of goods sold* was \$1,104.5 million for the eleven months ended December 31, 2011 and \$82.3 million for the one month ended January 31, 2011 compared to \$996.1 million for 2010. Throughout 2011, Tronox Incorporated experienced increases in raw material, chemicals, energy and employee related costs. During the eleven months ended December 31, 2011 and the year ended December 31, 2010, Tronox Incorporated recorded unfavorable exchange rate changes primarily due to movements in the Australian dollar versus the U.S. dollar,

which increased cost of goods sold compared to favorable exchange rate changes recorded in the one month ended January 31, 2011 which offset costs of goods sold. Additionally, as a result of fresh-start accounting, Tronox Incorporated recorded \$35.5 million related to non-cash fresh-start inventory accounting affects, which was amortized during the eleven months ended December 31, 2011.

**Gross margin** was \$438.9 million during the eleven months ended December 31, 2011 and \$25.3 million during the one month ended January 31, 2011 compared to \$221.5 million during 2010. Gross margin percentage was 28.4%, 23.5% and 18.2% during the eleven months ended December 31, 2011, one month ended January 31, 2011 and the year ended December 31, 2010, respectively. Gross margin and gross margin percentage continued to improve primarily due to the increased selling prices and sales volumes, discussed above, which were partially offset by higher costs and unfavorable exchange rate changes. See discussion of Income from Operations by business line for further information.

**Selling, general and administrative expenses** were \$151.7 million for the eleven months ended December 31, 2011 and \$5.4 million for the one month ended January 31, 2011 compared to \$59.2 million during 2010.

The expense of \$151.7 million during the eleven months ended December 31, 2011 was primarily due to amortization of intangible assets subsequent to fresh-start accounting of \$21.6 million, employee variable compensation and benefit costs of approximately \$48.4 million (including \$13.7 million related to amortization of restricted stock), costs associated with the acquisition of Exxaro Mineral Sands, including banker fees, legal and professional fees and the registration rights penalty of approximately \$28.2 million, audit and professional fees incurred related to fresh-start accounting and the three year audit of our financial statements of approximately \$15.7 million, marketing costs of \$13.5 million and other costs of approximately \$24.3 million.

Additionally, in October 2011, Dennis Wanlass stepped down from his position as CEO; however, he will continue through the close of the Transaction to help facilitate a smooth transition. On December 21, 2011, Tronox Incorporated entered into the separation agreement with Dennis Wanlass. Per the terms of such agreement, Tronox Incorporated recorded a cash severance payment of \$3.1 million and accelerated vesting of \$2.9 million related to restricted shares granted under the management equity incentive plan, which are included in selling, general and administrative expenses.

As a result of the departure of Dennis Wanlass, the board of directors hired Thomas Casey, the Chairman of the Board, to take over as the CEO as Tronox Incorporated prepared to assimilate its recently announced acquisition of Exxaro Mineral Sands. Thomas Casey was paid a \$2.0 million sign-on bonus, which was included in selling, general and administrative expenses during the fourth quarter of 2011.

The expense of \$5.4 million during the one month ended January 31, 2011 was primarily due to employee variable compensation and benefit costs of approximately \$1.7 million, marketing costs of \$1.0 million and other costs of approximately \$2.7 million.

The expense of \$59.2 million during 2010 was primarily due to employee variable compensation and benefit costs of approximately \$19.7 million, outside services used during the bankruptcy and during the emergence from bankruptcy including attorneys, contract labor and other of \$16.5 million, marketing costs of 11.2 million and other costs of approximately \$11.8 million.

**Litigation/arbitration settlement** was income of \$9.8 million for the eleven months ended December 31, 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 Incorporated in relation to the agreement, plus interest.

**Provision for environmental remediation and restoration** was income of \$4.5 million during the eleven months ended December 31, 2011, nil during the one month ended January 31, 2011 and income of \$47.3 million during 2010. During the eleven months ended December 31, 2011, Tronox Incorporated received additional reimbursements under the Predecessor's environmental insurance policy related to its remediation efforts at the Henderson, Nevada site. During 2010, Tronox Incorporated recorded receivables from its 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 5 to the audited Consolidated Financial Statements included in Item 13 of this registration statement, the obligation for the clean-up work had been recorded in prior years, but the insurance coverage was confirmed in 2010.

**Interest and debt expense** was \$30.0 million for the eleven months ended December 31, 2011, \$2.9 million for the one month ended January 30, 2011 and \$49.9 million during 2010. The \$30.0 million during the eleven months ended December 31, 2011 is comprised of \$29.3 million of interest expense on the Exit Financing Facility and the Wells Revolver (as defined below), \$0.8 million of amortization of deferred debt issuance costs and \$0.6 million of other costs, offset by \$0.7 million of capitalized interest. The \$2.9 million of interest expense during the one month ended January 31, 2011 is comprised of \$2.6 million of interest expense and \$0.3 million of amortization of deferred debt costs. Additionally, during the one month ended January 31, 2011, interest expense excludes \$2.8 million, which would have been payable under the terms of the \$350.0 million 9.5% senior unsecured notes, which was not accrued while Tronox Incorporated was in bankruptcy in accordance with ASC 852, *Reorganizations* (ASC 852). The \$49.9 million during 2010 is comprised of \$39.7 million of interest expense on the DIP facility, \$9.2 million of amortization of deferred debt issuance costs and \$1.0 million of other costs. Additionally, during 2010, interest expense excluded \$33.3 million, which would have been payable under the terms of the \$350.0 million 9.5% senior unsecured notes, which was not accrued while Tronox Incorporated was in bankruptcy.

**Other income (expense)** was an expense of \$9.8 million for the eleven months ended December 31, 2011, income of \$1.6 million for the one month ended January 31, 2011 and an expense of \$8.3 million during 2010. The expense of \$9.8 million during the eleven months ended December 31, 2011 is comprised of a \$7.8 million net foreign currency loss and \$2.8 million of other expenses, offset by a \$0.2 million gain on liquidation of subsidiary and \$0.6 million of interest income. The income of \$1.6 million for the one month ended January 31, 2011 is comprised of a \$1.5 million net foreign currency gain and \$0.1 million of interest income. The expense of \$8.3 million during 2010 is comprised of a \$12.5 million net foreign currency loss and a \$2.0 million loss in net earnings of equity method investees, offset by a one-time \$5.3 million gain on the dissolution of subsidiary, interest income of \$0.6 million and other income of \$0.3 million.

**Reorganization income (expense)** was nil for the eleven months ended December 31, 2011, income of \$613.6 million for the one month ended January 31, 2011 and an expense of \$144.8 million for 2010. Upon emergence from bankruptcy, Tronox Incorporated no longer records reorganization income (expense). Any residual costs are included in Selling, general and administrative expenses. The income of \$613.6 million for the one month ended January 31, 2011 is primarily the result of the application of fresh-start accounting as of January 31, 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 2010, Tronox Incorporated 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.

**Income tax provision** was \$20.2 million for the eleven months ended December 31, 2011, representing an effective tax rate of 7.7% on pre-tax income of \$261.7 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 2010, Tronox Incorporated recorded a tax provision of \$2.0 million, representing an effective tax rate of 30.3% on pre-tax income of \$6.6 million

The tax provision for the eleven months ended December 31, 2011 differs from the U.S. statutory rate of 35.0% primarily due to valuation allowances in the United States and income in foreign jurisdictions taxed at rates lower than 35.0%. For the eleven months ended December 31, 2011, the rate is additionally impacted by statute lapses in a foreign jurisdiction, which released significant liabilities related to uncertain tax positions.

In the one month ended January 31, 2011, the tax provision differs from the U.S. statutory rate of 35.0% primarily due to fresh-start adjustments, which were booked net of tax.

***Discussion by Business Lines for the Eleven Months Ended December 31, 2011, One Month Ended January 31, 2011 and Twelve Months Ended December 31, 2010***

The following table presents Tronox Incorporated's results of operations of each business line for the periods indicated.

	<b>Successor Eleven Months Ended December 31, 2011</b>	<b>Predecessor One Month Ended January 31, 2011</b>	<b>Year Ended December 31, 2010</b>
	(Millions of dollars)		
<b>Net Sales</b>			
Pigment segment	\$ 1,420.4	\$ 93.1	\$ 1,068.2
Electrolytic and other chemical products	116.6	12.1	128.3
Corporate and Other	6.4	2.4	21.1
<b>Net Sales</b>	<b>\$ 1,543.4</b>	<b>\$ 107.6</b>	<b>\$ 1,217.6</b>
<b>Income (Loss) from Operations</b>			
Pigment segment	\$ 355.1	\$ 21.4	\$ 169.7
Electrolytic and other chemical products	(0.3)	0.7	5.8
Corporate and other	(53.3)	(2.2)	34.1
<b>Income from Operations</b>	<b>\$ 301.5</b>	<b>\$ 19.9</b>	<b>\$ 209.6</b>

***Net Sales***

***Pigment segment*** net sales were \$1,420.4 million for the eleven months ended December 31, 2011 and \$93.1 million for the one month ended January 31, 2011 compared to \$1,068.2 million during 2010. Net sales include the sale of TiO<sub>2</sub>, as well as the sale of heavy minerals, such as ilmenite, rutile, synthetic rutile, leucocene, zircon, activated carbon and staurolite, produced by the Tiwest Joint Venture.

During the eleven months ended December 31, 2011 and the one month ended January 31, 2011, TiO<sub>2</sub> sales accounted for approximately 93% and 95% respectively, of pigment segment net sales. During 2011, TiO<sub>2</sub> sales prices increased, primarily the result of the general global economic recovery and constrained supply of TiO<sub>2</sub>. These factors have caused a supply and demand situation that has enabled Tronox Incorporated to pass through price increases to its customers. The average price per metric tonne sold during the eleven months ended December 31, 2011 and one month ended January 31, 2011 increased 41% and 20%, respectively, compared to the average price sold during the year ended December 31, 2010.

The remaining pigment net sales during the eleven months ended December 31, 2011 and one month ended January 31, 2011 are primarily attributable to the sale of heavy minerals produced by the Tiwest Joint Venture. During the eleven months ended December 31, 2011, Tronox Incorporated experienced increased prices in certain heavy minerals, which were partially offset by lower valued sales mix from prior periods.

**Electrolytic and other chemical products** net sales were \$116.6 million for the eleven months ended December 31, 2011 and \$12.1 million for the one month ended January 31, 2011 compared to \$128.3 million during 2010. The increase in sales during the eleven months ended December 31, 2011 and one month ended January 31, 2011 compared to the twelve months ended December 31, 2010 was primarily due to higher prices for sodium chlorate, which were offset by decreases in volumes sold of sodium chlorate, and manganese dioxide. Higher pricing during both the eleven months ended December 31, 2011 and one month ended January 31, 2011 was due to maintaining the 2010 price increases despite competitive conditions. Lower volumes sold during the eleven months ended December 31, 2011 was primarily due to unplanned outages at our sodium chlorate facility in Hamilton, Mississippi.

**Corporate and Other** net sales were \$6.4 million for the eleven months ended December 31, 2011, \$2.4 million for the one month ended January 31, 2011 and \$21.1 million during 2010. During the one month ended January 31, 2011 and the year ended 2010, net sales in corporate and other were primarily attributable to sulfuric acid operations, which were transferred to an environmental remediation trust upon emergence from bankruptcy.

#### ***Income from Operations***

**Pigment segment** income from operations was \$355.1 million during the eleven months ended December 31, 2011 and \$21.4 million for the one month ended January 31, 2011 compared to \$169.7 million during the year ended December 31, 2010. During both the eleven months ended December 31, 2011 and the one month ended January 31, 2011, TiO<sub>2</sub> sales prices and volumes increased. Such increases were partially offset by higher production costs and selling, general and administrative expenses during both periods. Higher production costs were due to a 19% increase year over year for raw materials and process chemicals. Additionally, included in pigment segment cost of goods sold was the cost to purchase Exxaro's share of the Tiwest Joint Venture tonnes, which increased from 2010 to 2011 by approximately \$53.5 million due to the higher market prices in 2011. Higher sales prices and volumes of heavy minerals produced by the Tiwest Joint Venture resulted in increased revenue, which was offset by an increase in related cost of goods sold for reductions to income from operations, including unfavorable foreign currency effects.

During the eleven months ended December 31, 2011, in addition to the increase for raw materials and process chemicals, Tronox Incorporated also experienced increased energy costs and increased employee related costs due to the implementation of variable compensation and the post emergence accounting impact on pension and post retirement medical costs. Foreign currency effects on operating profit were net unfavorable primarily due to move