Tronox Ltd
Form 10-Q
November 06, 2014
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

**(Mark One)**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2014**

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**1-35573**

**(Commission file number)**

**TRONOX LIMITED**

**(ACN 153 348 111)**

**(Exact Name of Registrant as Specified in its Charter)**

| | |
|---|---|
| **Western Australia, Australia** | **98-1026700** |
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification Number)** |

**263 Tresser Boulevard, Suite 1100**

**Stamford, Connecticut 06901**

**(Address of principal executive offices)**

**Registrant s telephone number, including area code: (203) 705-3800**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | x | Accelerated filer | ¨ |
| Non-accelerated filer | ¨ | Smaller reporting company | ¨ |

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No ¨

As of October 31, 2014, the Registrant had 63,629,755 Class A ordinary shares and 51,154,280 Class B ordinary shares outstanding.

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## Item 1. Financial Statements (Unaudited)

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**TRONOX LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

**(Millions of U.S. dollars, except share and per share data)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Net sales** | $ 429 | $ 491 | $ 1,337 | $ 1,486 |
| Cost of goods sold | 361 | 437 | 1,184 | 1,350 |
| **Gross profit** | 68 | 54 | 153 | 136 |
| Selling, general and administrative expenses | (47) | (45) | (138) | (137) |
| Restructuring expense | (10) | | (10) | |
| **Income (loss) from operations** | 11 | 9 | 5 | (1) |
| Interest and debt expense, net | (34) | (32) | (101) | (94) |
| Net loss on liquidation of non-operating subsidiaries | (35) | (10) | (35) | (10) |
| Loss on extinguishment of debt | | | (8) | (4) |
| Other income, net | 9 | | 12 | 32 |
| **Loss before income taxes** | (49) | (33) | (127) | (77) |
| Income tax provision | (41) | (8) | (15) | (10) |
| **Net loss** | (90) | (41) | (142) | (87) |
| Net income attributable to noncontrolling interest | 3 | 8 | 9 | 32 |
| **Net loss attributable to Tronox Limited** | $ (93) | $ (49) | $ (151) | $ (119) |
| **Loss per share, basic and diluted** | $ (0.82) | $ (0.43) | $ (1.33) | $ (1.05) |
| **Weighted average shares outstanding, basic and diluted (in thousands)** | 114,530 | 113,459 | 114,026 | 113,389 |

See notes to unaudited condensed consolidated financial statements.

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**TRONOX LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Net loss** | $ (90) | $ (41) | $ (142) | $ (87) |
| **Other comprehensive income (loss):** | | | | |
| Foreign currency translation adjustments | (47) | (5) | (68) | (206) |
| Retirement and postretirement plans, net of taxes of less than $1 million in each of the three and nine months ended September 30, 2014 and 2013 | | 1 | 3 | 1 |
| Other comprehensive loss | (47) | (4) | (65) | (205) |
| **Total comprehensive loss** | (137) | (45) | (207) | (292) |
| Comprehensive income (loss) attributable to noncontrolling interest: | | | | |
| Net income | 3 | 8 | 9 | 32 |
| Foreign currency translation adjustments | (18) | (6) | (24) | (57) |
| Comprehensive income (loss) attributable to noncontrolling interest | (15) | 2 | (15) | (25) |
| **Comprehensive loss attributable to Tronox Limited** | **$ (122)** | **$ (47)** | **$ (192)** | **$ (267)** |

**See notes to unaudited condensed consolidated financial statements.**

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**TRONOX LIMITED**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

**(Millions of U.S. dollars, except share and per share data)**

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 1,345 | $ 1,478 |
| Accounts receivable, net of allowance for doubtful accounts | 304 | 308 |
| Inventories, net | 778 | 759 |
| Prepaid and other assets | 52 | 61 |
| Deferred tax assets | 29 | 47 |
| **Total current assets** | 2,508 | 2,653 |
| **Noncurrent Assets** | | |
| Property, plant and equipment, net | 1,201 | 1,258 |
| Mineral leaseholds, net | 1,092 | 1,216 |
| Intangible assets, net | 279 | 300 |
| Long-term deferred tax assets | 203 | 192 |
| Other long-term assets | 64 | 80 |
| **Total assets** | $ 5,347 | $ 5,699 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 139 | $ 164 |
| Accrued liabilities | 142 | 146 |
| Long-term debt due within one year | 18 | 18 |
| Income taxes payable | 31 | 28 |
| Deferred tax liabilities | | 7 |
| **Total current liabilities** | 330 | 363 |
| **Noncurrent Liabilities** | | |
| Long-term debt | 2,380 | 2,395 |
| Pension and postretirement healthcare benefits | 132 | 148 |
| Asset retirement obligations | 89 | 90 |
| Long-term deferred tax liabilities | 177 | 204 |
| Other long-term liabilities | 73 | 62 |
| **Total liabilities** | 3,181 | 3,262 |

| | | | | |
|---|---|---|---|---|
| **Contingencies and Commitments** | | | | |
| **Shareholders Equity** | | | | |
| Tronox Limited Class A ordinary shares, par value $0.01 65,088,376 shares issued and 63,516,207 shares outstanding at September 30, 2014 and 64,046,647 shares issued and 62,349,618 shares outstanding at December 31, 2013 | | 1 | | 1 |
| Tronox Limited Class B ordinary shares, par value $0.01 51,154,280 shares issued and outstanding at September 30, 2014 and December 31, 2013 | | | | |
| Capital in excess of par value | | 1,471 | | 1,448 |
| Retained earnings | | 835 | | 1,073 |
| Accumulated other comprehensive loss | | (325) | | (284) |
| **Total shareholders equity** | | 1,982 | | 2,238 |
| Noncontrolling interest | | 184 | | 199 |
| **Total equity** | | 2,166 | | 2,437 |
| **Total liabilities and equity** | $ | 5,347 | $ | 5,699 |

See notes to unaudited condensed consolidated financial statements.

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**TRONOX LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Net loss | $ (142) | $ (87) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation, depletion and amortization | 225 | 238 |
| Deferred income taxes | (13) | 14 |
| Share-based compensation expense | 17 | 16 |
| Amortization of deferred debt issuance costs and discount on debt | 7 | 7 |
| Pension and postretirement healthcare benefit expense | 4 | 7 |
| Net loss on liquidation of non-operating subsidiaries | 35 | 10 |
| Loss on extinguishment of debt | 8 | 4 |
| Other noncash items affecting net loss | 4 | (14) |
| Contributions to employee pension and postretirement plans | (15) | (4) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (4) | |
| (Increase) decrease in inventories | (42) | 106 |
| (Increase) decrease in prepaid and other assets | 6 | (7) |
| Increase (decrease) in accounts payable and accrued liabilities | (16) | (42) |
| Increase (decrease) in taxes payable | 18 | (23) |
| Other, net | (3) | (15) |
| Cash provided by operating activities | 89 | 210 |
| **Cash Flows from Investing Activities:** | | |
| Capital expenditures | (106) | (104) |
| Cash used in investing activities | (106) | (104) |
| **Cash Flows from Financing Activities:** | | |
| Repayments of debt | (16) | (185) |
| Proceeds from debt | | 945 |
| Debt issuance costs | (2) | (29) |
| Dividends paid | (87) | (86) |
| Proceeds from the exercise of warrants and options | 5 | 1 |

| | | |
|---|---|---|
| Cash provided by (used in) financing activities | (100) | 646 |
| **Effects of exchange rate changes on cash and cash equivalents** | (16) | (11) |
| **Net (decrease) increase in cash and cash equivalents** | (133) | 741 |
| **Cash and cash equivalents at beginning of period** | 1,478 | 716 |
| **Cash and cash equivalents at end of period** | $ 1,345 | $ 1,457 |

See notes to unaudited condensed consolidated financial statements.

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**TRONOX LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF EQUITY**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Tronox Limited Class A Ordinary Shares | Tronox Limited Class B Ordinary Shares | Capital in Excess of par Value | Retained Earnings | Accumulated Other Comprehensive Loss | Total Shareholders' Equity | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2013** | **$ 1** | **$** | **$ 1,448** | **$ 1,073** | **$ (284)** | **$ 2,238** | **$ 199** | **$ 2,437** |
| Net income (loss) | | | | (151) | | (151) | 9 | (142) |
| Other comprehensive loss | | | | | (41) | (41) | (24) | (65) |
| Share-based compensation | | | 18 | | | 18 | | 18 |
| Class A and Class B share dividends | | | | (87) | | (87) | | (87) |
| Warrants and options exercised | | | 5 | | | 5 | | 5 |
| **Balance at September 30, 2014** | **$ 1** | **$** | **$ 1,471** | **$ 835** | **$ (325)** | **$ 1,982** | **$ 184** | **$ 2,166** |

See notes to unaudited condensed consolidated financial statements.

**TRONOX LIMITED**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**(Millions of U.S. dollars, except share, per share and metric tons data or unless otherwise noted)**

**1. The Company**

Tronox Limited and its subsidiaries (collectively referred to as Tronox, we, us, or our ) is a public limited company registered under the laws of the State of Western Australia, Australia. We are a global leader in the production and marketing of titanium bearing mineral sands and titanium dioxide ( $TiO_2$ ) pigment. Our world-class, high performance $TiO_2$ products are critical components of everyday applications such as paint and other coatings, plastics, paper and other applications. Our mineral sands business consists primarily of three product streams titanium feedstock, zircon and pig iron. Titanium feedstock is primarily used to manufacture $TiO_2$. Zircon, a hard, glossy mineral, is used for the manufacture of ceramics, refractories, TV screen glass and a range of other industrial and chemical products. Pig iron is a metal material used in the steel and metal casting industries to create wrought iron, cast iron and steel. We have global operations in North America, Europe, South Africa, and the Asia-Pacific region. We operate three $TiO_2$ facilities at the following locations: Hamilton, Mississippi; Botlek, The Netherlands; and Kwinana, Western Australia, and we operate three separate mining operations: KwaZulu-Natal ( KZN ) Sands and Namakwa Sands both located in South Africa, and Cooljarloo located in Western Australia.

At September 30, 2014, Exxaro Resources Limited ( Exxaro ) held approximately 44% of the voting securities of Tronox Limited. Exxaro has agreed that, through June 15, 2015, it would not engage in any transaction or other action, that would result in its beneficial ownership of the voting shares of Tronox Limited exceeding 45% of the total issued shares of Tronox Limited. We had service level agreements with Exxaro for services such as tax preparation, information technology services, and research and development, which amounted to less than $1 million and $1 million of expense during the three months ended September 30, 2014 and 2013, respectively, and $2 million and $5 million of expense during the nine months ended September 30, 2014 and 2013, respectively.

***Basis of Presentation***

The accompanying condensed consolidated financial statements are unaudited, and have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC ) regarding interim financial reporting. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America ( U.S. GAAP ) for complete financial statements, and should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013. The Condensed Consolidated Balance Sheet as of December 31, 2013 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

In management s opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, considered necessary for a fair statement. Our unaudited condensed consolidated financial statements include the accounts of all majority-owned subsidiary companies. All intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the manner and presentation in the current period.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. It is at least reasonably possible that the effect on the financial statements of a change in estimate due to one or more future confirming events could have a material effect on the financial statements.

***Recent Accounting Pronouncements***

During 2014, we adopted accounting standards update ( ASU ) 2013-5, *Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*, which addresses the treatment of the cumulative translation adjustment into net income when a parent either sells or liquidates a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. The adoption of this guidance did not have an impact on our consolidated financial statements, as we had previously accounted for the liquidation of our non-operating subsidiaries in this manner.

In May 2014, the Financial Accounting Standards Board (the FASB ) issued ASU 2014-9, *Revenue from Contracts with Customers ( ASU 2014-9 )*, which states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for periods beginning after December 31, 2016, and will be applied either retrospectively or on a modified retrospective basis. We have not yet determined the impact, if any, that ASU 2014-9 will have on our consolidated financial statements.

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**2. Anadarko Litigation**

In May 2009, we commenced an adversary proceeding in the U.S. Bankruptcy Court for the Southern District of New York (Manhattan) (the Bankruptcy Court ) against Kerr-McGee Corp. ( Kerr-McGee ) and its parent, Anadarko Petroleum Corp. ( Anadarko ), related to the 2005 Spin-Off of Tronox Incorporated (Tronox Incorporated v. Anadarko (In re Tronox Inc.)), 09-1198 (the Anadarko Litigation ). Pursuant to the plan of reorganization, we assigned the rights to any pre-tax proceeds that may be recovered in the Anadarko Litigation.

On December 12, 2013, the Bankruptcy Court ruled in favor of the plaintiff, and found that Kerr-McGee acted with intent to delay, and hindered Tronox Incorporated s creditors when it spun off Tronox Incorporated. The court held Anadarko liable, and indicated damages in the range of $5 billion to $14 billion, subject to a set off against claims that Anadarko filed as a creditor in Tronox Incorporated s 2009 bankruptcy filing.

On May 29, 2014, the Bankruptcy Court approved a settlement with Anadarko for $5.15 billion. We will not receive any portion of the settlement amount. Instead, 88% of the $5.15 billion will go to trusts and other governmental entities for the remediation of polluted sites by Kerr-McGee. The remaining 12% will be distributed to a tort trust to compensate individuals injured as a result of Kerr-McGee s environmental failures.

We received a private letter ruling from the U.S. Internal Revenue Service confirming that the trusts that held the claims against Anadarko are grantor trusts of Tronox Incorporated solely for federal income tax purposes. As a result, we believe we will be entitled to tax deductions equal to the amount spent by the trusts to remediate environmental matters and to compensate the injured individuals. These deductions will accrue over the life of the trusts as the $5.15 billion is spent. We believe that these expenditures and the accompanying tax deductions may continue for decades.

**3. Restructuring Expense**

On September 23, 2014, we commenced a cost reduction initiative which we expect to complete during the fourth quarter of 2014. The initiative involves an expected reduction in our workforce by approximately 80 employees, as well as the expected elimination of approximately 65 outside contractor positions. We estimate that the pre-tax charge resulting from this initiative will be approximately $16 million, of which $10 million was recorded in the third quarter of 2014. We expect the remaining $6 million to be recorded in the fourth quarter of 2014. The charge will consist of employee severance costs of approximately $14 million, as well as outplacement services and other associated costs and expenses of approximately $2 million. Of the aggregate pre-tax charge, we expect to incur approximately $14 million in cash expenditures, of which $1 million has been paid during the third quarter of 2014. We expect to pay the remaining $13 million during the fourth quarter of 2014 and the first quarter of 2015. As a result of this initiative, we expect annual cost savings of approximately $25 million in 2015.

Restructuring expense by segment for the three and nine months ended September 30, 2014 was as follows:

| | Restructuring Expense | |
|---|---|---|
| Mineral Sands segment | $ | 3 |
| Pigment segment | | 1 |
| Corporate and Other | | 6 |

| | | |
|---|---|---|
| Total | $ | 10 |

A summary in the changes in the liability established for restructuring is as follows:

| | | Restructuring Liability |
|---|---|---|
| Balance, January 1, 2014 | $ | |
| Severance, outplacement services and other related costs | | 10 |
| Cash payments | | (1) |
| Balance, September 30, 2014 | $ | 9 |

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**4. Liquidation of Non-Operating Subsidiaries**

During the third quarter of 2014, we completed the liquidation of our non-operating subsidiary, Tronox Pigments International GmbH. In accordance with Accounting Standards Codification ( ASC ) 830, *Foreign Currency Matters ( ASC 830 )*, we recognized a non-cash loss from the realization of cumulative translation adjustments of $35 million.

On September 12, 2013, we completed the liquidation of our non-operating subsidiary, the Zurich branch of Tronox Luxembourg S.a.r.l. In accordance with ASC 830, we recognized a non-cash loss from the realization of cumulative translation adjustments of $10 million.

**5. Income Taxes**

Our operations are conducted through our various subsidiaries in a number of countries throughout the world. We have provided for income taxes based upon the tax laws and rates in the countries in which operations are conducted and income is earned.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Income tax provision | $ (41) | $ (8) | $ (15) | $ (10) |
| Loss before income taxes | $ (49) | $ (33) | $ (127) | $ (77) |
| Effective tax rate | (84)% | (24)% | (12)% | (13)% |

The effective tax rate for each of the three and nine months ended September 30, 2014 and 2013, differs from the Australian statutory rate of 30% primarily due to valuation allowances, income in foreign jurisdictions taxed at rates lower than 30%, and withholding tax accruals. Additionally, the effective tax rate for the three and nine months ended September 30, 2014 is impacted by a third quarter increase of $56 million to the valuation allowance in the Netherlands.

We have valuation allowances against specific tax assets in Australia and South Africa where, based on the tax laws of each relevant country, we cannot objectively assert that the deferred tax assets are more likely than not to be realized.

We now maintain full valuation allowances related to the total net deferred tax assets in the United States and in the Netherlands, as we cannot objectively assert that these deferred tax assets are more likely than not to be realized. Future provisions for income taxes will include no tax benefits with respect to losses incurred and tax expense only to the extent of current state tax payments until the valuation allowances are eliminated. This conclusion was reached by the application of ASC 740, *Income Taxes*, which requires that all available positive and negative evidence be weighted to determine whether a valuation allowance should be recorded.

**6. Loss Per Share**

The computation of basic and diluted loss per share for the periods indicated is as follows:

| | Three Months Ended September 30, | Nine Months Ended September 30, |
|---|---|---|

| | 2014 | 2013 | 2014 | 2013 |
|---|---|---|---|---|
| **Numerator Basic and Diluted:** | | | | |
| Net loss | $ (90) | $ (41) | $ (142) | $ (87) |
| Less: Net income attributable to noncontrolling interest | 3 | 8 | 9 | 32 |
| Undistributed net loss | (93) | (49) | (151) | (119) |
| Percentage allocated to ordinary shares (1) | 100% | 100% | 100% | 100% |
| Loss available to ordinary shares | $ (93) | $ (49) | $ (151) | $ (119) |
| **Denominator Basic and Diluted:** | | | | |
| Weighted-average ordinary shares (in thousands) | 114,530 | 113,459 | 114,026 | 113,389 |
| **Loss per Ordinary Share (2):** | | | | |
| Basic and diluted loss per ordinary share | $ (0.82) | $ (0.43) | $ (1.33) | $ (1.05) |

(1) Our participating securities do not have a contractual obligation to share in losses; therefore, when we have a net loss, none of the loss is allocated to participating securities. Consequently, for the three and nine months ended September 30, 2014 and 2013, the two class method did not have an effect on our loss per ordinary share calculation, and as such, dividends paid during the year did not impact this calculation.

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(2) Loss per ordinary share amounts were calculated from exact, not rounded income (loss) and share information. In computing diluted loss per share under the two-class method, we considered potentially dilutive shares. Anti-dilutive shares not recognized in the diluted earnings per share calculation were as follows:

| | September 30, 2014 | | September 30, 2013 | |
|---|---|---|---|---|
| | Shares | Average Exercise Price | Shares | Average Exercise Price |
| Options | 2,691,444 | $ 21.12 | 2,100,611 | $ 20.63 |
| Series A Warrants (1) | 1,273,399 | $ 11.17 | 1,841,455 | $ 11.65 |
| Series B Warrants (1) | 1,858,353 | $ 12.33 | 2,397,124 | $ 12.86 |
| Restricted share units | 978,035 | $ 22.10 | 304,770 | $ 21.08 |

(1) Series A Warrants and Series B Warrants were converted into Class A Shares at September 30, 2014 and 2013 using a rate of 5.26 and 5.15, respectively. See Note 16.

**7. Accounts Receivable**

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

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Trade receivables | $ 301 | $ 304 |
| Other | 5 | 6 |
| Gross | 306 | 310 |
| Allowance for doubtful accounts | (2) | (2) |
| Net | $ 304 | $ 308 |

Bad debt expense recorded in the unaudited Condensed Consolidated Statements of Operations was less than $1 million for each of the three and nine months ended September 30, 2014 and 2013.

**8. Inventories**

Inventories consisted of the following:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Raw materials | $ 281 | $ 235 |
| Work-in-process | 76 | 45 |
| Finished goods, net | 309 | 373 |
| Materials and supplies, net (1) | 112 | 106 |

| | | | | |
|---|---|---|---|---|
| Total | $ | 778 | $ | 759 |

(1) Consists of processing chemicals, maintenance supplies, and spare parts, which will be consumed directly and indirectly in the production of our products.

Finished goods includes inventory on consignment of $43 million and $48 million at September 30, 2014 and December 31, 2013, respectively. At both September 30, 2014 and December 31, 2013, inventory obsolescence reserves were $13 million. During the three months ended September 30, 2014 and 2013, we recognized a net lower of cost or market charge of $1 million and a net lower of cost or market benefit of $21 million, respectively, which was included in Cost of goods sold on the unaudited Condensed Consolidated Statements of Operations. During the nine months ended September 30, 2014 and 2013, we recognized a net lower of cost or market charge of $8 million and a net lower of cost or market benefit of $27 million, respectively, which was included in Cost of goods sold on the unaudited Condensed Consolidated Statements of Operations.

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### 9. Property, Plant and Equipment

Property, plant and equipment, net of accumulated depreciation, consisted of the following:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Land and land improvements | $ 80 | $ 79 |
| Buildings | 186 | 181 |
| Machinery and equipment | 1,201 | 1,156 |
| Construction-in-progress | 123 | 133 |
| Other | 32 | 28 |
| Total | 1,622 | 1,577 |
| Less accumulated depreciation and amortization | (421) | (319) |
| Net | $ 1,201 | $ 1,258 |

Depreciation expense related to property, plant and equipment during the three months ended September 30, 2014 and 2013 was $38 million and $44 million, respectively, and during the nine months ended September 30, 2014 and 2013 was $120 million and $134 million, respectively.

### 10. Mineral Leaseholds

Mineral leaseholds, net of accumulated depletion, consisted of the following:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Mineral leaseholds | $ 1,347 | $ 1,388 |
| Less accumulated depletion | (255) | (172) |
| Net | $ 1,092 | $ 1,216 |

Depletion expense related to mineral leaseholds during the three months ended September 30, 2014 and 2013 was $23 million and $42 million, respectively, and during the nine months ended September 30, 2014 and 2013 was $85 million and $84 million, respectively.

### 11. Intangible Assets

Intangible assets, net of accumulated amortization, consisted of the following:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|

| | Gross Cost | Accumulated Amortization | Net Carrying Amount | Gross Cost | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|---|---|---|
| Customer relationships | $ 294 | $ (74) | $ 220 | $ 294 | $ (59) | $ 235 |
| $TiO_2$ technology | 32 | (6) | 26 | 32 | (5) | 27 |
| Internal-use software | 42 | (9) | 33 | 42 | (6) | 36 |
| Other | 6 | (6) | | 7 | (5) | 2 |
| Total | $ 374 | $ (95) | $ 279 | $ 375 | $ (75) | $ 300 |

Amortization expense related to intangible assets during the three months ended September 30, 2014 and 2013 was $7 million and $6 million, respectively, and during the nine months ended September 30, 2014 and 2013 was $20 million and $20 million, respectively. Estimated future amortization expense related to intangible assets is $6 million for the remainder of 2014, $27 million for 2015, $25 million for 2016, $25 million for 2017, $25 million for 2018, and $171 million thereafter.

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## 12. Accrued Liabilities

Accrued liabilities consisted of the following:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Employee-related costs and benefits | $ 66 | $ 55 |
| Taxes other than income taxes | 42 | 44 |
| Interest | 8 | 22 |
| Sales rebates | 20 | 18 |
| Other | 6 | 7 |
| Total | $ 142 | $ 146 |

## 13. Debt

***Short-term Debt***

*UBS Revolver*

We have a global senior secured asset-based syndicated revolving credit facility with UBS AG (the UBS Revolver ) with a maturity date of June 18, 2017. The UBS Revolver provides us with a committed source of capital with a principal borrowing amount of up to $300 million, subject to a borrowing base. At September 30, 2014 and December 31, 2013, our borrowing base was $279 million and $210 million, respectively. During each of the three and nine months ended September 30, 2014 and 2013, we had no drawdowns or repayments on the UBS Revolver. At September 30, 2014 and December 31, 2013, there were no outstanding borrowings on the UBS Revolver.

*ABSA Revolving Credit Facility*

We have a R900 million (approximately $80 million at September 30, 2014) revolving credit facility with ABSA Bank Limited ( ABSA ) acting through its ABSA Capital Division (the ABSA Revolver ) with a maturity date of June 14, 2017. During the three and nine months ended September 30, 2014 and the three months ended September 30, 2013, we had no drawdowns or repayments on the ABSA Revolver. During the nine months ended September 30, 2013, we had repayments of $30 million and no drawdowns on the ABSA Revolver. The average effective interest rate was 8.5% during the nine months ended September 30, 2013. At September 30, 2014 and December 31, 2013, there were no outstanding borrowings on the ABSA Revolver.

***Long-term Debt***

Long-term debt, net of an unamortized discount, consisted of the following:

| | Original Principal | Annual Interest Rate | Maturity Date | September 30, 2014 | December 31, 2013 |
|---|---|---|---|---|---|
| | $ 1,500 | Variable | 3/19/2020 | $ 1,471 | $ 1,482 |

| | | | | | |
|---|---|---|---|---|---|
| Term Loan, net of unamortized discount (1) | | | | | |
| Senior Notes | $ 900 | 6.375% | 8/15/2020 | 900 | 900 |
| Co-generation Unit Financing Arrangement | $ 16 | 6.5% | 2/1/2016 | 4 | 6 |
| Capital leases | | | | 23 | 25 |
| Total debt | | | | 2,398 | 2,413 |
| Less: Long-term debt due within one year | | | | (18) | (18) |
| Long-term debt | | | | $ 2,380 | $ 2,395 |

(1) Average effective interest rate of 4.6% and 4.9% during 2014 and 2013, respectively.

*Term Loan*

On March 19, 2013, we, along with our wholly-owned subsidiary, Tronox Pigments (Netherlands) B.V., and certain of our subsidiaries named as guarantors, entered into a Second Amended and Restated Credit and Guaranty Agreement (the Second Agreement ) with Goldman Sachs Bank USA, as administrative agent and collateral agent, and Goldman Sachs Bank USA, UBS Securities LLC, Credit Suisse Securities (USA) LLC and RBC Capital Markets, as joint lead arrangers, joint bookrunners and co-

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syndication agents. Pursuant to the Second Agreement, we obtained a $1.5 billion senior secured term loan (the Term Loan ). The Term Loan was issued net of an original issue discount. At September 30, 2014 and December 31, 2013, the unamortized discount was $8 million and $11 million, respectively. We made principal repayments during the three months ended September 30, 2014 and 2013 of $4 million and $4 million, respectively, and during the nine months ended September 30, 2014 and 2013 of $14 million and $4 million, respectively.

On April 23, 2014, we, along with our wholly-owned subsidiary, Tronox Pigments (Netherlands) B.V., and certain of our subsidiaries named as guarantors, entered into a Third Amendment to the Credit and Guaranty Agreement (the Third Agreement ) with the lender parties thereto and Goldman Sachs Bank USA, as administrative agent, which amends the Second Agreement. The Third Agreement provides for the re-pricing of the Term Loan by replacing the existing definition of Applicable Margin with a grid pricing matrix dependent upon our public corporate family rating as determined by Moody s and Standard & Poor s (with the interest rate under the Third Agreement remaining subject to Eurodollar Rate and Base Rate floors, as defined in the Third Agreement). Pursuant to the Third Agreement, based upon our current public corporate family rating by Moody s and Standard & Poor s, the current interest rate per annum is 300 basis points plus LIBOR (subject to a LIBOR floor of 1% per annum) compared to 350 basis points plus LIBOR (subject to a LIBOR floor of 1% per annum) in the Second Agreement. The Third Agreement also amended certain provisions of the Second Agreement to permit us and certain of our subsidiaries to obtain new cash flow revolving credit facilities in place of our existing asset based revolving credit facility. The maturity date under the Second Agreement and all other material terms of the Second Agreement remain the same under the Third Agreement.

The Third Agreement resulted in a modification for certain lenders and an extinguishment for other lenders. Accordingly, we recognized an $8 million charge during 2014 for the early extinguishment of debt resulting from the write-off of deferred debt issuance costs and discount on debt associated with the Second Agreement. We also paid $2 million of new debt issuance costs related to the Third Agreement during 2014.

*Senior Notes*

On August 20, 2012, our wholly-owned subsidiary, Tronox Finance LLC, completed a private placement offering of $900 million aggregate principal amount of senior notes at par value (the Senior Notes ). The Senior Notes bear interest semiannually at a rate equal to 6.375%, and are fully and unconditionally guaranteed on a senior, unsecured basis by us and certain of our subsidiaries. The Senior Notes were initially offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act ), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

On September 17, 2013, Tronox Finance LLC issued $900 million in aggregate principal amount of registered 6.375% Senior Notes due 2020 in exchange for its then existing $900 million in aggregate principal amount of its 6.375% Senior Notes due 2020. The Senior Notes are guaranteed by Tronox and certain of its subsidiaries. See Note 21.

*Capital Leases*

We have capital lease obligations in South Africa, which are payable through 2031 at a weighted average interest rate of approximately 14%. At both September 30, 2014 and December 31, 2013, such obligations had a net book value of assets recorded under capital leases aggregating $23 million. We made principal payments of less than $1 million and $2 million, respectively, for the three and nine months ended September 30, 2014 and 2013.

***Fair Value***

Our debt is recorded at historical amounts. At September 30, 2014 and December 31, 2013, the fair value of the Term Loan was $1,470 million and $1,524 million, respectively. At September 30, 2014 and December 31, 2013, the fair value of the Senior Notes was $901 million and $924 million, respectively. We determined the fair value of the Term Loan and the Senior Notes using Bloomberg market prices. The fair value hierarchy for the Term Loan and the Senior Notes is a Level 1 input.

***Debt Covenants***

At September 30, 2014, we had financial covenants in the UBS Revolver, the ABSA Revolver and the Term Loan; however, only the ABSA Revolver had a financial maintenance covenant that applies to local operations and only when the ABSA Revolver is drawn upon. The Term Loan and the UBS Revolver are subject to an intercreditor agreement pursuant to which the lenders respective rights and interests in the security are set forth. We were in compliance with all our financial covenants as of and for the three and nine months ended September 30, 2014.

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***Security***

We have pledged the majority of our U.S. assets and certain assets of our non-U.S. subsidiaries in support of our outstanding debt.

***Interest and Debt Expense, Net***

Interest and debt expense, net consisted of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Interest on debt | $ 30 | $ 32 | $ 93 | $ 88 |
| Amortization of deferred debt issuance costs and discounts on debt | 2 | 1 | 7 | 7 |
| Other | 2 | | 3 | 2 |
| Capitalized interest | | (1) | (2) | (3) |
| Total interest and debt expense, net | $ 34 | $ 32 | $ 101 | $ 94 |

Debt issuance costs are being amortized through the respective maturity dates of our debt using the effective interest method. At September 30, 2014 and December 31, 2013, we had $46 million and $57 million, respectively, of deferred debt issuance costs, which are recorded in Other long-term assets on the unaudited Condensed Consolidated Balance Sheets.

**14. Asset Retirement Obligations**

Asset retirement obligations consist primarily of rehabilitation and restoration costs, landfill capping costs, decommissioning costs, and closure and post-closure costs. Activity related to our asset retirement obligations was as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Beginning balance | $ 100 | $ 103 | $ 96 | $ 113 |
| Additions | 4 | | 5 | 2 |
| Accretion expense | | 1 | 3 | 5 |
| Remeasurement/translation | (6) | 1 | (4) | (12) |
| Changes in estimates, including cost and timing of cash flows | (2) | 1 | (1) | |
| Settlements/payments | (1) | | (4) | (2) |
| Ending balance | $ 95 | $ 106 | $ 95 | $ 106 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Current portion included in accrued liabilities | $ | 6 | $ | 7 | $ | 6 | $ | 7 |
| Noncurrent portion | $ | 89 | $ | 99 | $ | 89 | $ | 99 |

***Environmental Rehabilitation Trust***

In accordance with applicable regulations, we have established an environmental rehabilitation trust for the prospecting and mining operations in South Africa, which receives, holds, and invests funds for the rehabilitation or management of asset retirement obligations. The trustees of the fund are appointed by us, and consist of sufficiently qualified employees capable of fulfilling their fiduciary duties. At September 30, 2014 and December 31, 2013, the environmental rehabilitation trust assets were $18 million and $22 million, respectively, which were recorded in Other long-term assets on the unaudited Condensed Consolidated Balance Sheets.

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## 15. Commitments and Contingencies

***Purchase Commitments*** At September 30, 2014, purchase commitments were $63 million for the remainder of 2014, $217 million for 2015, $110 million for 2016, $98 million for 2017, $61 million for 2018, and $320 million thereafter.

***Letters of Credit*** At September 30, 2014, we had outstanding letters of credit, bank guarantees, and performance bonds of $44 million, of which $25 million were letters of credit issued under the UBS Revolver, $17 million were bank guarantees issued by ABSA and $2 million were performance bonds issued by Westpac Banking Corporation.

***Other Matters*** From time to time, we may be party to a number of legal and administrative proceedings involving legal, environmental, and/or other matters in various courts or agencies. These proceedings, individually and in the aggregate, may have a material adverse effect on us. These proceedings may be associated with facilities currently or previously owned, operated or used by us and/or our predecessors, some of which may include claims for personal injuries, property damages, cleanup costs, and other environmental matters. Current and former operations may also involve management of regulated materials that are subject to various environmental laws and regulations including the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act or state equivalents. Similar environmental laws and regulations and other requirements exist in foreign countries in which we operate.

## 16. Shareholders Equity

The changes in outstanding Class A ordinary shares ( Class A Shares ) and Class B ordinary shares ( Class B Shares ) for the nine months ended September 30, 2014 were as follows:

| | |
|---|---|
| **Class A Shares:** | |
| Balance at December 31, 2013 | 62,349,618 |
| Shares issued for share-based compensation | 189,445 |
| Shares issued upon warrants exercised | 739,090 |
| Shares issued upon options exercised | 238,054 |
| Balance at September 30, 2014 | 63,516,207 |
| **Class B Shares:** | |
| Balance at December 31, 2013 | 51,154,280 |
| Balance at September 30, 2014 | 51,154,280 |

***Warrants***

Tronox Limited has outstanding Series A Warrants (the Series A Warrants ) and Series B Warrants (the Series B Warrants, and together with the Series A Warrants, the Warrants ). At September 30, 2014, holders of the Warrants were entitled to purchase 5.26 Class A Shares and receive $12.50 in cash at an exercise price of $58.74 for each Series A Warrant and $64.83 for each Series B Warrant. The Warrants have a seven-year term from the date initially issued and will expire on February 14, 2018. A holder may exercise the Warrants by paying the applicable exercise price in cash or exercising on a cashless basis. The Warrants are freely transferable by the holder. At September 30, 2014 there were 242,091 Series A Warrants and 353,299 Series B Warrants outstanding.

***Dividends***

During 2014, we declared and paid quarterly dividends to holders of our Class A Shares and Class B Shares as follows:

| | Q1 2014 | Q2 2014 | Q3 2014 |
|---|---|---|---|
| Dividend per share | $ 0.25 | $ 0.25 | $ 0.25 |
| Total dividend | $ 29 | $ 29 | $ 29 |
| Record date (close of business) | March 10 | May 19 | August 18 |

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***Accumulated Other Comprehensive Loss Attributable to Tronox Limited***

The tables below present changes in accumulated other comprehensive loss by component for the three and nine months ended September 30, 2014 and 2013.

| | Cumulative Translation Adjustment | Pension Liability Adjustment | Total |
|---|---|---|---|
| Balance, December 31, 2013 | $ (215) | $ (69) | $ (284) |
| Other comprehensive income (loss) | (5) | 3 | (2) |
| Balance, March 31, 2014 | (220) | (66) | (286) |
| Other comprehensive loss | (10) | | (10) |
| Balance, June 30, 2014 | (230) | (66) | (296) |
| Other comprehensive income | (64) | | (64) |
| Amounts reclassified from accumulated other comprehensive loss | 35 | | 35 |
| Balance, September 30, 2014 | $ (259) | $ (66) | $ (325) |

| | Cumulative Translation Adjustment | Pension Liability Adjustment | Total |
|---|---|---|---|
| Balance, December 31, 2012 | $ 4 | $ (99) | $ (95) |
| Other comprehensive loss | (91) | | (91) |
| Amounts reclassified from accumulated other comprehensive loss | | 1 | 1 |
| Balance, March 31, 2013 | (87) | (98) | (185) |
| Other comprehensive loss | (60) | | (60) |
| Balance, June 30, 2013 | (147) | (98) | (245) |
| Other comprehensive income | (8) | | (8) |
| Amounts reclassified from accumulated other comprehensive loss | 10 | | 10 |
| Balance, September 30, 2013 | $ (145) | $ (98) | $ (243) |

## 17. Noncontrolling Interest

Exxaro has a 26% ownership interest in each of our Tronox KZN Sands (Pty) Ltd. and Tronox Mineral Sands (Pty) Ltd. subsidiaries in order to comply with the ownership requirements of the Black Economic Empowerment legislation in South Africa. Exxaro is entitled to exchange this interest for approximately 3.2% in additional Class B Shares under certain circumstances. Exxaro also has a 26% ownership interest in certain of our other non-operating subsidiaries. We account for such ownership interest as Noncontrolling interest in our unaudited condensed consolidated financial statements.

Noncontrolling interest activity was as follows:

| | 2014 | 2013 |
|---|---|---|
| Balance, January 1 | $ 199 | $ 233 |
| Net income attributable to noncontrolling interest | 4 | 12 |
| Effect of exchange rate changes | (3) | (28) |
| Balance, March 31 | 200 | 217 |
| Net income attributable to noncontrolling interest | 2 | 12 |
| Effect of exchange rate changes | (3) | (23) |
| Balance, June 30 | 199 | 206 |
| Net income attributable to noncontrolling interest | 3 | 8 |
| Effect of exchange rate changes | (18) | (6) |
| Balance, September 30 | $ 184 | $ 208 |

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## 18. Share-Based Compensation

Compensation expense consisted of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Restricted shares and restricted share units | $ 3 | $ 3 | $ 10 | $ 9 |
| Options | 2 | 2 | 6 | 5 |
| T-Bucks Employee Participation Plan | | | 1 | 2 |
| Total compensation expense | $ 5 | $ 5 | $ 17 | $ 16 |

***Tronox Limited Management Equity Incentive Plan***

On June 15, 2012, we adopted the Tronox Limited Management Equity Incentive Plan (the MEIP ), which permits the grant of awards that are comprised of incentive options, nonqualified options, share appreciation rights, restricted shares, restricted share units, performance awards, and other share-based awards, cash payments, and other forms as the compensation committee of the Board in its discretion deems appropriate, including any combination of the above. Subject to further adjustment, the maximum number of shares which may be the subject of awards (inclusive of incentive options) is 12,781,225 Class A Shares.

*Restricted Shares*

During the nine months ended September 30, 2014, we granted restricted shares which vest ratably over a three-year period. These awards are classified as equity awards, and are accounted for using the fair value established at the grant date.

The following table presents a summary of activity for the nine months ended September 30, 2014:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding, January 1, 2014 | 1,148,795 | $ 20.61 |
| Granted | 38,766 | 22.17 |
| Vested | (126,357) | 21.08 |
| Forfeited | (37,269) | 23.78 |
| Outstanding, September 30, 2014 | 1,023,935 | $ 20.51 |
| Expected to vest, September 30, 2014 | 1,020,870 | $ 20.51 |

At September 30, 2014, there was $6 million of unrecognized compensation expense related to nonvested restricted shares, adjusted for estimated forfeitures, which is expected to be recognized over a weighted-average period of 1.4 years. The total fair value of restricted shares that vested during the nine months ended September 30, 2014 was $3 million.

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*Restricted Share Units ( RSUs )*

During the nine months ended September 30, 2014, we granted RSUs which have time and/or performance conditions. Both the time-based awards and the performance-based awards are classified as equity awards. The time-based awards vest ratably over a three-year period, and are valued at the weighted average grant date fair value. The performance-based awards cliff vest at the end of the three years. Included in the performance-based awards are RSUs for which vesting is determined by a Total Stockholder Return ( TSR ) calculation over the applicable measurement period. The TSR metric is considered a market condition for which we use a Monte Carlo simulation to determine the grant date fair value.

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding, January 1, 2014 | 303,324 | $ 21.08 |
| Granted | 762,493 | 22.36 |
| Vested | (62,191) | 20.33 |
| Forfeited | (25,591) | 22.01 |
| Outstanding, September 30, 2014 | 978,035 | $ 22.10 |
| Expected to vest, September 30, 2014 | 957,235 | $ 22.09 |

At September 30, 2014, there was $14 million of unrecognized compensation expense related to nonvested RSUs, adjusted for estimated forfeitures, which is expected to be recognized over a weighted-average period of 2.2 years. The total fair value of RSUs that vested during the nine months ended September 30, 2014 was $1 million.

*Options*

During the nine months ended September 30, 2014, we granted options to purchase Class A Shares, which vest ratably over a three-year period and have a ten-year term. The following table presents a summary of activity for the nine months ended September 30, 2014:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Contractual Life (years) | Intrinsic Value |
|---|---|---|---|---|
| Outstanding, January 1, 2014 | 2,094,771 | $ 20.63 | 8.97 | $ 7 |
| Granted | 915,988 | 22.02 | | |
| Exercised | (238,054) | 20.63 | | |
| Forfeited | (81,101) | 20.17 | | |
| Expired | (160) | 25.90 | | |
| Outstanding, September 30, 2014 | 2,691,444 | $ 21.12 | 8.60 | $ 14 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Expected to vest, September 30, 2014 | 2,005,059 | $ | 20.88 | 8.76 | $ | 11 |
| Exercisable, September 30, 2014 | 645,025 | $ | 21.85 | 8.08 | $ | 3 |

The aggregate intrinsic values in the table represent the total pre-tax intrinsic value (the difference between our share price at the indicated dates and the options exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their in-the-money options at the end of the second quarter. The amount will change based on the fair market value of our stock. Total intrinsic value of options exercised during the nine months ended September 30, 2014 was $1 million. We issue new shares upon the exercise of options. During the nine months ended September 30, 2014, we received $5 million in cash for the exercise of stock options.

At September 30, 2014, unrecognized compensation expense related to options, adjusted for estimated forfeitures, was $11 million, which is expected to be recognized over a weighted-average period of 1.8 years.

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Fair value is determined on the grant date using the Black-Scholes option-pricing model and is recognized in earnings on a straight-line basis over the employee service period of three years, which is the vesting period. The assumptions used in the Black-Scholes option-pricing model were as follows:

| | February 10, 2014 | June 19, 2014 | August 15, 2014 |
|---|---|---|---|
| Number of options granted | 910,375 | 1,155 | 4,458 |
| Fair market value and exercise price | $ 21.98 | $ 27.25 | $ 29.68 |
| Risk-free interest rate | 1.88% | 2.07% | 1.86% |
| Expected dividend yield | 4.55% | 3.67% | 3.37% |
| Expected volatility | 58% | 57% | 57% |
| Maturity (years) | 10 | 10 | 10 |
| Expected term (years) | 6 | 6 | 6 |
| Per-unit fair value of options granted | $ 8.17 | $ 10.80 | $ 12.00 |

The fair value is based on the closing price of our Class A Shares on the grant date. The risk-free interest rate is based on U.S. Treasury Strips available with a maturity period consistent with the expected life assumption. The expected volatility assumption is based on historical price movements of our peer group.

*T-Bucks Employee Participation Plan (   T-Bucks EPP   )*

During 2012, we established the T-Bucks EPP for the benefit of certain qualifying employees of our South African subsidiaries. We funded the T-Bucks Trust (the   Trust   ) with R124 million (approximately $15 million), which was used to acquire Class A Shares. Additional contributions may be made in the future at the discretion of the Board. The T-Bucks EPP is classified as an equity-settled shared-based payment plan, whereby participants were awarded share units in the Trust, which entitles them to receive Class A Shares upon completion of the vesting period on May 31, 2017. Participants are entitled to receive dividends on the shares during the vesting period. Forfeited shares are retained by the Trust, and are allocated to future participants. Compensation costs are recognized over the vesting period using the straight-line method. During 2012, the Trust purchased 548,234 Class A Shares at $25.79 per share, which was the fair value on the date of purchase. The balance at both September 30, 2014 and December 31, 2013 was 548,234 shares.

**19. Pension and Other Postretirement Healthcare Benefits**

We sponsor a noncontributory defined benefit retirement plan (qualified) in the United States, a contributory defined benefit retirement plan in The Netherlands, a U.S. contributory postretirement healthcare plan, and a South Africa postretirement healthcare plan.

The components of net periodic cost associated with the U.S. and foreign retirement plans recognized in the unaudited Condensed Consolidated Statements of Operations were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net periodic cost: | | | | | | | | |
| Service cost | $ | 1 | $ | 1 | $ | 4 | $ | 4 |
| Interest cost | | 5 | | 5 | | 16 | | 15 |
| Expected return on plan assets | | (6) | | (5) | | (18) | | (15) |
| Net amortization of actuarial loss | | | | 1 | | | | 2 |
| Total net periodic cost | $ | | $ | 2 | $ | 2 | $ | 6 |

The components of net periodic cost associated with the postretirement healthcare plans for each of the three months ended September 30, 2014 and 2013 were less than $1 million, and for the nine months ended September 30, 2014 and 2013 were $2 million and $1 million, respectively.

**20. Segment Information**

The reportable segments presented below represent our operating segments for which separate financial information is available and which is utilized on a regular basis by our chief operating decision maker to assess performance and to allocate resources. In identifying our reportable segments, we also considered the nature of services provided by our operating segments. We have two reportable segments, Mineral Sands and Pigment. Our Mineral Sands segment includes the exploration, mining, and beneficiation of mineral sands deposits, as well as heavy mineral production, and produces titanium feedstock, including chloride slag, slag fines, and rutile, as well as pig iron and zircon. Our Pigment segment primarily produces and markets $TiO_2$. Corporate and Other is comprised of our electrolytic operations, all of which are located in the United States, as well as our corporate activities.

Segment performance is evaluated based on segment operating profit (loss), which represents the results of segment operations before unallocated costs, such as general corporate expenses not identified to a specific segment, interest expense, other income (expense), and income tax expense or benefit.

Net sales and income (loss) from operations by segment were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Mineral Sands segment | $ 206 | $ 245 | $ 611 | $ 855 |
| Pigment segment | 296 | 300 | 915 | 892 |
| Corporate and Other | 31 | 35 | 83 | 97 |
| Eliminations | (104) | (89) | (272) | (358) |
| **Net sales (1)** | $ 429 | $ 491 | $ 1,337 | $ 1,486 |
| Mineral Sands segment | $ 8 | $ 41 | $ 9 | $ 205 |
| Pigment segment | 35 | (29) | 30 | (153) |
| Corporate and Other | (26) | (20) | (63) | (55) |
| Eliminations | (6) | 17 | 29 | 2 |
| **Income (loss) from operations** | 11 | 9 | 5 | (1) |
| Interest and debt expense, net | (34) | (32) | (101) | (94) |
| Net loss on liquidation of non-operating subsidiaries | (35) | (10) | (35) | (10) |
| Loss on extinguishment of debt | | | (8) | (4) |
| Other income, net | 9 | | 12 | 32 |
| **Loss before income taxes** | (49) | (33) | (127) | (77) |
| Income provision | (41) | (8) | (15) | (10) |
| **Net loss** | $ (90) | $ (41) | $ (142) | $ (87) |

(1) Net sales to external customers, by geographic region, based on country of production, were as follows:

| | Three Months | Nine Months |
|---|---|---|

| | Ended September 30, | | Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| U.S. operations | $ 199 | $ 219 | $ 582 | $ 622 |
| International operations: | | | | |
| Australia | 111 | 90 | 320 | 311 |
| South Africa | 69 | 129 | 253 | 383 |
| The Netherlands | 50 | 53 | 182 | 170 |
| Total | $ 429 | $ 491 | $ 1,337 | $ 1,486 |

During the nine months ended September 30, 2014, our ten largest pigment customers and our ten largest third-party mineral sands customers represented approximately 33% and 13%, respectively, of net sales; however, no single customer accounted for more than 10% of total net sales.

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Capital expenditures by segment were as follows:

| | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| Mineral Sands segment | $ 27 | $ 10 | $ 64 | $ 59 |
| Pigment segment | 10 | 14 | 31 | 39 |
| Corporate and Other | 2 | 1 | 6 | 6 |
| Total | $ 39 | $ 25 | $ 101 | $ 104 |

Total assets by segment were as follows:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Mineral Sands segment | $ 2,634 | $ 2,957 |
| Pigment segment | 1,324 | 1,559 |
| Corporate and Other | 1,404 | 1,227 |
| Eliminations | (15) | (44) |
| Total | $ 5,347 | $ 5,699 |

**21. Guarantor Condensed Consolidating Financial Statements**

The obligations of Tronox Finance LLC, our wholly-owned subsidiary, under the Senior Notes are fully and unconditionally (subject to certain customary circumstances providing for the release of a guarantor subsidiary) guaranteed on a senior unsecured basis, jointly and severally, by Tronox Limited (referred to for purposes of this note only as the Parent Company ) and each of its current and future restricted subsidiaries, other than excluded subsidiaries, that guarantee any indebtedness of the Parent Company or its restricted subsidiaries (collectively, the Guarantor Subsidiaries ). The Subsidiary Issuer, Tronox Finance LLC, and each of the Guarantor Subsidiaries are 100% owned, directly or indirectly, by the Parent Company. Our subsidiaries that do not guarantee the Senior Notes are referred to as the Non-Guarantor Subsidiaries. The guarantor condensed consolidating financial statements presented below presents the statements of operations, statements of comprehensive income (loss), balance sheets and statements of cash flow data for: (i) the Parent Company, the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries, and the subsidiary issuer, on a consolidated basis (which is derived from Tronox historical reported financial information); (ii) the Parent Company, alone (accounting for our Guarantor Subsidiaries, the Non-Guarantor Subsidiaries, and Tronox Finance LLC on an equity basis under which the investments are recorded by each entity owning a portion of another entity at cost, adjusted for the applicable share of the subsidiary s cumulative results of operations, capital contributions and distributions, and other equity changes); (iii) the Guarantor Subsidiaries alone; (iv) the Non-Guarantor Subsidiaries alone; and (v) the subsidiary issuer, Tronox Finance LLC.

The guarantor condensed consolidating financial statements are presented on a legal entity basis, not on a business segment basis. The indenture governing the Senior Notes provides for a Guarantor Subsidiary to be automatically and unconditionally released and discharged from its guarantee obligations in certain customary circumstances, including:

Sale or other disposition of such Guarantor Subsidiary s capital stock or all or substantially all of its assets and all of the indenture obligations (other than contingent obligations) of such Subsidiary Guarantor in respect of all other indebtedness of the Subsidiary Guarantors terminate upon the consummation of such transaction;

Designation of such Guarantor Subsidiary as an unrestricted subsidiary under the indenture;

In the case of certain Guarantor Subsidiaries that incur or guarantee indebtedness under certain credit facilities, upon the release or discharge of such Guarantor Subsidiary s guarantee or incurrence of indebtedness that resulted in the creation of such guarantee, except a discharge or release as a result of payment under such guarantee;

Legal defeasance, covenant defeasance, or satisfaction and discharge of the indenture obligations;

Payment in full of the aggregate principal amount of all outstanding Senior Notes and all other obligations under the indenture; or

Release or discharge of the Guarantor Subsidiary s guarantee of certain other indebtedness.

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**GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS**

**Three Months Ended September 30, 2014**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **Net sales** | $ 429 | $ (61) | $ | $ | $ 325 | $ 165 |
| Cost of goods sold | (361) | 51 | | | (269) | (143) |
| **Gross profit** | 68 | (10) | | | 56 | 22 |
| Selling, general and administrative expenses | (47) | 3 | | (3) | (35) | (12) |
| Restructuring expense | (10) | | | | (9) | (1) |
| **Income (loss) from operations** | 11 | (7) | | (3) | 12 | 9 |
| Interest and debt expense, net | (34) | | (15) | | (1) | (18) |
| Intercompany interest income (expense) | | | | 137 | (145) | 8 |
| Net loss on liquidation of non-operating subsidiaries | (35) | | | | (33) | (2) |
| Other income (expense) | 9 | (3) | | | | 12 |
| Equity in earnings of subsidiary | | 179 | | (185) | 6 | |
| **Income (loss) before income taxes** | (49) | 169 | (15) | (51) | (161) | 9 |
| Income tax benefit (provision) | (41) | | 4 | (42) | 27 | (30) |
| **Net income (loss)** | (90) | 169 | (11) | (93) | (134) | (21) |
| Net income attributable to noncontrolling interest | 3 | 3 | | | | |
| **Net income (loss) attributable to Tronox Limited** | $ (93) | $ 166 | $ (11) | $ (93) | $ (134) | $ (21) |

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## GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

**Nine Months Ended September 30, 2014**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **Net sales** | $ 1,337 | $ (186) | $ | $ | $ 945 | $ 578 |
| Cost of goods sold | (1,184) | 203 | | | (858) | (529) |
| **Gross profit** | 153 | 17 | | | 87 | 49 |
| Selling, general and administrative expenses | (138) | 11 | | (8) | (102) | (39) |
| Restructuring expense | (10) | | | | (9) | (1) |
| **Income (loss) from operations** | 5 | 28 | | (8) | (24) | 9 |
| Interest and debt expense, net | (101) | | (45) | | (3) | (53) |
| Intercompany interest income (expense) | | | | 410 | (434) | 24 |
| Net loss on liquidation of non-operating subsidiaries | (35) | | | | (33) | (2) |
| Loss on extinguishment of debt | (8) | | | | (2) | (6) |
| Other income (expense) | 12 | 29 | | | (14) | (3) |
| Equity in earnings of subsidiary | | 448 | | (430) | (18) | |
| **Income (loss) before income taxes** | (127) | 505 | (45) | (28) | (528) | (31) |
| Income tax benefit (provision) | (15) | | 13 | (123) | 122 | (27) |
| **Net income (loss)** | (142) | 505 | (32) | (151) | (406) | (58) |
| Net income attributable to noncontrolling interest | 9 | 9 | | | | |
| **Net income (loss) attributable to Tronox Limited** | $ (151) | $ 496 | $ (32) | $ (151) | $ (406) | $ (58) |

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**GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**Three Months Ended September 30, 2014**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **Net income (loss)** | $ (90) | $ 169 | $ (11) | $ (93) | $ (134) | $ (21) |
| **Other comprehensive income (loss):** | | | | | | |
| Foreign currency translation adjustments | (47) | 126 | | (47) | (37) | (89) |
| Other comprehensive income (loss) | (47) | 126 | | (47) | (37) | (89) |
| **Total comprehensive income (loss)** | (137) | 295 | (11) | (140) | (171) | (110) |
| **Comprehensive income (loss) attributable to noncontrolling interest:** | | | | | | |
| Net income | 3 | 3 | | | | |
| Foreign currency translation adjustments | (18) | | | (18) | | |
| Comprehensive income (loss) attributable to noncontrolling interest | (15) | 3 | | (18) | | |
| **Comprehensive income (loss) attributable to Tronox Limited** | $ (122) | $ 292 | $ (11) | $ (122) | $ (171) | $ (110) |

**GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**Nine Months Ended September 30, 2014**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| **Net income (loss)** | $ (142) | $ 505 | $ (32) | $ (151) | $ (406) | $ (58) |
| **Other comprehensive income (loss):** | | | | | | |
| Foreign currency translation adjustments | (68) | 164 | | (67) | (59) | (106) |
| Pension and postretirement plans | 3 | (1) | | 2 | 2 | |
| Other comprehensive income (loss) | (65) | 163 | | (65) | (57) | (106) |
| **Total comprehensive income (loss)** | (207) | 668 | (32) | (216) | (463) | (164) |
| **Comprehensive income (loss) attributable to noncontrolling interest:** | | | | | | |
| Net income | 9 | 9 | | | | |
| Foreign currency translation adjustments | (24) | | | (24) | | |
| Comprehensive income (loss) attributable to noncontrolling interest | (15) | 9 | | (24) | | |
| **Comprehensive income (loss) attributable to Tronox Limited** | $ (192) | $ 659 | $ (32) | $ (192) | $ (463) | $ (164) |

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## GUARANTOR CONDENSED CONSOLIDATING BALANCE SHEETS

**As of September 30, 2014**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and cash equivalents | $ 1,345 | $ | $ | $ 29 | $ 408 | $ 908 |
| Inventories, net | 778 | (15) | | | 489 | 304 |
| Other current assets | 385 | (2,091) | 31 | 985 | 712 | 748 |
| Investment in subsidiaries | | 2,418 | | (3,613) | 1,195 | |
| Property, plant and equipment, net | 1,201 | | | | 698 | 503 |
| Mineral leaseholds, net | 1,092 | | | | 625 | 467 |
| Intercompany loans receivable | | (7,287) | 772 | 6,043 | 144 | 328 |
| Other long-term assets | 546 | | 23 | 102 | 372 | 49 |
| **Total assets** | $ 5,347 | $ (6,975) | $ 826 | $ 3,546 | $ 4,643 | $ 3,307 |
| **LIABILITIES AND EQUITY** | | | | | | |
| Total current liabilities | $ 330 | $ (2,091) | $ 7 | $ 789 | $ 1,446 | $ 179 |
| Long-term debt | 2,380 | | 898 | | 1 | 1,481 |
| Intercompany loans payable | | (7,287) | 9 | 775 | 6,362 | 141 |
| Other long-term liabilities | 471 | | | | 246 | 225 |
| **Total liabilities** | 3,181 | (9,378) | 914 | 1,564 | 8,055 | 2,026 |
| **Total equity** | 2,166 | 2,403 | (88) | 1,982 | (3,412) | 1,281 |
| **Total liabilities and equity** | $ 5,347 | $ (6,975) | $ 826 | $ 3,546 | $ 4,643 | $ 3,307 |

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**GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**

**Nine Months Ended September 30, 2014**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | | | |
| Net income (loss) | $ (142) | $ 505 | $ (32) | $ (151) | $ (406) | $ (58) |
| Depreciation, depletion and amortization | 225 | | | | 163 | 62 |
| Other | 6 | (482) | (19) | 207 | 370 | (70) |
| Cash provided by (used in) operating activities | 89 | 23 | (51) | 56 | 127 | (66) |
| **Cash Flows from Investing Activities:** | | | | | | |
| Capital expenditures | (106) | | | | (54) | (52) |
| Collections of intercompany debt | | (51) | 51 | | | |
| Cash used in investing activities | (106) | (51) | 51 | | (54) | (52) |
| **Cash Flows from Financing Activities:** | | | | | | |
| Repayments of debt | (16) | | | | (2) | (14) |
| Repayments of intercompany debt | | 51 | | (51) | | |
| Debt issuance costs | (2) | | | | | (2) |
| Dividends paid | (87) | | | (87) | | |
| Proceeds from the exercise of warrants and options | 5 | | | 5 | | |
| Cash provided by (used in) financing activities | (100) | 51 | | (133) | (2) | (16) |
| **Effects of exchange rate changes on cash and cash equivalents** | (16) | (23) | | (73) | (37) | 117 |
| | (133) | | | (150) | 34 | (17) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Net increase (decrease) in cash and cash equivalents** | | | | | | |
| **Cash and cash equivalents at beginning of period** | $ 1,478 | $ | $ | $ 179 | $ 374 | $ 925 |
| **Cash and cash equivalents at end of period** | $ 1,345 | $ | $ | $ 29 | $ 408 | $ 908 |

We revised each of our guarantor condensed consolidating financial statements as of December 31, 2013 and for each of the three and nine months ended September 30, 2013 regarding the presentation of intercompany activities between the Parent Company, the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries, and the subsidiary issuer. These revisions, which we determined are not material to our prior year condensed financial statements or consolidated financial statements based on quantitative and qualitative considerations, did not affect our consolidated financial position, consolidated results of operations or consolidated cash flows. The revisions were as follows:

The condensed consolidating financial statements previously issued were not prepared under the equity method of accounting. In accordance with Rule 3-10 of Regulation S-X, we have properly prepared our revised condensed consolidating financial statements under the equity method of accounting.

In the condensed consolidating financial statements previously issued, Tronox Finance LLC, the subsidiary issuer, was included in the Parent Company column. In the revised condensed consolidating financial statements, we have properly included Tronox Finance LLC in a separate column.

Two subsidiaries which were incorrectly classified as Guarantor Subsidiaries have been reclassified to Non-Guarantor Subsidiaries in the revised condensed consolidating financial statements.

Certain financial statement line items have been expanded and reclassifications were made to enhance transparency.

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**REVISED GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS**

**Three Months Ended September 30, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **Net sales** | $ 491 | $ (49) | $ | $ | $ 330 | $ 210 |
| Cost of goods sold | 437 | (68) | | | 326 | 179 |
| **Gross profit** | 54 | 19 | | | 4 | 31 |
| Selling, general and administrative expenses | (45) | 4 | | (2) | (32) | (15) |
| **Income (loss) from operations** | 9 | 23 | | (2) | (28) | 16 |
| Interest and debt expense, net | (32) | | (14) | | (1) | (17) |
| Intercompany interest income (expense) | | | | 137 | (144) | 7 |
| Loss on extinguishment of debt | | | | | | |
| Other income (expense) | (10) | 1 | | | (8) | (3) |
| Equity in earnings of subsidiary | | 116 | | (135) | 19 | |
| **Income (loss) before income taxes** | (33) | 140 | (14) | | (162) | 3 |
| Income tax benefit (provision) | (8) | | 4 | (49) | 48 | (11) |
| **Net income (loss)** | (41) | 140 | (10) | (49) | (114) | (8) |
| Net income attributable to noncontrolling interest | 8 | 8 | | | | |
| **Net income (loss) attributable to Tronox Limited** | $ (49) | $ 132 | $ (10) | $ (49) | $ (114) | $ (8) |

**AS PREVIOUSLY FILED**

**GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS**

**Three months ended September 30, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| **Net sales** | $ 491 | $ (61) | $ | $ 326 | $ 226 |
| Cost of goods sold | 437 | (84) | | 326 | 195 |
| **Gross profit** | 54 | 23 | | | 31 |
| Selling, general and administrative expenses | (45) | 1 | (2) | (32) | (12) |
| **Income (loss) from operations** | 9 | 24 | (2) | (32) | 19 |
| Interest and debt expense, net | (32) | | 137 | (159) | (10) |
| Other income (expense) | (10) | (44) | | (3) | 37 |
| Equity in earnings of subsidiary | | 135 | (135) | | |
| **Income (loss) before income taxes** | (33) | 115 | | (194) | 46 |
| Income tax benefit (provision) | (8) | | (50) | 52 | (10) |
| **Net income (loss)** | (41) | 115 | (50) | (142) | 36 |
| Net income attributable to noncontrolling interest | 8 | | | 8 | |
| **Net income (loss) attributable to Tronox Limited** | $ (49) | $ 115 | $ (50) | $ (150) | $ 36 |

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**REVISED GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS**

**Nine Months Ended September 30, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **Net sales** | $ 1,486 | $ (228) | $ | $ | $ 1,008 | $ 706 |
| Cost of goods sold | 1,350 | (214) | | | 968 | 596 |
| **Gross profit** | 136 | (14) | | | 40 | 110 |
| Selling, general and administrative expenses | (137) | 16 | | (11) | (97) | (45) |
| **Income (loss) from operations** | (1) | 2 | | (11) | (57) | 65 |
| Interest and debt expense, net | (94) | | (44) | | (5) | (45) |
| Intercompany interest income (expense) | | | | 410 | (432) | 22 |
| Loss on extinguishment of debt | (4) | | | | (3) | (1) |
| Other income (expense) | 22 | 1 | | 1 | (16) | 36 |
| Equity in earnings of subsidiary | | 317 | | (391) | 74 | |
| **Income (loss) before income taxes** | (77) | 320 | (44) | 9 | (439) | 77 |
| Income tax benefit (provision) | (10) | | 13 | (128) | 132 | (27) |
| **Net income (loss)** | (87) | 320 | (31) | (119) | (307) | 50 |
| Net income attributable to noncontrolling interest | 32 | 32 | | | | |
| **Net income (loss) attributable to Tronox Limited** | $ (119) | $ 288 | $ (31) | $ (119) | $ (307) | $ 50 |

**AS PREVIOUSLY FILED**

**GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS**

**Nine Months ended September 30, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| **Net sales** | $ 1,486 | $ (256) | $ | $ 994 | $ 748 |
| Cost of goods sold | 1,350 | (256) | | 968 | 638 |
| **Gross profit** | 136 | | | 26 | 110 |
| Selling, general and administrative expenses | (137) | 3 | (11) | (98) | (31) |
| **Income (loss) from operations** | (1) | 3 | (11) | (72) | 79 |
| Interest and debt expense, net | (94) | | 410 | (483) | (21) |
| Other income (expense) | 18 | (44) | 1 | 5 | 56 |
| Equity in earnings of subsidiary | | 391 | (391) | | |
| **Income (loss) before income taxes** | (77) | 350 | 9 | (550) | 114 |
| Income tax benefit (provision) | (10) | | (128) | 143 | (25) |
| **Net income (loss)** | (87) | 350 | (119) | (407) | 89 |
| Net income attributable to noncontrolling interest | 32 | | | 32 | |
| **Net income (loss) attributable to Tronox Limited** | $ (119) | $ 350 | $ (119) | $ (439) | $ 89 |

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**REVISED GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**Three Months Ended September 30, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **Net income (loss)** | $ (41) | $ 140 | $ (10) | $ (49) | $ (114) | $ (8) |
| **Other comprehensive income (loss):** | | | | | | |
| Foreign currency translation adjustments | (5) | 19 | | (5) | (16) | (3) |
| Pension and postretirement plans | 1 | | | 1 | | |
| Other comprehensive income (loss) | (4) | 19 | | (4) | (16) | (3) |
| **Total comprehensive income (loss)** | (45) | 159 | (10) | (53) | (130) | (11) |
| **Comprehensive income (loss) attributable to noncontrolling interest:** | | | | | | |
| Net income | 8 | 8 | | | | |
| Foreign currency translation adjustments | (6) | | | (6) | | |
| Comprehensive income (loss) attributable to noncontrolling interest | 2 | 8 | | (6) | | |
| **Comprehensive income (loss) attributable to Tronox Limited** | $ (47) | $ 151 | $ (10) | $ (47) | $ (130) | $ (11) |

**AS PREVIOUSLY FILED**

**GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**Three months ended September 30, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| **Net income (loss)** | $ (41) | $ 115 | $ (50) | $ (142) | $ 36 |
| **Other comprehensive income (loss):** | | | | | |
| Foreign currency translation adjustments | (5) | | | | (5) |
| Pension and postretirement plans | 1 | | | 2 | (1) |
| Other comprehensive income (loss) | (4) | | | 2 | (6) |
| **Total comprehensive income (loss)** | (45) | 115 | (50) | (140) | 30 |
| **Comprehensive income (loss) attributable to noncontrolling interest:** | | | | | |
| Net income | 8 | | | 8 | |
| Foreign currency translation adjustments | (6) | | | (6) | |
| Comprehensive income (loss) attributable to noncontrolling interest | 2 | | | 2 | |
| **Comprehensive income (loss) attributable to Tronox Limited** | $ (47) | $ 115 | $ (50) | $ (142) | $ 30 |

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**REVISED GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**Nine Months Ended September 30, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **Net income (loss)** | $ (87) | $ 320 | $ (31) | $ (119) | $ (307) | $ 50 |
| **Other comprehensive income (loss):** | | | | | | |
| Foreign currency translation adjustments | (206) | 416 | | (206) | (213) | (203) |
| Pension and postretirement plans | 1 | 1 | | 1 | | (1) |
| Other comprehensive income (loss) | (205) | 417 | | (205) | (213) | (204) |
| **Total comprehensive income (loss)** | (292) | 737 | (31) | (324) | (520) | (154) |
| **Comprehensive income (loss) attributable to noncontrolling interest:** | | | | | | |
| Net income | 32 | 32 | | | | |
| Foreign currency translation adjustments | (57) | | | (57) | | |
| Comprehensive income (loss) attributable to noncontrolling interest | (25) | 32 | | (57) | | |
| **Comprehensive income (loss) attributable to Tronox Limited** | $ (267) | $ 705 | $ (31) | $ (267) | $ (520) | $ (154) |

**AS PREVIOUSLY FILED**

**GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**Nine Months ended September 30, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| **Net income (loss)** | $ (87) | $ 350 | $ (119) | $ (407) | $ 89 |
| **Other comprehensive income (loss):** | | | | | |
| Foreign currency translation adjustments | (206) | | | | (206) |
| Pension and postretirement plans | 1 | | | 2 | (1) |
| Other comprehensive income (loss) | (205) | | | 2 | (207) |
| **Total comprehensive income (loss)** | (292) | 350 | (119) | (405) | (118) |
| **Comprehensive income (loss) attributable to noncontrolling interest:** | | | | | |
| Net income | 32 | | | 32 | |
| Foreign currency translation adjustments | (57) | | | (57) | |
| Comprehensive income (loss) attributable to noncontrolling interest | (25) | | | (25) | |
| **Comprehensive income (loss) attributable to Tronox Limited** | $ (267) | $ 350 | $ (119) | $ (380) | $ (118) |

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**REVISED GUARANTOR CONDENSED CONSOLIDATING BALANCE SHEETS**

**As of December 31, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and cash equivalents | $ 1,478 | $ | $ | $ 179 | $ 374 | $ 925 |
| Inventory | 759 | (44) | | | 474 | 329 |
| Other current assets | 416 | (1,605) | 25 | 556 | 721 | 719 |
| Investment in subsidiaries | | 1,849 | | (3,145) | 1,296 | |
| Property, plant and equipment, net | 1,258 | | | | 710 | 548 |
| Mineral leaseholds, net | 1,216 | | | | 700 | 516 |
| Intercompany loans receivable | | (7,302) | 825 | 6,043 | 105 | 329 |
| Other long-term assets | 572 | | 12 | 88 | 364 | 108 |
| **Total assets** | $ 5,699 | $ (7,102) | $ 862 | $ 3,721 | $ 4,744 | $ 3,474 |
| **LIABILITIES AND EQUITY** | | | | | | |
| Total current liabilities | $ 363 | $ (1,605) | $ 22 | $ 658 | $ 1,091 | $ 197 |
| Long-term debt | 2,395 | | 897 | | 3 | 1,495 |
| Intercompany loans payable | | (7,302) | | 825 | 6,372 | 105 |
| Other long-term liabilities | 504 | | | | 235 | 269 |
| **Total liabilities** | 3,262 | (8,907) | 919 | 1,483 | 7,701 | 2,066 |
| **Total equity** | 2,437 | 1,805 | (57) | 2,238 | (2,957) | 1,408 |
| **Total liabilities and equity** | $ 5,699 | $ (7,102) | $ 862 | $ 3,721 | $ 4,744 | $ 3,474 |

**AS PREVIOUSLY FILED**

**GUARANTOR CONDENSED CONSOLIDATING BALANCE SHEETS**

**As of December 31, 2013**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 1,478 | $ | $ 179 | $ 1,094 | $ 205 |
| Investment in subsidiaries | | (952) | (1,095) | 1,590 | 457 |
| Other current assets | 1,175 | (9,645) | 6,599 | 2,125 | 2,096 |
| Property, plant and equipment, net | 1,258 | | | 710 | 548 |
| Mineral leaseholds, net | 1,216 | | | 701 | 515 |
| Other long-term assets | 572 | | 88 | 376 | 108 |
| **Total assets** | $ 5,699 | $ (10,597) | $ 5,771 | $ 6,596 | $ 3,929 |
| **LIABILITIES AND EQUITY** | | | | | |
| Total current liabilities | $ 363 | $ (2,333) | $ 658 | $ 1,801 | $ 237 |
| Long-term debt | 2,395 | (7,268) | 825 | 7,272 | 1,566 |
| Other long-term liabilities | 504 | | | 236 | 268 |
| **Total liabilities** | 3,262 | (9,601) | 1,483 | 9,309 | 2,071 |
| **Total equity** | 2,437 | (996) | 4,288 | (2,713) | 1,858 |
| **Total liabilities and equity** | $ 5,699 | $ (10,597) | $ 5,771 | $ 6,596 | $ 3,929 |

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**REVISED GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**

**Nine Months Ended September 30, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Tronox Finance LLC | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | | | |
| Net income (loss) | $ (87) | $ 320 | $ (31) | $ (119) | $ (307) | $ 50 |
| Depreciation, depletion and amortization | 238 | | | | 158 | 80 |
| Other | 59 | (263) | (26) | 215 | 321 | (188) |
| **Cash provided by (used in) operating activities** | 210 | 57 | (57) | 96 | 172 | (58) |
| Cash Flows from Investing Activities: | | | | | | |
| Capital expenditures | (104) | | | | (44) | (60) |
| Collections of intercompany debt | | (57) | 57 | | | |
| Cash provided by (used in) investing activities | (104) | (57) | 57 | | (44) | (60) |
| **Cash Flows from Financing Activities:** | | | | | | |
| Repayments of debt | (185) | | | | (3) | (182) |
| Repayments of intercompany debt | | 57 | | (57) | | |
| Proceeds from debt | 945 | | | | | 945 |
| Debt issuance costs | (29) | | | | | (29) |
| Dividends paid | (86) | | | (86) | | |
| Proceeds from the exercise of warrants and options | 1 | | | 1 | | |
| Cash provided by (used in) financing activities | 646 | 57 | | (142) | (3) | 734 |
| **Effects of exchange rate changes on cash and cash equivalents** | (11) | (57) | | (148) | | 194 |
| **Net increase (decrease) in cash and cash equivalents** | 741 | | | (194) | 125 | 810 |
| | $ 716 | $ | $ | $ 533 | $ 78 | $ 105 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash and cash equivalents at beginning of period** | | | | | | | | | | |
| **Cash and cash equivalents at end of period** | $ | 1,457 | $ | | $ | | $ | 339 | $ | 203 | $ | 915 |

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**AS PREVIOUSLY FILED**

**GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**

**Nine Months ended September 30, 2013**

**(Unaudited)**

**(Millions of U.S. dollars)**

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | |
| Net income (loss) | $ (87) | $ 350 | $ (119) | $ (407) | $ 89 |
| Other | 297 | (350) | 10 | 1,302 | (665) |
| Cash provided by (used in) operating activities | 210 | | (109) | 895 | (576) |
| **Cash Flows from Investing Activities:** | | | | | |
| Capital expenditures | (104) | | | (43) | (61) |
| Cash used in investing activities | (104) | | | (43) | (61) |
| **Cash Flows from Financing Activities** | | | | | |
| Repayments of debt | (185) | | | | (185) |
| Proceeds from borrowings | 945 | | | | 945 |
| Debt issuance costs | (29) | | | | (29) |
| Dividends paid | (86) | | (86) | | |
| Proceeds from the conversion of warrants | 1 | | 1 | | |
| Cash provided by (used in) financing activities | 646 | | (85) | | 731 |
| **Effects of exchange rate changes on cash and cash equivalents** | (11) | | | | (11) |
| **Net increase (decrease) in cash and cash equivalents** | 741 | | (194) | 852 | 83 |
| **Cash and cash equivalents at beginning of period** | 716 | | 533 | 82 | 101 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash and cash equivalents at end of period** | $ | 1,457 | $ | | $ | 339 | $ | 934 | $ | 184 |

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## Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion should be read in conjunction with Tronox Limited s unaudited condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2013. This discussion and other sections in this Quarterly Report on Form 10-Q contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, 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. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements also can be identified by words such as future, anticipates, believes, estimates, expects, intends, plans, predicts, will, would, could, can, may, and similar terms.*

*This Management s Discussion and Analysis of Financial Condition and Results of Operations contains certain financial measures, in particular the presentation of EBITDA and Adjusted EBITDA, which are not presented in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ). We are presenting these non-U.S. GAAP financial measures because we believe they provide us and readers of this Form 10-Q with additional insight into our operational performance relative to earlier periods and relative to our competitors. We do not intend for these non-U.S GAAP financial measures to be a substitute for any U.S. GAAP financial information. Readers of these statements should use these non-U.S. GAAP financial measures only in conjunction with the comparable U.S. GAAP financial measures. A reconciliation of Net income (loss) to EBITDA and Adjusted EBITDA is also provided herein.*

### Executive Overview

We are a global leader in the production and marketing of titanium bearing mineral sands and titanium dioxide ( $TiO_2$ ) pigment. We are the third largest global producer and marketer of $TiO_2$ manufactured via chloride technology, as well as the third largest global producer of titanium feedstock and a leader in global zircon production. We have operations in North America, Europe, South Africa, and the Asia-Pacific region. We operate three $TiO_2$ pigment facilities at the following locations: Hamilton, Mississippi; Botlek, The Netherlands; and Kwinana, Western Australia, representing an aggregate of approximately 465,000 metric tons of annual $TiO_2$ production capacity. Additionally, we operate three separate mining operations: KwaZulu-Natal ( KZN ) Sands located in South Africa, Namakwa Sands located in South Africa and Cooljarloo Sands located in Western Australia.

We have two reportable operating segments, Mineral Sands and Pigment. Corporate and Other is comprised of our electrolytic operations, all of which are located in the United States, as well as our corporate activities.

The Mineral Sands segment includes the exploration, mining, and beneficiation of mineral sands deposits. These operations produce titanium feedstock, including chloride slag, slag fines, and rutile, as well as zircon and pig iron. Titanium feedstock is used primarily to manufacture $TiO_2$ pigment. Zircon is a mineral which is primarily used as an opacifier in ceramic glazes for tiles, plates, dishes, and industrial products. Pig iron is a metal material used in the steel and metal casting industries to create wrought iron, cast iron, and steel.

The Pigment segment primarily produces and markets $TiO_2$, which is used in a wide range of products due to its ability to impart whiteness, brightness, and opacity. $TiO_2$ pigment is used extensively in the manufacture of paint and other coatings, plastics and paper, and in a wide range of other applications, including inks, fibers, rubber, food, cosmetics, and pharmaceuticals. Moreover, it is a critical component of everyday consumer applications due to its superior ability to cover or mask other materials effectively and efficiently relative to alternative white pigments and extenders. We believe that, at present, $TiO_2$ has no effective substitute because no other white pigment has the physical properties for achieving comparable opacity and brightness or can be incorporated in a cost-effective manner.

**Recent Developments**

*Restructuring* On September 23, 2014, we announced a cost reduction initiative which we expect to complete during the fourth quarter of 2014. The initiative involves an expected reduction in our workforce by approximately 80 employees, as well as the expected elimination of approximately 65 outside contractor positions. We recognized a $10 million expense from this initiative during the third quarter of 2014. See Note 3 of Notes to unaudited Condensed Consolidated Financial Statements.

*Collective bargaining agreements* On July 16, 2014, we reached collective bargaining agreements with the Nation Union of Mineworkers and Solidarity, which covers all bargaining unit union-represented employees working in our mineral sands operations in Namakwa and KZN. The one year agreement is effective July 1, 2014.

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*Litigation Settlement* On May 29, 2014, the U.S. Bankruptcy Court for the Southern District of New York (Manhattan) (the Bankruptcy Court ) approved a settlement with Anadarko Petroleum Corp. ( Anadarko ) for $5.15 billion. We will not receive any portion of the settlement amount. Instead, 88% of the $5.15 billion will go to trusts and other governmental entities for the remediation of polluted sites by Kerr-McGee Corp. ( Kerr-McGee ). The remaining 12% will be distributed to a tort trust to compensate individuals injured as a result of Kerr-McGee s environmental failures. See Note 2 of Notes to unaudited Condensed Consolidated Financial Statements.

*Amendments to Term Loan* On April 23, 2014, we entered into a Third Amendment to the Credit and Guaranty Agreement, which provides for the re-pricing of our $1.5 billion senior secured term loan (the Term Loan ). See Note 13 of Notes to unaudited Condensed Consolidated Financial Statements.

*Changes in Certifying Accountant* On April 7, 2014, our Audit Committee of the Board of Directors nominated PricewaterhouseCoopers LLP ( PwC ) for appointment to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2014. On May 21, 2014, shareholders approved PwC s appointment at the Annual General Meeting of Shareholders, and our engagement of PwC became effective.

**Business Environment**

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

Pigment sales volumes increased slightly during 2014, primarily in North America and Europe. Compared to the second quarter of 2014, pigment pricing in Europe and Latin America was up slightly, with North America essentially level. In the fourth quarter, we expect to see seasonally lighter market conditions, with some positive developments anticipated in 2015.

We believe the feedstock market continues to be oversupplied. During 2014, the Mineral Sands business performance reflected weaker market conditions as sales volumes and selling prices declined due to excess supply in the market. As a result of our vertical integration, this decline in feedstock selling prices contributes to greater margins in our Pigment business that will be realized when the pigment made from that feedstock is sold, which is typically five to six months later. We expect feedstock market conditions to gradually improve as pigment markets strengthen. As selling prices for high grade chloride feedstock currently produce inadequate returns, going forward, we expect to sell chloride processed titanium slag and natural rutile as feedstock solely to our own Pigment business, and will continue to maintain that position until slag market conditions improve.

We continue to be uniquely tax-advantaged by favorable tax loss carryforwards, the settlement reached with Anadarko for $5.15 billion and approved by the Bankruptcy Court, and other favorable tax positions. These tax-advantaged factors are not currently recognized as assets on our unaudited Condensed Consolidated Balance Sheet; however, we believe they create opportunities for our operations to benefit for years to come.

Planned construction on the Fairbreeze mine has continued during 2014. The Fairbreeze mine will serve as a replacement source of feedstock production for our Hillendale mine, which ceased mining operations in December 2013. Depending on the timing of regulatory approval and subsequent construction, we expect the Fairbreeze mine to begin operations in the second half of 2015, and be fully operational in 2016. The Fairbreeze mine is estimated to have a life expectancy of approximately 15 years.

Going forward, we will continue to review strategic opportunities both in the U.S. and in foreign jurisdictions. We believe we bring a strong set of operating and financial attributes to the table in either an acquisition or a business combination. As such, we will continue to seek opportunities to realize those value creating attributes to expand our portfolio.

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**Consolidated Results of Operations**

***Three and Nine Months Ended September 30, 2014 compared to the Three and Nine Months Ended September 30, 2013***

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | Variance | 2014 | 2013 | Variance |
| | (Millions of U.S. dollars) | | | | | |
| **Net sales** | $ 429 | $ 491 | $ (62) | $ 1,337 | $ 1,486 | $ (149) |
| Cost of goods sold | 361 | 437 | (76) | 1,184 | 1,350 | (166) |
| **Gross profit** | 68 | 54 | 14 | 153 | 136 | 17 |
| Selling, general and administrative expenses | (47) | (45) | (2) | (138) | (137) | (1) |
| Restructuring expense | (10) | | (10) | (10) | | (10) |
| **Income (loss) from operations** | 11 | 9 | 2 | 5 | (1) | 6 |
| Interest and debt expense, net | (34) | (32) | (2) | (101) | (94) | (7) |
| Net loss on liquidation of non-operating subsidiaries | (35) | (10) | (25) | (35) | (10) | (25) |
| Loss on extinguishment of debt | | | | (8) | (4) | (4) |
| Other income, net | 9 | | 9 | 12 | 32 | (20) |
| **Loss before income taxes** | (49) | (33) | (16) | (127) | (77) | (50) |
| Income tax provision | (41) | (8) | (33) | (15) | (10) | (5) |
| **Net loss** | (90) | $ (41) | $ (49) | (142) | $ (87) | $ (55) |

Net sales for the three and nine months ended September 30, 2014 decreased 13% and 10%, respectively, compared to the same periods in 2013. The decrease in net sales for the third quarter was due to the impact of lower selling prices and product mix of $25 million, as well as lower volumes of $37 million. The decrease in net sales for the nine months ended September 30, 2014 was due to the impact of lower selling prices and product mix of $99 million and lower volumes of $57 million, partially offset by favorable changes in foreign currency translation of $7 million. Selling prices were lower across all of our businesses, while lower volumes in our Mineral Sands business (after elimination of inter-segment sales) were partially offset by higher volumes in our Pigment business.

During the three and nine months ended September 30, 2014, cost of goods sold decreased 17% and 12%, respectively, compared to the same periods in the prior year. The decrease in the third quarter principally reflects the impact of lower production costs of $67 million, lower volumes of $23 million, and favorable foreign currency translation of $8 million, partially offset by the net change in lower of cost or market ( LCM ) reserves of $22 million. The decrease during the nine months ended September 30, 2014 reflects the impact of lower production costs of $83 million, lower volumes of $62 million, and favorable foreign currency translation of $56 million, partially offset by the net change in LCM reserves of $35 million.

Our gross profit during the three and nine months ended September 30, 2014 was 16% and 11%, respectively, of net sales compared to 11% and 9% of net sales in the three and nine months ended September 30, 2013, respectively. The increase principally reflects the impact of higher margins in our pigment business and favorable currency translation, offset by lower margins in our Mineral Sands businesses which were principally driven by lower selling prices.

Selling, general and administrative expenses increased 4% in the three months ended September 30, 2014 compared to the same period in 2013, while remaining essentially flat during the nine months ended September 30, 2014 compared to the same period in 2013. The net increase in the third quarter of 2014 reflects, in part, increased employee related costs.

During the third quarter of 2014, we commenced a cost reduction initiative, for which we recorded a $10 million charge during the three and nine months ended September 30, 2014 related to employee severance costs, as well as outplacement services and other associated costs and expenses.

Interest and debt expense for the third quarter of 2014 is comprised of interest expense on the Term Loan of $16 million, the Senior Notes of $14 million and other net interest expense of $4 million compared to $17 million on the Term Loan, $14 million on the Senior Notes and other net interest expense of $1 million during the third quarter of 2013. Interest and debt expense for the nine months ended September 30, 2014 is comprised of interest expense on the Term Loan of $48 million, Senior Notes of $43 million and other net interest expense of $10 million compared to $43 million on the Term Loan and a term facility (which included a $550 million senior secured term loan and a $150 million senior secured delayed draw) (the Term Facility ), $43 million on the Senior Notes and other net interest expense of $8 million.

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During the third quarter of both 2014 and 2013, we completed the liquidation of certain non-operating subsidiaries, for which we recognized a net noncash loss of $35 million and $10 million, respectively, from the realization of cumulative translation adjustments. See Note 4 of Notes to unaudited Condensed Consolidated Financial Statements.

During the nine months ended September 30, 2014, we recognized an $8 million charge for the early extinguishment of debt compared to $4 million recognized during the nine months ended September 30, 2013. See Note 13 of Notes to unaudited Condensed Consolidated Financial Statements.

Other income, net during the three and nine months ended September 30, 2014 primarily consisted of net realized and unrealized foreign currency gains of $5 million and $3 million, respectively, and interest income of $4 million and $10 million respectively, compared to a net realized and unrealized foreign currency loss of $3 million and a net realized and unrealized foreign currency gain $28 million, respectively, and interest income of $3 million and $5 million respectively, during the three and nine months ended September 30, 2013.

The effective tax rate for each of the three and nine months ended September 30, 2014 and 2013, differs from the Australian statutory rate of 30% primarily due to valuation allowances, income in foreign jurisdictions taxed at rates lower than 30%, and withholding tax accruals. Additionally, the effective tax rate for the three and nine months ended September 30, 2014 is impacted by a third quarter increase of $56 million to the valuation allowance in the Netherlands.

**Operations Review of Segment Revenue and Profit**

We operate our business in two reportable segments, Mineral Sands and Pigment. Corporate and Other is comprised of our electrolytic operations, all of which are located in the United States, as well as our corporate activities. We evaluate reportable segment performance based on segment operating profit (loss), which represents the results of segment operations before unallocated costs, such as general corporate expenses not identified to a specific segment, environmental provisions, net of reimbursements, related to sites no longer in operation, interest expense, other income (expense), and income tax expense or benefit. See Note 20 of Notes to unaudited Condensed Consolidated Financial Statements.

***Net Sales***

Net sales by segments were as follows:

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | Variance | 2014 | 2013 | Variance |
| | (Millions of U.S. dollars) | | | | | |
| Mineral Sands segment | $ 206 | $ 245 | $ (39) | $ 611 | $ 855 | $ (244) |
| Pigment segment | 296 | 300 | (4) | 915 | 892 | 23 |
| Corporate and Other | 31 | 35 | (4) | 83 | 97 | (14) |
| Eliminations | (104) | (89) | (15) | (272) | (358) | 86 |
| Net Sales | $ 429 | $ 491 | $ (62) | $ 1,337 | $ 1,486 | $ (149) |

*Mineral Sands segment*

Mineral Sands segment net sales for the three and nine months ended September 30, 2014 decreased 16% and 29%, respectively, compared to the same periods in 2013. The decrease during the third quarter is due to lower selling prices of $45 million, offset by a favorable volume impact of $6 million. The decrease in the nine months ended September 30, 2014 is primarily due to lower selling prices of $197 million and decreased volumes of $47 million. Mineral Sands selling prices declined for our titanium feedstock (of which a significant portion is sold to our pigments business) due to oversupply in the market, and to a lesser extent for zircon. The favorable impact of volume on Mineral Sands sales in the third quarter of 2014 resulted from higher zircon volumes partially offset by lower titanium feedstock volumes. For the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, volumes were lower for titanium feedstock (principally in the first and third quarters) and for zircon (principally in the second quarter).

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*Pigment segment*

Pigment segment net sales for the three months ended September 30, 2014 decreased 1%, while increasing 3% during the nine months ended September 30, 2014 compared to the same periods in 2013. The decrease during the third quarter is primarily due to unfavorable selling prices and product mix of $9 million, offset by higher volumes of $5 million. The increase in the nine months ended September 30, 2014 is primarily due to higher volumes of $55 million, offset by a decrease in selling prices and product mix of $39 million. The volume growth for the three months ended September 30, 2014 reflects increased shipments to the North American region, partially offset by decreased shipments to all other regions. The volume growth for the nine months ended September 30, 2014 reflects increased shipments to the North American and European regions, partially offset by decreased shipments to Latin America and Asia. Slightly lower prices were experienced in most regions of the world. During the nine months ended September 30, 2014, the effect of changes in foreign currency rates positively impacted Pigment net sales by $7 million. The effect of changes in foreign currency rates was negligible for the three months ended September 30, 2014 as compared to the three months ended September 30, 2013.

*Corporate and Other*

Net sales for our electrolytic operations during the three and nine months ended September 30, 2014 decreased $4 million and $14 million, respectively, compared to the same periods in 2013, primarily as a result of lower sales volumes of electrolytic manganese dioxide (EMD) and lower pricing on sodium chlorate and EMD.

*Eliminations*

Eliminations include the impact of transactions between our segments, principally sales from our Mineral Sands business to our Pigment business. The growth in shipments from our Mineral Sands business to our Pigment business was partially offset by lower selling prices for titanium feedstock.

***Income (loss) from Operations***

Income (loss) from operations by segments was as follows:

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | Change | 2014 | 2013 | Change |
| | (Millions of U.S. dollars) | | | | | |
| Mineral Sands segment | $ 8 | $ 41 | $ (33) | $ 9 | $ 205 | $ (196) |
| Pigment segment | 35 | (29) | 64 | 30 | (153) | 183 |
| Corporate and Other | (26) | (20) | (6) | (63) | (55) | (8) |
| Eliminations | (6) | 17 | (23) | 29 | 2 | 27 |
| **Income (loss) from operations** | 11 | 9 | $ 2 | 5 | (1) | $ 6 |
| Interest and debt expense, net | (34) | (32) | | (101) | (94) | |
| Net loss on liquidation of non-operating subsidiaries | (35) | (10) | | (35) | (10) | |
| Loss on extinguishment of debt | | | | (8) | (4) | |

| | | | | |
|---|---|---|---|---|
| Other income, net | 9 | | 12 | 32 |
| **Loss before income taxes** | (49) | (33) | (127) | (77) |
| Income tax provision | (41) | (8) | (15) | (10) |
| **Net loss** | $ (90) | $ (41) | $ (142) | $ (87) |

*Mineral Sands segment*

During the three and nine months ended September 30, 2014, we had income from operations of $8 million and $9 million, respectively, compared to $41 million and $205 million, respectively, during the same periods in 2013. The change in the third quarter was attributable to a $45 million decrease in selling prices, an unfavorable volume impact of $6 million, the net change in LCM reserves of $5 million, and to $3 million of restructuring costs. These impacts were partially offset by lower costs of $18 million and favorable foreign currency translation of $8 million. The change in the nine months ended September 30, 2014 was attributable to a $197 million decrease in selling prices, $23 million in higher costs, $24 million from lower volumes, the change in LCM reserves of $12 million, and $3 million of restructuring costs. These were partially offset favorable foreign currency translation of $63 million.

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*Pigment segment*

During the three and nine months ended September 30, 2014, we had income from operations of $35 million and $30 million, respectively, compared to losses from operations of $29 million and $153 million, respectively, during the same periods in 2013. The increase in the third quarter was principally driven by lower costs of $88 million and higher volumes of $4 million, offset by the net change in LCM reserves of $18 million, the unfavorable impact of price and product mix of $9 million and restructuring costs of $1 million. The increase in the nine months ended September 30, 2014 was principally driven by lower costs of $263 million, offset by the net change in LCM reserves of $41 million, the negative impact of price and product mix of $38 million and restructuring costs of $1 million.

*Corporate and Other*

During the three and nine months ended September 30, 2014, Corporate and Other results decreased by $6 million and $8 million, respectively, compared to the same periods in 2013. The decrease for the third quarter was principally related to $6 million of restructuring. The decrease for the nine month period was also related to the $6 million in restructuring and a slight decline in the performance in our electrolytic operations, slightly offset by lower corporate selling, general and administrative expenses. Lower corporate selling, general and administrative expenses were principally due to decreases in spending for outside services.

*Eliminations*

Eliminations principally reflect the change in deferred profit in inventory resulting from our Mineral Sands sales to our Pigment business. The net benefits (charges) included in eliminations were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (Millions of U.S. dollars) | | | |
| Increase in intercompany profit in inventory | $ (13) | $ (34) | $ (35) | $ (140) |
| Release of intercompany profit in inventory | 9 | 51 | 61 | 142 |
| Reversal of the portion of the Mineral Sands lower of cost or market charge that relates to intercompany activity with our Pigment business | (2) | | 3 | |
| Eliminations | $ (6) | $ 17 | $ 29 | $ 2 |

**Non-U.S. GAAP Financial Measures**

EBITDA and Adjusted EBITDA, which are used by management to measure performance, are not presented in accordance with U.S. GAAP. Management believes that EBITDA is useful to investors, as it is commonly used in the industry as a means of evaluating operating performance. We do not intend for these non-U.S GAAP financial measures to be a substitute for any U.S. GAAP financial information. Readers of these statements should use these non-U.S. GAAP financial measures only in conjunction with the comparable U.S. GAAP financial measures. Since other companies may calculate EBITDA and Adjusted EBITDA differently than we do, EBITDA and Adjusted EBITDA, as presented herein, may not be comparable to similarly titled measures reported by other companies.

Management believes these non-U.S. GAAP financial measures:

- Reflect our ongoing business in a manner that allows for meaningful period-to-period comparison and analysis of trends in our business, as they exclude income and expense that are not reflective of ongoing operating results;

- Provide useful information in understanding and evaluating our operating results and comparing financial results across periods;

- Provide a normalized view of our operating performance by excluding items that are either noncash or non-recurring in nature;

- Assist investors in assessing our compliance with financial covenants under our debt instruments; and

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Adjusted EBITDA is one of the primary measures management uses for planning and budgeting processes, and to monitor and evaluate financial and operating results. In addition, Adjusted EBITDA is a factor in evaluating management s performance when determining incentive compensation.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net loss | $ (90) | $ (41) | $ (142) | $ (87) |
| Interest and debt expense, net | 34 | 32 | 101 | 94 |
| Interest income | (4) | (3) | (10) | (5) |
| Income tax provision | 41 | 8 | 15 | 10 |
| Depreciation, depletion and amortization expense | 68 | 92 | 225 | 238 |
| EBITDA | 49 | 88 | 189 | 250 |
| Share-based compensation | 5 | 5 | 17 | 16 |
| Restructuring expense | 10 | | 10 | |
| Loss on extinguishment of debt | | | 8 | 4 |
| Net loss on liquidation of non-operating subsidiaries | 35 | 10 | 35 | 10 |
| Amortization of inventory step-up and unfavorable ore sales contracts liability | | (24) | | (18) |
| Foreign currency remeasurement | (4) | 4 | | (15) |
| Other items(a) | 5 | 9 | 13 | 19 |
| Adjusted EBITDA | $ 100 | $ 92 | $ 272 | $ 266 |

(a) Includes noncash pension and postretirement costs, accretion expense, severance expense, and other items.

**Liquidity and Capital Resources**

Our total liquidity at September 30, 2014 was $1,704 million, which was comprised of $279 million available under the $300 million UBS Revolver (as defined below), $80 million available under the ABSA Revolver (as defined below), and $1,345 million in cash and cash equivalents.

Historically, we have funded our operations and met our commitments through cash generated by operations. During 2012, we issued $900 million aggregate principal amount of 6.375% senior notes due August 15, 2020 (the Senior Notes ) at par value. Additionally, during 2013, we obtained a $1.5 billion Term Loan, which matures on March 19, 2020.

In addition to these cash resources, we have a $300 million global senior secured asset-based syndicated revolving credit facility with UBS AG (the UBS Revolver ) with a borrowing base of $279 million at September 30, 2014, and a R900 million (approximately $80 million at September 30, 2014) revolving credit facility with ABSA Bank Limited ( ABSA ) acting through its ABSA Capital Division (the ABSA Revolver ). As of September 30, 2014, we had not drawn on either revolver. At September 30, 2014, we had outstanding letters of credit, bank guarantees, and performance bonds of $44 million, of which $25 million were letters of credit issued under the UBS Revolver, $17 million were bank guarantees issued by ABSA and $2 million were performance bonds issued by Westpac Banking Corporation.

In the near term, we expect that our operations will provide sufficient cash to fund our operating expenses, capital expenditures, debt repayments, and dividends. Working capital (calculated as current assets less current liabilities) was $2,178 million at September 30, 2014 compared to $2,290 million at December 31, 2013, a decrease of $112 million, which is primarily due to a decrease in cash and cash equivalents $133 million resulting from $106 million of capital expenditures and dividends paid of $87 million, partially offset by cash provided by operations.

Principal factors that could affect the availability of our internally-generated funds include (i) the deterioration of our revenues in either of our business segments; (ii) an increase in our expenses; or (iii) changes in our working capital requirements.

Principal factors that could affect our ability to obtain cash from external sources include (i) debt covenants that limit our total borrowing capacity; (ii) increasing interest rates applicable to our floating rate debt; (iii) credit rating downgrades, which could limit our access to additional debt; (iv) a decrease in the market price of our common stock; or (v) volatility in public debt and equity markets.

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Our credit rating with Standard & Poor s is BB, and our credit rating with Moody s is Ba3.

*Cash and Cash Equivalents*

We consider all investments with original maturities of three months or less to be cash equivalents. As of September 30, 2014, our cash and cash equivalents were primarily invested in money market funds. We maintain cash and cash equivalents in bank deposit and money market accounts that may exceed federally insured limits. The financial institutions where our cash and cash equivalents are held are generally highly rated and geographically dispersed, and we have a policy to limit the amount of credit exposure with any one institution. We have not experienced any losses in such accounts and believe we are not exposed to significant credit risk.

The use of our cash includes servicing our interest and debt repayment obligations, making pension contributions, making quarterly dividend payments and funding capital expenditures for innovative initiatives, productivity enhancements and maintenance and safety requirements.

*Repatriation of Cash*

At September 30, 2014, we held $1,345 million in cash and cash equivalents in these respective jurisdictions: $688 million in Europe, $202 million in Australia, $205 million in South Africa, and $250 million in the United States. Our credit facilities limit transfers of funds from subsidiaries in the United States to certain foreign subsidiaries.

Tronox Limited has foreign subsidiaries with positive undistributed earnings at September 30, 2014. We have made no provision for deferred taxes related to these undistributed earnings because they are considered to be indefinitely reinvested in the foreign jurisdictions.

*Cash Dividends on Class A and Class B Shares*

During 2014, we declared and paid quarterly dividends to holders of our Class A ordinary shares ( Class A Shares ) and Class B ordinary shares ( Class B Shares ) as follows:

| | Q1 2014 | Q2 2014 | Q3 2014 |
|---|---|---|---|
| Dividend per share | $ 0.25 | $ 0.25 | $ 0.25 |
| Total dividend | $ 29 | $ 29 | $ 29 |
| Record date (close of business) | March 10 | May 19 | August 18 |

On November 5, 2014, the Board of Directors declared a quarterly dividend of $0.25 per share to holders of our Class A Shares and Class B Shares at the close of business on November 17, 2014, totaling $29 million, which will be paid on December 3, 2014.

*Debt Obligations*

The following table summarizes our debt obligations at September 30, 2014:

| | Original Principal | Annual Interest Rate | Maturity Date | September 30, 2014 | December 31, 2013 |
|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Term Loan, net of unamortized discount (1) | $ | 1,500 | Variable | 3/19/2020 | $ | 1,471 | $ | 1,482 |
| Senior Notes | $ | 900 | 6.375% | 8/15/2020 | | 900 | | 900 |
| Co-generation Unit Financing Arrangement | $ | 16 | 6.5% | 2/1/2016 | | 4 | | 6 |
| Capital leases | | | | | | 23 | | 25 |
| Total debt | | | | | | 2,398 | | 2,413 |
| Less: Long-term debt due within one year | | | | | | (18) | | (18) |
| Long-term debt | | | | | $ | 2,380 | $ | 2,395 |

(1) Average effective interest rate of 4.6% and 4.9% during 2014 and 2013, respectively.

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*Term Loan*

At September 30, 2014, we had financial covenants in the UBS Revolver, the ABSA Revolver and the Term Loan; however, only the ABSA Revolver had a financial maintenance covenant that applies to local operations and only when the ABSA Revolver is drawn upon. The Term Loan and the UBS Revolver are subject to an intercreditor agreement pursuant to which the lenders respective rights and interests in the security are set forth. We were in compliance with all our financial covenants as of and for the three and nine months ended September 30, 2014.

On April 23, 2014, we, along with our wholly-owned subsidiary, Tronox Pigments (Netherlands) B.V., and certain of our subsidiaries named as guarantors, entered into a Third Amendment to the Credit and Guaranty Agreement (the Third Agreement ) with the lender parties thereto and Goldman Sachs Bank USA, as administrative agent. The Third Agreement amends the Second Amended and Restated Credit and Guaranty Agreement ( Second Agreement ) with Goldman Sachs Bank USA, as administrative agent and collateral agent, and Goldman Sachs Bank USA, UBS Securities LLC, Credit Suisse Securities (USA) LLC and RBC Capital Markets, as joint lead arrangers, joint bookrunners and co-syndication agents dated March 19, 2013. The Third Agreement provides for the re-pricing of the Term Loan by replacing the existing definition of Applicable Margin with a grid pricing matrix dependent upon our public corporate family rating as determined by Moody s and Standard & Poor s (with the interest rate under the Third Agreement remaining subject to Eurodollar Rate and Base Rate floors, as defined in the Third Agreement). Pursuant to the Third Agreement, based upon our current public corporate family rating by Moody s and Standard & Poor s, the current interest rate per annum is 300 basis points plus LIBOR (subject to a LIBOR floor of 1% per annum) compared to 350 basis points plus LIBOR (subject to a LIBOR floor of 1% per annum) in the Second Agreement. The Third Agreement also amended certain provisions of the Second Agreement to permit us and certain of our subsidiaries to obtain new cash flow revolving credit facilities in place of our existing asset based revolving credit facility. The maturity date under the Second Agreement and all other material terms of the Second Agreement remain the same under the Third Agreement.

The Third Agreement resulted in a modification for certain lenders and an extinguishment for other lenders. Accordingly, we recognized an $8 million charge during 2014 for the early extinguishment of debt resulting from the write-off of deferred debt issuance costs and discount on debt associated with the Second Agreement. We also paid $2 million of new debt issuance costs related to the Third Agreement during 2014.

At September 30, 2014 and December 31, 2013, our net debt (excess debt over cash and cash equivalents) was $1,053 million and $935 million, respectively.

**Cash Flows**

The following table presents cash flow for the periods indicated:

| | Nine Months Ended September 30, 2014 | 2013 |
|---|---|---|
| | (Millions of U.S. dollars) | |
| Net cash provided by operating activities | $ 89 | $ 210 |
| Net cash used in investing activities | (106) | (104) |
| Net cash provided by (used in) financing activities | (100) | 646 |
| Effect of exchange rate changes on cash | (16) | (11) |

| | | | | |
|---|---|---|---|---|
| Net increase (decrease) in cash and cash equivalents | $ | (133) | $ | 741 |

*Cash Flows from Operating Activities* Cash provided by operating activities during 2014 was primarily attributable to cash generated from our operations, partially offset by increases in inventory. Cash provided by operations during 2013 was primarily attributable to cash generated from our operations, as well as a decrease in inventories.

*Cash Flows from Investing Activities* The use of funds for both periods presented is attributable to capital expenditures. Capital expenditures for the remainder of 2014 are expected to be in the range of $75 million to $90 million.

*Cash Flows from Financing Activities* Net cash used in financing activities during 2014 was primarily attributable to dividends paid of $87 million compared to $86 million in 2013. Additionally, during 2014, we had $16 million of principal repayments on our debt. Net cash provided by financing activities during 2013 was primarily attributable to proceeds of $945 million for the refinancing of the Term Loan, which were offset by repayments of debt of $185 million, and payments of debt issuance costs associated with the refinancing of the Term Loan of $29 million.

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### Contractual Obligations

The following table sets forth information relating to our contractual obligations as of September 30, 2014:

| | Contractual Obligation Payments Due by Year (3)(4) | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| | (Millions of U.S. dollars) | | | | |
| Long-term debt and lease financing (including interest) (1) | $ 3,096 | $ 139 | $ 271 | $ 267 | $ 2,419 |
| Purchase obligations (2) | 869 | 252 | 221 | 122 | 274 |
| Operating leases | 59 | 14 | 28 | 15 | 2 |
| Asset retirement obligations | 95 | 6 | 12 | 7 | 70 |
| Total | $ 4,119 | $ 411 | $ 532 | $ 411 | $ 2,765 |

(1) We calculated the Term Loan interest at a base rate of 1% plus a margin of 3%. See Note 13 of Notes to unaudited Condensed Consolidated Financial Statements.
(2) Includes obligations to purchase requirements of process chemicals, supplies, utilities and services. We have various purchase commitments for materials, supplies, and services entered into in the ordinary course of business. Included in the purchase commitments table above are contracts which require minimum volume purchases that extend beyond one year or are renewable annually and have been renewed for 2014. Certain contracts allow for changes in minimum required purchase volumes in the event of a temporary or permanent shutdown of a facility. We believe that all of our purchase obligations will be utilized in our normal operations.
(3) The table above excludes contingent obligations, as well as any possible payments for uncertain tax positions and payments pursuant to our tax receivable agreement, given the inability to estimate the possible amounts and timing of any such payments.
(4) The table above excludes commitments pertaining to our pension and other postretirement obligations.

***Recent Accounting Pronouncements***

See Note 1 of Notes to unaudited Condensed Consolidated Financial Statements for recently issued accounting pronouncements.

### Environmental Matters

We are subject to a broad array of international, federal, state, and local laws and regulations relating to safety, pollution, protection of the environment, and the generation, storage, handling, transportation, treatment, disposal, and remediation of hazardous substances and waste materials. In the ordinary course of business, we are subject to frequent environmental inspections and monitoring, and occasional investigations by governmental enforcement authorities. Under these laws, we are or may be required to obtain or maintain permits or licenses in connection with our operations. In addition, under these laws, we are or may be required to remove or mitigate the effects on the environment of the disposal or release of chemical, petroleum, low-level radioactive and other substances at our facilities. We may incur future costs for capital improvements and general compliance under environmental, health, and safety laws, including costs to acquire, maintain, and repair pollution control equipment. Environmental laws and regulations are becoming increasingly stringent, and compliance costs are significant and will continue to be significant in the foreseeable future. There can be no assurance that such laws and regulations or any environmental law or regulation enacted in the future will not have a material effect on our business. We are in compliance with applicable environmental rules and regulations in all material respects. Currently, we do not have any material outstanding notices of violations or orders from regulatory agencies.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

This Item should be read in conjunction with Item 7A Quantitative and Qualitative Disclosures About Market Risk in our Annual Report on Form 10-K for the year ended December 31, 2013 (the Form 10-K ).

Our exposure to interest rate risk is minimized by the fact that our $1.5 billion of floating rate debt includes a LIBOR floor of 1%. As such, LIBOR would need to increase from the rate in effect at September 30, 2014 to greater than 1% before our borrowing rate would increase. Using a sensitivity analysis as of September 30, 2014, a hypothetical 1% increase in interest rates would result in an increase to pre-tax income of approximately $10 million on an annualized basis. This is due to the fact that earnings on our floating rate financial assets of $1.3 billion at September 30, 2014 would increase by the full 1% while the interest expense on our floating rate debt would increase by less than the full 1%.

There have been no other significant changes in market risk during the quarter ended September 30, 2014.

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**Item 4. Controls and Procedures**

(a) *Disclosure Controls and Procedures*

As of September 30, 2014, our management, including our Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act ). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report.

(b) *Changes in Internal Control Over Financial Reporting*

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this Report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

From time to time, we may be party to a number of legal and administrative proceedings involving environmental and/or other matters in various courts or agencies. These proceedings, individually and in the aggregate, may have a material adverse effect on us. These proceedings may be associated with facilities currently or previously owned, operated or used by us and/or our predecessors, some of which may include claims for personal injuries, property damages, cleanup costs and other environmental matters. Our current and former operations may also involve management of regulated materials, which are subject to various environmental laws and regulations including the Comprehensive Environmental Response Compensation and Liability Act ( CERCLA ), the Resource Conservation and Recovery Act ( RCRA ) or state equivalents. Similar environmental laws and regulations and other requirements exist in foreign countries in which we operate.

**Item 1A. Risk Factors**

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed under Risk Factors included in the Form 10-K. The risks described in the Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There have been no material changes from the risk factors disclosed under the heading Risk Factors in our Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

## Item 6. Exhibits

| Exhibit No. | |
|---|---|
| 10.1 | Amended and Restated Employment Agreement dated as of August 14, 2014 by and between Tronox Limited, Tronox LLC and Thomas Casey (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on August 20, 2014). |
| 10.2 | Amendment to Certain Equity-Based Award Agreements, dated as of August 14, 2014, between Tronox Limited and Thomas Casey (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on August 20, 2014). |
| 10.3 | Settlement Agreement entered into as of October 6, 2014 by and between Tronox Mineral Sands Proprietary Limited and Pravindran Trevor Arran (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on October 9, 2014). |
| 31.1 | Rule 13a-14(a) Certification of Thomas Casey. |
| 31.2 | Rule 13a-14(a) Certification of Katherine C. Harper. |
| 32.1 | Section 1350 Certification for Thomas Casey. |
| 32.2 | Section 1350 Certification for Katherine C. Harper. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 6, 2014

TRONOX LIMITED

(Registrant)

| | |
|---|---|
| By: | /s/ Katherine C. Harper |
| Name: | Katherine C. Harper |
| Title: | Senior Vice President and Chief Financial Officer |