

United States Bankruptcy Court
Southern District of New York

In re: Tronox Incorporated, *et al.*,
Debtors.

Case No. 09-10156 (ALG)

Chapter 11

**PERIODIC REPORT REGARDING BOOK VALUE, OPERATIONS AND
PROFITABILITY OF ENTITIES IN WHICH THE ESTATE OF TRONOX
INCORPORATED HOLDS A SUBSTANTIAL OR CONTROLLING INTEREST**

This is the report of Tronox Incorporated on the value, operations and profitability of those entities in which the estate holds a substantial or controlling interest, as required by Bankruptcy Rule 2015.3. The estate of Tronox Incorporated, *et al.* (“Tronox”) holds a substantial or controlling interest in the following entities:

<u>Name of Entity</u>	<u>Interest of the Estate</u>	<u>Tab #</u>
1. Basic Management, Inc.	30.98312% Owned	Exhibit B and C
2. Jurien Exploration Joint Venture	50% Owned	Exhibit B and C
3. Tiwest Joint Venture	50% Owned	Exhibit B and C
4. Tiwest Pty Ltd.	50% Owned	Exhibit B and C
5. Tronox (Luxembourg) Holding S.a.r.l.	100% Owned	Exhibit B and C
6. Tronox (Switzerland) Holding GmbH	100% Owned	Exhibit B and C
7. Tronox B.V.	100% Owned	Exhibit B and C
8. Tronox Finance B.V.	100% Owned	Exhibit B and C
9. Tronox Funding LLC	100% Owned	Exhibit B and C
10. Tronox Holdings Europe C.V.	100% Owned	Exhibit B and C
11. Tronox Pigments (Holland) B.V.	100% Owned	Exhibit B and C
12. Tronox Pigments (Netherlands) B.V.	100% Owned	Exhibit B and C
13. Tronox Pigments (Singapore) Pte. Ltd.	100% Owned	Exhibit B and C
14. Tronox Pigments Ltd.	100% Owned	Exhibit B and C
15. Tronox Western Australia Pty Ltd	100% Owned	Exhibit B and C
16. The Landwell Company, L.P.	29.3814% Owned	Exhibit B and C

This period report (the “Periodic Report”) contains a consolidated non-debtor entity report (“Entity Report”) on the value, operations and profitability of the consolidated non-debtors listed above.

The Entity Report consists of two exhibits - Exhibit B and C.



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Exhibit A was not provided as it requires a valuation estimate for the non-debtors as of a date not more than two years prior to the date of this Periodic Report and a description of the valuation method used. However, Tronox has not performed any formal valuations of any of the non-debtor entities during the past two years. Further it would be prohibitively expensive, unduly burdensome, and an inefficient use of estate assets for Tronox to obtain current market valuations of the non-debtors; therefore, the consolidated net book value of the assets of these entities is reflected in Exhibit B on the consolidated balance sheet for the non-debtors.

Exhibit B provided herein contains a consolidated non-debtor balance sheet and income statement. Exhibit B does not include a consolidated non-debtor statement of cash flow and statements of changes in shareholders' or partners' equity as these reports are not prepared for each entity but rather only at the consolidated company level. System and resource constraints preclude Tronox from preparing these statements at the entity level; therefore, these statements have been excluded from this report.

Exhibit C provided herein contains a description of each non-debtor's business operations.

**THIS REPORT MUST BE SIGNED BY A REPRESENTATIVE OF THE DEBTOR IN
POSSESSION.**

The undersigned, having reviewed the above listing of entities in which the estate of Tronox Incorporated, *et al.* holds a substantial or controlling interest, and being familiar with Tronox's financial affairs, verifies under the penalty of perjury that the above listing and the attached report is complete, accurate and truthful to the best of his knowledge.

Date July 20, 2010

/s/ Gary Barton
Signature of Authorized Individual

Gary Barton
Name of Authorized Individual

Chief Restructuring Officer
Title of Authorized Individual

TRONOX INCORPORATED, et al.
Case No. 09-10156 (ALG)
(Debtors in possession)
Exhibit B

TRONOX INCORPORATED CHAPTER 11 DEBTORS
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In millions, except share data)
(Unaudited)

	For the six months ended June 30, 2010			
	DEBTOR	NON-DEBTOR	ELIMINATIONS	CONSOLIDATED
Net sales	\$ 341.1	\$ 324.4	\$ (85.6)	\$ 579.9
Cost of goods sold	268.8	296.3	(82.3)	482.8
Gross margin	72.3	28.1	(3.3)	97.1
Selling, general and administrative expenses	18.2	12.9	(3.3)	27.8
Gain on land sales	-	-	-	-
Impairment of goodwill	-	-	-	-
Restructuring charges (Note 5)	0.3	-	-	0.3
Net (Gain)/Loss on deconsolidation of subsidiary	-	-	-	-
Provision for environmental remediation and restoration, net of reimbursements	16.0	-	-	16.0
	37.8	15.2	-	53.0
Interest and debt expense (Note 2)	23.5	-	-	23.5
Other (income) expense, net	(7.8)	(1.0)	(0.1)	(8.9)
Reorganization items	21.7	-	-	21.7
Income (loss) from continuing operations before income taxes	0.4	16.2	0.1	16.7
Income tax provision (benefit)	0.3	3.6	-	3.9
Income (loss) from continuing operations	0.1	12.6	0.1	12.8
Income (loss) from discontinued operations, net of tax	(0.4)	-	-	(0.4)
Net income (loss)	<u>\$ (0.3)</u>	<u>\$ 12.6</u>	<u>\$ 0.1</u>	<u>\$ 12.4</u>

TRONOX INCORPORATED, et al.
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Exhibit B

TRONOX INCORPORATED CHAPTER 11 DEBTORS
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

	At June 30, 2010			
	DEBTOR	NON-DEBTOR	ELIMINATIONS	CONSOLIDATED
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 71.4	\$ 57.4	\$ -	\$ 128.8
Notes and accounts receivable intercompany	349.3	(22.4)	(326.9)	-
Accounts receivable, third parties	134.2	122.8	-	257.0
Inventories, net	92.3	83.3	(0.7)	174.9
Prepaid and other assets	151.7	9.8	-	161.5
Income tax receivable	-	0.5	-	0.5
Deferred income taxes	-	2.3	-	2.3
Total current assets	<u>798.9</u>	<u>253.7</u>	<u>(327.6)</u>	<u>725.0</u>
Property, plant and equipment, net	166.8	115.6	-	282.4
Goodwill	-	-	-	-
Intercompany advances	111.6	(100.7)	(10.9)	-
Other long-term assets	342.8	138.3	(375.9)	105.2
Total Assets	<u>\$ 1,420.1</u>	<u>\$ 406.9</u>	<u>\$ (714.4)</u>	<u>\$ 1,112.6</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable, third parties	\$ 56.4	\$ 84.5	\$ -	\$ 140.9
Accounts payable, intercompany	-	326.5	(326.5)	-
Accrued liabilities (Note 3)	109.7	14.0	(0.1)	123.6
Long-term debt due within one year	3.4	-	-	3.4
Income taxes payable (Note 6)	0.8	3.5	-	4.3
Long-term debt classified as current	-	-	-	-
Total current liabilities (Note 3)	<u>170.3</u>	<u>428.5</u>	<u>(326.6)</u>	<u>272.2</u>
Noncurrent liabilities:				
Deferred income taxes (Note 6)	1.4	4.0	(0.7)	4.7
Environmental remediation and/or restoration (Note 3)	94.7	-	-	94.7
Long-term debt	421.7	-	-	421.7
Notes and advances payable, intercompany	8.8	39.5	(48.3)	-
Other	120.9	36.0	-	156.9
Total liabilities not subject to compromise (Note 3)	<u>817.8</u>	<u>508.0</u>	<u>(375.6)</u>	<u>950.2</u>
Minority Interest	3.4	-	-	3.4
Liabilities subject to compromise	436.7	-	-	436.7
Commitments and contingencies	-	-	-	-
Stockholders' equity				
Preferred stock	-	120.3	(120.3)	-
Common stock	0.4	116.1	(116.1)	0.4
Capital in excess of par value	496.5	188.7	(188.7)	496.5
Retained earnings (accumulated deficit)	(273.4)	(570.6)	103.8	(740.2)
Accumulated other comprehensive income (loss)	(54.1)	44.4	(17.5)	(27.2)
Treasury stock, at cost	(7.2)	-	-	(7.2)
Total stockholders' equity	<u>162.2</u>	<u>(101.1)</u>	<u>(338.8)</u>	<u>(277.7)</u>
Total liabilities and stockholders' equity	<u>\$ 1,420.1</u>	<u>\$ 406.9</u>	<u>\$ (714.4)</u>	<u>\$ 1,112.6</u>

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Note 1

This Periodic Report is limited in scope, covers a limited time period, and has been prepared solely for the purpose of complying with the reporting requirements of the U.S. Bankruptcy Court. The financial information in the Periodic Report is preliminary, unaudited, presented on a going-concern basis and does not purport to show the financial statements of any of the non-debtor entities in which the estate of Tronox Incorporated, et al. ("Tronox") holds a substantial or controlling interest in accordance with GAAP, and therefore may exclude items required by GAAP, such as certain reclassifications, eliminations, accruals, valuations and disclosure items. We caution readers not to place undue reliance upon the Periodic Report. There can be no assurance that such information is complete, and the Periodic Report may be subject to revision, such as additional revisions that were made to the financial results for the year ended December 31, 2009, during 2010, that are now reflected in the Condensed Consolidated Balance Sheet presented herein. In addition, Tronox expects that there will be changes to certain line items, in the future, including with respect to the impact of its environmental reserve analysis as discussed in Note 3 below. The Periodic Report is in a format required by the Bankruptcy Code and should not be used for investment purposes. As reported by Tronox with the Securities and Exchange Commission (the "SEC"), Tronox was unable to file its Annual Report on Form 10-K for the years ended December 31, 2008 and December 31, 2009, as additional time was necessary for a more thorough review of financial and other disclosures regarding environmental reserves.

The unaudited financial statements contained in the Periodic Report have been derived from the books and records of Tronox. This information, however, has not been subject to procedures that would typically be applied to financial information presented in accordance with GAAP, and upon the application of such procedures, we believe that the financial information could be subject to changes, and these changes could be material. The information furnished in this Periodic Report includes primarily normal recurring adjustments but does not include all of the adjustments that would typically be made for financial statements prepared in accordance with GAAP. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted.

Note 2

Interest expense for the five months ended June 30, 2010, excludes \$16.6 million of interest on Tronox's \$350 million Senior Notes no longer being accrued subsequent to Tronox's Chapter 11 filings.

Note 3

On May 5, 2009, Tronox filed a statement of Non-Reliance on Previously Issued Financial Statements or Related Audit Report or Completed Interim Review on Form 8-K indicating that Tronox's previously filed financial reports should no longer be relied upon because Tronox failed to establish adequate reserves as required by applicable accounting pronouncements. In the report, Tronox indicated that it has not yet completed its review of contingency reserves and other related liabilities. Therefore, the amount of any increase to its reserves that may need to be taken is not known at this time. However, the adjustments will be material. Tronox continues to review its environmental and other contingent liability reserves. As a result, due to the further work being done on the environmental reserves, accrued liabilities, environmental remediation and/or restoration, total current liabilities and total liabilities not subject to compromise will be impacted.

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In March 2010, Tronox recorded a reserve of \$55.6 million related to environmental clean-up obligations at the Henderson facility. The additional remediation work is being required by the Nevada Division of Environmental Protection (NDEP) and is related to the results of testing and site characterization under the Environmental Conditions Assessment (“ECA”) work performed in 2009. Approved work related to these obligations is expected to take place in 2010. In May 2010, Tronox recorded a \$40.1 million insurance receivable related to this environmental liability. This amount is a minimum estimate based upon management’s interpretation of Tronox’s environmental insurance policy.

Note 4

On March 13, 2009, Tronox’s German subsidiaries, Tronox GmbH and its wholly owned subsidiary, Tronox Pigments GmbH, filed applications with the Insolvency Court in Krefeld, Germany, to commence insolvency proceedings. Tronox did not petition for self-administration during the insolvency proceedings and thus, has relinquished management control over these subsidiaries. The German subsidiaries have been deconsolidated from Tronox’s consolidated financial statements as of March 31, 2009. As a result of the deconsolidation, the U.S. Debtors recognized, in 2009, losses for the amount of notes and accounts receivable that it does not expect to collect from the deconsolidated subsidiaries.

In March 2010, Tronox liquidated its subsidiary Tronox Pigments S.p.A. (Belgium) and recognized a one-time non-cash \$9.0 million gain which is included in Other (income) expense, net.

Note 5

On July 21, 2009, Tronox announced its decision to idle the pigment production at its Savannah facility until a time when the TiO₂ market recovers and/or a sale of the plant is completed. Due to adverse economic conditions that contributed to Tronox’s bankruptcy filing, work at Savannah had been significantly curtailed in late March of 2009 with the hopes that the TiO₂ market would recover and the plant could be restarted and/or pending Tronox’s efforts to attract business opportunities, including potential buyers. No such opportunities surfaced and by July Tronox decided to shut-down the TiO₂ operations. The shut-down was completed in the fourth quarter of 2009.

Pursuant to the proposed plan of reorganization (see Note 7 below), the entire Savannah site, including the recently shutdown chloride plant, the previously shut down sulfate plant and the still operating sulfuric acid plant will be transferred to an environmental response trust. Pursuant to accounting rules related to the classification of disposal groups to be disposed of other than by sale, the Savannah site would not qualify for classification as discontinued operations until it is actually transferred to the trust and then only if it meets additional criteria for such classification. Tronox has not yet completed its analysis concerning whether Savannah will meet the additional criteria for classification as a discontinued operation, however, the site has not yet been transferred to the trust and therefore the financial results of the Savannah site, including the sulfuric acid operations and the wind down costs related to the former chloride and sulfate operations are included in Income (loss) from continuing operations in the accompanying Condensed Consolidated Statements of Operations.

Note 6

For purposes of preparing these financial statements, Tronox has recorded tax amounts based upon known available information. Significant uncertainties exist related to the treatment of various reorganization and restructuring items, along with significant uncertain international tax positions, that have not been reflected in this Periodic Report..

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Note 7

On July 7, 2010, Tronox filed its proposed plan of reorganization [Dkt. No. 1706] and accompanying disclosure statement [Dkt. No. 1707]. The disclosure statement includes, among other things, information on (a) the treatment of claims and interests under Tronox's proposed plan; (b) the events leading up to and significant events during Tronox's chapter 11 cases; (c) information regarding Tronox's businesses; (d) risk factors regarding the plan; (e) projections for reorganized Tronox's businesses; and (f) liquidation and valuation analyses. A hearing to consider the adequacy of the disclosure statement is set for August 10, 2010 in the Bankruptcy Court. Tronox may not solicit votes on the plan until the disclosure statement is approved by the Bankruptcy Court.

Exhibit C
Description of Operations for Non-Debtor Affiliates of the Debtor

<u>Name of Entity</u>	<u>Description</u>
1. Basic Management, Inc.	Holding Company that provides infrastructure services for Tronox LLC's Henderson, Nevada facility
2. Jurien Exploration Joint Venture	Australian joint venture for exploration and development of heavy minerals deposits
3. Tiwest Joint Venture	Australian joint venture operating assets owned by Tronox Western Australia Pty Ltd to extract heavy minerals and produce titanium dioxide ("TiO ₂ ")
4. Tiwest Pty Ltd.	Australian joint venture operating assets owned by Tronox Western Australia Pty Ltd to extract heavy minerals and produce titanium dioxide ("TiO ₂ ")
5. Tronox (Luxembourg) Holding S.a.r.l.	Inactive Financing Company
6. Tronox (Switzerland) Holding GmbH	Holding Company
7. Tronox B.V.	Finance Company for Purchase of Netherlands TiO ₂ operations owned by Tronox Pigments (Holland) B.V.
8. Tronox Finance B.V.	Finance Company for Purchase of Netherlands TiO ₂ operations owned by Tronox Pigments (Holland) B.V.
9. Tronox Funding LLC	Inactive QSVP Special Purpose Subsidiary for receivables securitization facility
10. Tronox Holdings Europe C.V.	Holding Company
11. Tronox Pigments (Holland) B.V.	Operating Company producing TiO ₂ in Botlek, Netherlands
12. Tronox Pigments (Netherlands) B.V.	Holding Company for Netherlands
13. Tronox Pigments (Singapore) Pte. Ltd.	Company responsible for marketing TiO ₂ in China
14. Tronox Pigments Ltd.	Company responsible for marketing TiO ₂ in Asia/Pacific region
15. Tronox Western Australia Pty Ltd	Holding Company owning 50% undivided interest in all assets used in Australian Joint Venture activities
16. The Landwell Company, L.P.	Holding Company providing real estate development services for Tronox LLC's Henderson, Nevada facility