

TRONOX INCORPORATED, et al.
PROPOSED GLOBAL SETTLEMENT AND CHAPTER 11 PLAN TERM SHEET

Capitalized terms used in this term sheet (the “Term Sheet”) have the meaning given to such terms herein, and capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Bankruptcy Code. This Term Sheet is for discussion purposes only and is not a solicitation of acceptances or rejections with respect to any plan of liquidation or reorganization. Any such solicitation will comply with the provisions of chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101 et seq. (the “Bankruptcy Code”). The transactions described in this Term Sheet are subject in all respects to, among other things, definitive documentation, including a plan of liquidation or reorganization and a court-approved disclosure statement, in form and substance satisfactory to the Equity Committee. This Term Sheet is subject to ongoing review by the Equity Committee and by their professionals and is subject to material change. This Term Sheet does not include a description of all of the terms, conditions, and other provisions to be contained in the definitive documentation governing the plan, which remain subject to further negotiation.

OVERVIEW	
<u>TERM</u>	<u>DESCRIPTION</u>
PARTIES	Tronox Incorporated (“ <u>Tronox</u> ”), Tronox Worldwide LLC (“ <u>Worldwide</u> ”), and their affiliate debtors (collectively, with Tronox and Worldwide, the “ <u>Debtors</u> ”); Credit Suisse, as the administrative agent (the “ <u>Agent</u> ”) for the DIP Lenders and the Prepetition Lenders (as defined below); the official committee of unsecured creditors of Tronox (the “ <u>Creditors’ Committee</u> ”); the official committee of equity security holders (the “ <u>Equity Committee</u> ”), and the United States of America (the “ <u>United States</u> ,” and, collectively, the “ <u>Parties</u> ”).
TRANSACTION SUMMARY	<p>This Term Sheet describes certain principal terms of a proposed global settlement which would be set forth in a chapter 11 plan (the “<u>Plan</u>”) filed by the Equity Committee and/or Debtors and other plan proponents in the Debtors’ chapter 11 cases presently pending in the United States Bankruptcy Court of the Southern District of New York (the “<u>Bankruptcy Court</u>”), which are being jointly administered under Case No. 09-10156 (ALG).</p> <p>The Plan contemplates the reorganization of the Debtors as a going concern.</p> <p>As described and defined below, the Plan will, among other things: (a) allocate the right to proceeds of any recovery from the Anadarko Litigation between the government (federal, state and local) and Tort Claimants; (b) create an environmental trust to manage and fund future environmental remediation efforts; and (d) resolve all pending litigation and disputes among the Parties in connection with the Debtors’ chapter 11 cases.</p>
REORGANIZATION SUMMARY	
<u>TERM</u>	<u>DESCRIPTION</u>
REORGANIZATION	Under the Plan, on the Effective Date, the Debtors’ business will emerge

PLAN OVERVIEW	<p>from chapter 11 free and clear of liens, claims and encumbrances, including the Environmental Claims (as defined below) (the “<u>Reorganized Tronox</u>”). At the option of the Debtors, in consultation with the Equity Committee, the Debtors may, prior to the Effective Date, sell the Debtors’ electrolytic business.</p> <p>The Debtors’ obligations under the Plan, including paying DIP Claims, Administrative Claims, Priority Claims and Prepetition Debt Claims on the Effective Date and funding the Environmental Trust with [(i) \$[REDACTED] million, (ii) any amounts drawn against Letters of Credit issued pursuant to the Credit Agreement, the proceeds of which have or will be used for environmental remediation by the Debtors, and (iii) a remediation expense payment in the amount of \$[5] million each year for a period of 5 years from the effective date with such funds to be paid for remediation expenses of the Environmental Trust]; will be satisfied from cash on hand and proceeds from an exit facility (“<u>Exit Financing</u>”), which may include (i) senior secured debt of approximately [\$280 - \$300 million], (ii) high yield debt of approximately [\$205-\$225 million] and (iii) equity financing (the “<u>Rights Offering</u>”) of a rights offering to the public shareholder of \$[100] million to be backstopped by a to be identified equity sponsor (the “<u>Equity Sponsor</u>”) on terms and conditions to be determined.</p> <p>The Equity Committee, in consultation with the Debtors will obtain, negotiate and select Exit Financing and the Rights Offering.</p> <p>The claims of the Unsecured Creditors will be satisfied in full through a combination of a cash payment for approximately [65%] of allowed claims and convertible preferred shares of stock of Reorganized Tronox (the “<u>Preferred Shares</u>”) for approximately [35%] of the allowed amount of such claims.</p> <p>On the Effective Date, as more fully described below, Reorganized Tronox’s common stock (the “<u>New Equity</u>”) will be distributed to the Equity Sponsor and the holders of Equity Interests. A percentage of the New Equity will be reserved for issuance as options, equity, or equity-based grants in connection with any Reorganized Tronox management incentive program.</p>
SOURCES OF CASH	<p>On the Effective Date, it is estimated that the following sources of cash will be available to fund the Plan.</p> <p>(i) excess cash, (ii) a new senior term loan and revolving credit facility of \$[280-300] million, (iii) a high yield issue of \$[205-225] million, and (iv) the Rights Offering of \$[100] million.</p>

IMPLEMENTATION OF THE PLAN	
<u>TERM</u>	<u>DESCRIPTION</u>
ENVIRONMENTAL	On the Effective Date, the Debtors will establish a trust (the

TRUST	<p>“<u>Environmental Trust</u>”).</p> <p>All rights to the litigation styled <u>Tronox Incorporated et al. v. Anadarko Petroleum Corporation et al.</u>, Case No. 09-1198 (ALG) (the “<u>Anadarko Litigation</u>”) shall be assigned to the Environmental Trust. The United States and the Debtors, in consultation with representatives of the Tort Claimants, shall jointly appoint a trustee to administer the Anadarko Litigation Trust (the “<u>Litigation Trustee</u>”).</p> <p>In addition to the rights to the Anadarko Litigation, the Environmental Trust will be funded on the Effective Date by (i) \$[REDACTED] million, [(ii) any amounts drawn against Letters of Credit issued pursuant to the Credit Agreement, the proceeds of which have or will be used for environmental remediation by the Debtors,] and (iii) a remediation payment in amount of \$[5] million every year for a period of 5 years from the effective date with such funds to be paid for remediation expenses of the Environmental Trust. Fees, costs and expenses incurred in connection with prosecution of the Anadarko Litigation after the Effective Date, including, without limitation, fees and expenses incurred by professionals retained by the Anadarko Litigation Trustee, shall be borne by the Environmental Trust. Professional fees and expenses may be paid in accordance with the terms of a special fee arrangement.</p> <p>The Litigation Trustee shall (a) pursue the Anadarko Litigation and (b) distribute any recovery as a result thereof (the “<u>Litigation Proceeds</u>”) to the beneficiaries of the Environmental Trust. The Litigation Proceeds shall be distributed [80%] to the Governmental Entities and [20]% to the Tort Claimants, provided further that, any amounts expended in prosecution of the Anadarko Litigation by the Environmental Trust shall be reimbursed by the Litigation Proceeds. To the extent the amount of the Litigation Proceeds to be distributed to the Governmental Entities on account of their [80%] interest in the Litigation Proceeds [and any remediation expense or clean up amounts assumed by Kerr-McGee or Anadarko] exceeds (i) amounts paid by the Environmental Trust for remediation and/or clean-up of the Environmental Sites, and (ii) amounts previously paid by the Governmental Entities for the remediation or clean-up of the Environmental Sites, such excess amounts will be refunded to the Reorganized Tronox.</p> <p>The representatives of the Tort Claimants will have limited consultation rights concerning the pursuit of the Anadarko Litigation.</p> <p>Additionally, the Debtors will establish within the Environmental Trust a Custodial Trust or Trusts to transfer the sites set forth on Attachment A (the “<u>Environmental Sites</u>”) to the Custodial Trust(s), free and clear of</p>
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	<p>all claims against the estate other than any liability to governmental units as provided in the Environmental Custodial Trust Agreements. The Environmental Custodial Trusts shall conduct response action and restoration or fund response action and restoration of or related to those sites. Any property placed into an Environmental Custodial Trust may be sold or transferred with the approval of the United States and the State in which the property is located, and the proceeds shall be retained by the trust to be used as provided in the applicable Environmental Custodial Trust Agreement (a) for costs of administration of the applicable Environmental Custodial Trust, (b) to conduct any remaining response action and restoration relating to such property or (c) to reimburse any Entity performing such response action or restoration and (d) thereafter as provided below.</p> <p>The United States and the applicable States shall enter into environmental custodial trust settlement agreements for the Environmental Sites, which shall have covenants not to sue Debtors and any successors in interest, similar to other recent environmental bankruptcy settlements. The custodial trust settlement agreements shall be submitted for public comments under federal environmental law and, where applicable, state environmental law of the State in which the applicable property is located. The agreements will determine how the custodial trusts will be operated by agreed-upon trustees and the role of the United States and the relevant State in approving funding of response action and restoration for the duration of the trusts. The Debtors and reorganized Debtors shall have no responsibility or involvement with respect to the Environmental Custodial Trusts once they are established and funded in accordance with the Plan. Custodial Trust funding shall be held in trust in segregated trust accounts for each site and in an administrative account, all as provided for in the settlement agreements.</p> <p>The establishment of the Environmental Trust shall not release Kerr McGee Corporation (“Kerr McGee”) from liability for the costs incurred by the Environmental Trust (“Kerr McGee Environmental Liabilities”), The Kerr McGee Environmental Liabilities are ones that arise under CERCLA and state statutes that were enacted to protect the public welfare. Kerr McGee’s spin-off of an undercapitalized corporation to house its environmental liabilities is conduct that is contrary to public policy and it is the intent of the United States that Kerr McGee not benefit financially the establishment of the Environmental Custodial Trust.</p> <p>The United States intends that 100% of the cost of the Environmental Custodial Trust be born by Kerr McGee. The United States also reserves the right to initiate enforcement actions against Kerr McGee, such as the issuance of CERCLA section 106 orders to minimize the required funding for the Environmental Custodial Trust.</p>
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ENVIRONMENTAL TRUST (CONT.)	The documentation governing the Environmental Trust shall expressly provide that, on and after the Effective Date, the Debtors and any successors-in-interest shall not be liable for any Environmental Claims (as defined below) or responsible for remediation efforts in connection with any Environmental Site, except as may be expressly provided for in such documentation.
IMPLEMENTATION OF THE PLAN (cont.)	
<u>TERM</u>	<u>DESCRIPTION</u>
RESOLUTION OF LITIGATION AND DISPUTES	<p>All claims, causes of action, and pending litigation among or between any of the Parties, including (a) rights or causes of action arising out of or related to Federal Debt Collection Procedures Act, (b) rights or causes of action against the Bondholders relating to facts alleged in the Anadarko Litigation and/or the Lender Litigation (as defined below),¹ and (c) rights or causes of action arising out of or related to the Environmental Claims, shall be released on the Effective Date, and any pending litigation shall be dismissed with prejudice on the Effective Date or as soon as practicable thereafter.</p> <p>In addition, any Plan will address and resolve the litigation styled <u>Official Committee of Unsecured Creditors of Tronox Incorporated and its affiliated debtors on behalf of Tronox Incorporated, et al. v. Credit Suisse et al.</u>, Case No. 09-1388 (ALG) (the “<u>Lender Litigation</u>”). As part of that resolution, the Prepetition Lenders will agree, among other things, not to object to the continued use of cash collateral pending consummation of the Plan on substantially the terms set forth in the Term Sheet. The Lender Litigation shall be stayed upon agreement to the terms set forth herein.</p>
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS	
<u>TERM</u>	<u>DESCRIPTION</u>
<i>DIP CLAIMS</i>	<p>On or before the Effective Date, in accordance with the terms of the Final DIP Order, claims held by the lenders (the “<u>DIP Lenders</u>”) in connection with that certain debtor-in-possession financing facility dated January 13, 2009 by and among Tronox and Worldwide, as Borrowers, Credit Suisse Securities (USA) LLC as Sole Lead Arranger and Sole Bookrunner, Credit Suisse, as Administrative Agent, and JPMorgan Chase Bank, N.A., as Collateral Agent (the “<u>DIP Facility</u>”) shall be paid in full in cash.</p> <p><i>Voting Status:</i> Not entitled to vote - deemed to accept.</p>

¹ The Equity Committee reserves the right to separately classify the claims of the Bondholders and to treat such claims separately to settle any objections to the allowance of claims relating to the Bonds based on the facts alleged in the Anadarko Litigation and/or the Lender Litigation.

FOR DISCUSSION PURPOSES ONLY

ADMINISTRATIVE CLAIMS	Each holder of an allowed administrative claim will receive payment in full (in cash) of the unpaid portion of its allowed administrative claim on the Effective Date or as soon thereafter as practicable; <u>provided, however</u> , that any environmental claims asserted by the United States or any state as administrative claims shall, for settlement purposes only, constitute Environmental Claims and not Administrative Claims.
	Voting Status: Not entitled to vote - deemed to accept.
PRIORITY CLAIMS	Priority claims will be paid in full (in cash) on the Effective Date, or as soon thereafter as practicable.
	Voting Status: Not entitled to vote - deemed to accept.
PREPETITION DEBT CLAIMS	Claims held by the lenders (the “ <u>Prepetition Lenders</u> ”) under that certain secured credit facility dated November 28, 2006 by and among Tronox and Worldwide, as Borrowers, Lehman Brothers Inc. and Credit Suisse Securities (USA) LLC, as Joint Lead Arrangers and Bookrunners, ABN Amro, as Syndication Agent, JPMorgan Chase Bank, N.A. and Citicorp USA, Inc., as co-documentation agents, and Lehman Commercial Paper Inc., as Administrative Agent (the “ <u>Prepetition Debt</u> ”) shall, on the Effective Date, be paid in full in cash.
	Voting Status: Not entitled to vote - deemed to accept.