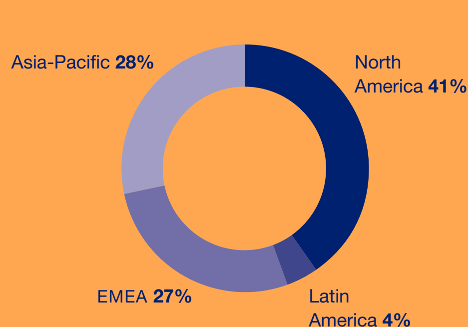
Tronox Limited
2016 Annual Report

Brighter

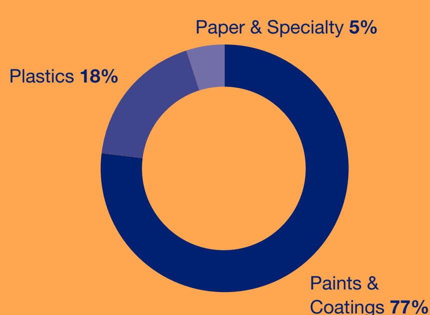
Tronox Limited Financial and Operating Highlights

(Millions of U.S. dollars, except share and per share amounts)	**2016**	2015	2014
Sales	**2,093**	2,112	1,737
Net loss	**(58)**	(307)	(417)
Basic and diluted earnings per share	**(0.50)**	(2.75)	(3.74)
Dividend paid per share	**0.385**	1.00	1.00
Total assets	**4,950**	5,027	5,024
Class A common stock outstanding	**65,165,672**	64,521,851	63,968,616

TiO_2 Pigment Sales Volume Distribution by Geography

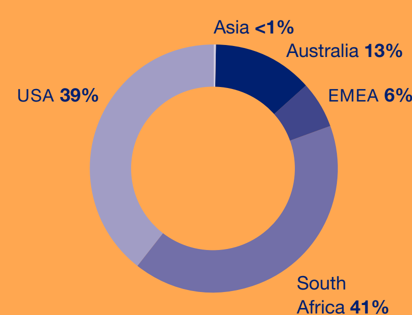


TiO_2 Pigment Sales Volume Distribution by End Use

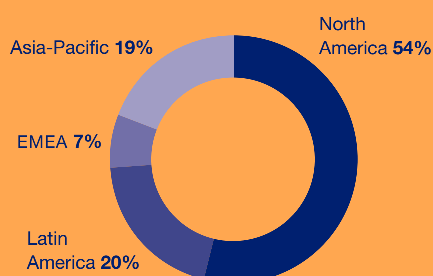


Full-time Employees by Region

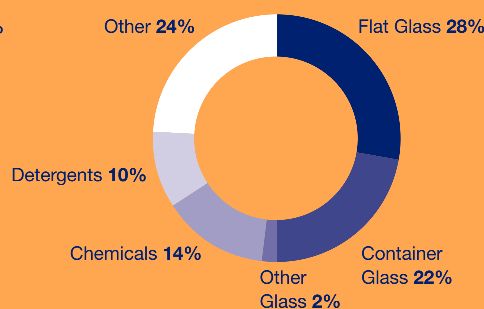
Figures have been rounded up to the nearest whole percent



Alkali Sales Volume Distribution by Geography



Alkali Sales Volume Distribution by End Use



Tronox Total Full-Time Employees and Temporary Employees/Contractors

4,185
145
Total: 4,330

Tronox at a Glance. We operate two vertically integrated mining and inorganic chemical businesses. Tronox TiO_2 mines and processes titanium ore, zircon, and other minerals, and manufactures titanium dioxide pigments that add brightness and durability to paints, plastics, paper, and other everyday products. Tronox Alkali mines trona ore and manufactures natural soda ash, sodium bicarbonate, caustic soda, and other compounds which are used in the production of glass, detergents, baked goods, animal nutrition supplements, pharmaceuticals, and other essential products. We operate mines in Australia, South Africa, and the United States. Our chemical plants are based in Australia, the Netherlands, and the United States. We are a diverse global workforce of more than 4,300 who are committed to safe and sustainable business practices that bring value to our shareholders, customers, and business partners. Our two businesses serve more than 1,200 customers worldwide. For more information, visit **www.tronox.com**

All currency in U.S. dollars unless otherwise indicated.

Dear Shareholder,

2016 was an inflection point for Tronox and the global titanium dioxide (TiO_2) marketplace. Over the course of the year, worldwide demand strengthened and prices for TiO_2 pigments began to rise. Sales volume increased by 5.1 percent, and our company sold more pigment than at any time in our history. By year's end, the average sales price for TiO_2 had increased globally by just under nine percent over the previous year. We continued our sharp focus on achieving ever-greater levels of operational excellence and cost efficiencies, and, as a result, our consolidated margin doubled, growing from six percent in 2015 to 12 percent last year.

At year end, customer and producer inventories appeared to be at reasonable levels and producers across the industry reported high plant utilization rates. These combined factors indicate that our market will continue to strengthen for some time.

$314 million

For the full-year 2016, adjusted EBITDA was $314 million compared to adjusted EBITDA of $272 million in prior year. Revenue was $2,093 million compared to revenue of $2,112 million in 2015. Income from operations of $36 million improved significantly from a loss from operations of $118 million in the prior year.

Industry analysts forecast lower production of TiO_2 feedstock (chloride slag, slag fines, ilmenite, leucoxene, rutile, and synthetic rutile) in 2017, as this first leg of supply chain inventories remains high and requires further alignment. As pigment demand increases, however, we believe that the global market for feedstock will tighten. Under such a scenario, our vertical integration and self-sustainability to supply our pigment plants with 100 percent of our own feedstock is a clear advantage.

Demand and pricing for zircon, a valuable coproduct of the mining of titanium ore, appear to have stabilized in 2016. Demand in that market is expected to remain flat in the coming year, with some upward movement in price as overall feedstock production tightens.

In 2016, Tronox Alkali overcame a number of operating and one-time challenges in the first half of the year to produce a very strong second half. The business reported $149 million in adjusted EBITDA for the year, but delivered at an annualized rate of $172 million in the second half of 2016. Alkali also faced competitive pressures from foreign synthetic soda ash manufacturers that benefit from state-sponsored subsidies and currency fluctuations. Despite these pressures, Alkali sold every ton of soda ash that it produced and is projected to do so in the year ahead.

I am once again proud to report that in 2016, sustainable business practices and corporate citizenship remained a priority. Hundreds of acres of post-mining land have been rehabilitated with indigenous flora or for agricultural purposes. The company was recognized for its environmental stewardship at our production and mining sites across the globe.

Last year, Tronox made roughly $2 million in direct and in-kind contributions to non-profit organizations in the communities in which we operate. The focus of these programs are science, technology, engineering, and mathematic (STEM) education; sustainability and environmental stewardship, empowerment, equal rights, and diversity; and, health and wellness.

"By year's end, the average sales price for TiO_2 had increased globally by just under nine percent over the previous year. We continued our sharp focus on achieving ever-greater levels of operational excellence and cost efficiencies, and, as a result, our consolidated margin doubled, growing from six percent in 2015 to 12 percent last year."

As we grow in 2017 and beyond, we remain committed to our values and corporate citizenship in every aspect of our business and in every community we operate in, worldwide.

While an Annual Report is, by definition, a retrospective on the previous fiscal year, I want to take this opportunity to update you on the announced Cristal acquisition and what it will mean for shareholders, customers, and employees.

In February of this year, Tronox announced that it has entered into a definitive agreement to acquire the TiO_2 business of Cristal, a vertically integrated TiO_2 mining and manufacturing company. The combination of these two global enterprises will create the world's largest TiO_2 pigment company and consolidate our position as the world's second-largest producer of titanium feedstock.

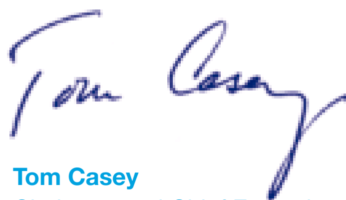
For our customers and shareholders, this transaction will bring reliable production, best-in-the-world quality, and a diversity of products. It will deliver accretive increases in earnings per share, EBITDA, and free cash flow. It will also provide the company with expanded market reach and manufacturing footholds in new regions, such as Brazil, the Middle East, and the People's Republic of China.

Concurrent with the announced definitive acquisition agreement, the company announced our intent to begin a process to sell Tronox Alkali. This divestiture would be a source of cash to fund the Cristal transaction.

Alkali is a strong business with a solid and experienced leadership team. It has been an important part of our business over the last two years, contributing to our financial performance and sharing operational best practices.

On behalf of our more than 4,300 employees worldwide, I want to thank you for your commitment to Tronox. We look forward to a safe and productive 2017 and your continued interest in our company.

Warm regards,



Tom Casey
Chairman and Chief Executive Officer

2016 Highlights

Cash generation at year end reflected the strong performance by both Tronox TiO_2 and Tronox Alkali. The company closed the fourth quarter with cash of $248 million and liquidity of $533 million.

As the year progressed, the company benefitted from the recovery in global TiO_2 pigment markets, as well as the actions we took to improve our competitive position as a low-cost producer of high-quality pigments. A number of factors drove the performance of our TiO_2 business:

- **highest fourth quarter pigment sales volumes on record;**
- **higher pigment selling prices** – which at year end had increased 8.6 percent above year-end 2015; and,
- **continued cost improvements** resulting from the success of our Operational Excellence program.

Through the commitment and teamwork of our employees, we were able to close the year ahead of schedule in meeting our Operational Excellence and spending and cash flow targets. Cumulative cash generated from annual cost reductions totalled $246 million through the end of 2016. Cumulative cash generated from working capital reduction totalled $240 million through the end of 2016. Therefore, total aggregate cash generated from our Operational Excellence program in its first two years was $486 million.

Alkali delivered a solid 2016 performance with full-year revenues of $784 million, adjusted EBITDA of $149 million, and free cash flow of $111 million.

Tronox Limited

2016
2015

$314 million EBITDA (adjusted)	**$2.1** billion Revenue	**$248** million Cash Balance	**$66** million Recurring Cost Savings
$272 million EBITDA (adjusted)	$2.1 billion Revenue	$229 million Cash Balance	$90 million Recurring Cost Savings
$533 million Liquidity	**$(0.50)** Basic Earnings Per Share	**0.64** Total Recordable Injury Rate	**18** Consecutive Quarters of Dividends
$530 million Liquidity	$(2.75) Basic Earnings Per Share	0.77 Total Recordable Injury Rate	14 Consecutive Quarters of Dividends

Tronox Alkali

2016
2015

$149 million EBITDA (adjusted)	**$784** million Revenue	**4.371** Ktons of Trona Ore Mined	**2nd** Best year on record: Soda Ash Production
$129 million EBITDA (adjusted)	$602 million Revenue	4.426 Ktons of Trona Ore Mined	

Tronox TiO_2

2016
2015

$236 million EBITDA (adjusted)	**$1.31** billion Revenue	**#1** Best year ever TiO_2 Production	**#1** Best year ever TiO_2 Quality
$215 million EBITDA (adjusted)	$1.51 billion Revenue		

Tronox Limited Global Footprint

Pigment Facilities	Capacity (MT)
Hamilton	225,000
Botlek	90,000
Kwinana	150,000

Electrolytic Facilities	Capacity (MT)
Henderson (EMD)	27,000
Henderson (Boron Products)	525

Mineral Sands Facilities

Cooljarloo/Chandala	Capacity (MT)
Synthetic Rutile	220,000
Zircon	40,000
Rutile	15,000
Leucoxene	20,000

Namakwa Sands	Capacity (MT)
Titanium Slag	190,000
Zircon	125,000
Pig Iron	100,000
Rutile	31,000

KZN Sands	Capacity (MT)
Titanium Slag	220,000
Pig Iron/Scrap Iron	121,000
Zircon	55,000
Rutile	25,000

Soda Ash Facilities	Capacity (MT)
Green River	3,600,000

Operations Review

Tronox's finished titanium dioxide (TiO_2) pigments are the foundation of products that improve people's lives around the world. The vertical integration of our TiO_2 business is a key differentiator, giving us unique competitive advantages. It affords our customers supply and demand stability and it allows us to compete in a low-cost market because we have access to competitively priced high-quality feedstock at cost.

The company's mining and beneficiation operations consist of mineral sands mining and titanium feedstock production. Production includes ilmenite, natural rutile, titanium slag, and synthetic rutile; and co-production products such as zircon, high-purity pig iron and activated carbon.

Tronox operates three separate mine and beneficiation facilities: KZN Sands and Namakwa Sands in South Africa, and our Northern Operations, near Perth in Western Australia, Australia. These three operations supply 100 percent of the titanium feedstock used in our three TiO_2 pigment manufacturing plants: Kwinana in Western Australia, Botlek in the Netherlands, and Hamilton, Mississippi in the United States of America.

Tronox utilizes a proprietary chloride process to produce TiO_2 pigment. The chloride process produces pigment grades with superior brightness and opacity. Chloride-produced pigments are generally preferred by manufacturers of high-grade coatings and plastics.

Tronox TiO_2 also operates an electrolytic and specialty chemicals division which manufactures innovative products to the energy storage, automotive, and pharmaceutical industries.

Our TiO_2 business ended 2016 with significant momentum stemming from higher pigment sales volumes and higher selling prices, and a continued strong operating cost performance. Alkali's 2016 performance included a number of one-off items impacting results that are now behind us. In 2017, we expect Alkali to deliver another year of solid adjusted EBITDA and free cash flow.

Tronox Alkali is the world's largest vertically integrated producer of natural soda ash (sodium carbonate), accounting for approximately 25 percent of global natural soda ash production. Natural soda ash is made from mined and beneficiated trona ore.

Tronox Alkali mines and produces soda ash in Green River, Wyoming, USA, the site of the world's largest natural reserve of trona ore. Alkali's primary Green River mine has been in operation since 1947. The company has a history of sustainable and safe extraction of minerals and production of soda ash and other inorganic chemical compounds.

Soda ash demand generally correlates with overall industrial production and the economic strength of consumer markets. Globally, approximately 50 percent of soda ash demand is for manufacturing glass, including windows and windshields, containers, light bulbs, tableware, mirrors, fiberglass, and screens for computers and smart phones. Specialty end uses are also growing for Alkali's products, including dairy and poultry feeds, and hemodialysis-grade sodium bicarbonate for the healthcare industry.

Corporate Citizenship

At Tronox, corporate citizenship is an integral part of our global business. We believe that our business can and should play a leadership role in improving the quality of life in the areas where we operate. In 2016, we invested approximately $2 million in programs and volunteer hours to support our local communities. Our corporate citizenship strategy is defined by these key pillars:

1. STEM Education: We are an engineering and science-based business – we are eager to share our expertise and resources to advance education in science, technology, engineering, and mathematics (STEM)

2. Sustainability/Environment: We understand that our shareholders, employees and local communities all win when we build sustainable business operations – we invest in programs to advance environmental stewardship and empower the communities in which we operate

3. Equal Rights & Diversity: We are a global business with a diverse workforce – we are advocates for nondiscrimination and social justice in the workplace and community

4. Health & Wellness: The physical welfare of our employees and community are a core value of Tronox – we strive to increase awareness and sponsor programs that reflect this value

“Tronox’s rehabilitation and protection of wetlands at its Fairbreeze mine improves the habitat for biodiversity, including threatened frog populations, and the functions provided by wetlands in a highly transformed agricultural landscape. Activities include the removal of large areas of commercial timber plantations. It will also improve the state of the downstream Siyaya Estuary, which has been severely compromised by a reduction in water inputs.”

Douglas Macfarlane, director and principal scientist, Eco-Pulse Environmental Consulting Services.

We believe that these efforts promote the long-term interest of all our stakeholders, including employees, customers, business partners, investors, local communities, government officials, and the mining and minerals industries at large.

KZN Sands has engaged in an effort to restore swamp forest and wetland functionality within the Fairbreeze mine. As of November 2016, KZN Sands’ project focused on removing eucalyptus plantations, weed control and managing forest fires to allow the swamp forest to regrow naturally. KZN also transplanted trees, such as black bird-berry and large-leaved dragon trees, at a biodiversity offset (a system used to fully compensate for environmental impacts associated with economic development).

For the third year, Tronox’s donation to the African Leadership Foundation (ALA) enabled students to enhance their leadership skills and complete impactful projects. The foundation’s mission is to play a positive role in the development of the next generation of African leaders and entrepreneurs, as well as to create positive change on the African continent. The recipient of the 2016 Tronox sponsorship was Lethabo Stebele Ntini, or Lettie, as she is known to friends and family. She remains proud of her achievements at ALA and had this to say about her experience:

“My two years at ALA were a combination of challenges and multiple opportunities. I engaged with a diverse group of African students which increased my love and passion for the continent. The curriculum and experiential learning helped define my professional aspirations. I am so grateful to Tronox for having sponsored my education. The journey has been invaluable.”

Directors and Executive Management

Tronox Limited Board of Directors

Tom Casey
Chairman & Chief Executive Officer,
Tronox Limited

Daniel Blue [1, 2]
Attorney

Andrew P. Hines [1 *]
Principal,
Hines & Associates

Wayne A. Hinman [2, 3 *, 4]
Former V.P. and G.M., Global Merchant Gases,
Air Products & Chemicals, Inc.

Peter Johnston [3, 4 *]
Former Head of Global Nickel Assets,
Glencore

Ilan Kaufthal [2 *]
Chairman,
East Wind Advisors

Mxolisi Mgojo
Chief Executive Officer,
Exxaro Resources Limited

Sipho Nkosi [3]
Former Chief Executive Officer,
Exxaro Resources Limited

Jeffry N. Quinn [1]
Chairman, Chief Executive Officer,
The Quinn Group, LLC and
Quinpario Partners, LLC

Committees

1. Audit
2. Human Resources and Compensation
3. Corporate Governance and Nominating
4. Nominating Subcommittee

* Committee Chair

Tronox Limited Executive Management Team

Tom Casey *
Chairman & Chief Executive Officer

Jean-François Turgeon *
Executive Vice President and President, Tronox TiO_2

Edward Flynn *
Executive Vice President and President,
Tronox Alkali

Timothy C. Carlson *
Senior Vice President & Chief Financial Officer

Richard L. Muglia *
Senior Vice President, General Counsel &
Corporate Secretary

Willem Van Niekerk *
Senior Vice President, Strategic Planning and
Business Development

John D. Romano *
Senior Vice President & Chief Commercial Officer,
Tronox TiO_2

Chuck Mancini
Senior Vice President, Chief Integration &
Performance Officer

Brennen Arndt
Vice President, Investor Relations

Bud Grebey
Vice President, Corporate Affairs &
Communications

Jogita Khilnani
Vice President, Corporate Assurance

Kevin V. Mahoney
Vice President & Controller

* Tronox Officer

Tronox Financial Section

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

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Consolidated Statements of Operations

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

	Year Ended December 31,		
	2016	2015	2014
Net sales	**$ 2,093**	$ 2,112	$ 1,737
Cost of goods sold	**1,846**	1,992	1,530
Gross profit	**247**	120	207
Selling, general and administrative expenses	**(210)**	(217)	(192)
Restructuring expense	**(1)**	(21)	(15)
Income (loss) from operations	**36**	(118)	—
Interest and debt expense, net	**(184)**	(176)	(133)
Net loss on liquidation of non-operating subsidiaries	**—**	—	(35)
Gain (loss) on extinguishment of debt	**4**	—	(8)
Other income (expense), net	**(29)**	28	27
Loss before income taxes	**(173)**	(266)	(149)
Income tax (provision) benefit	**115**	(41)	(268)
Net loss	**$ (58)**	$ (307)	$ (417)
Net income attributable to noncontrolling interest	**1**	11	10
Net loss attributable to Tronox Limited	**$ (59)**	$ (318)	$ (427)
Loss per share, basic and diluted	**$ (0.50)**	$ (2.75)	$ (3.74)
Weighted average shares outstanding, basic and diluted (in thousands)	**116,161**	115,566	114,281

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Tronox Limited
(Millions of U.S. dollars)

(Millions of U.S. dollars)	Year Ended December 31,		
	2016	2015	2014
Net loss	**$ (58)**	$ (307)	$ (417)
Other comprehensive income (loss):			
Foreign currency translation adjustments	**119**	(292)	(95)
Pension and postretirement plans:			
Actuarial gains (losses), net of taxes of less than $1 million in 2016, 2015, and 2014	**(18)**	12	(83)
Amortization of unrecognized actuarial losses, net of taxes of less than $1 million in 2016, 2015 and 2014	**2**	3	1
Prior service credit (no tax impact, see Note 5)	**(4)**	—	(3)
Pension and postretirement benefit curtailments gain (loss) (no tax impact, see Note 5)	**(1)**	—	37
Settlement gain on the Netherlands Pension Plan, (no tax impact; See Note 5)	**31**	—	—
Unrealized gains on derivative financial instruments, (no tax impact; See Note 5)	**3**	—	—
Other comprehensive income (loss)	**132**	(277)	(143)
Total comprehensive income (loss)	**$ 74**	$ (584)	$ (560)
Comprehensive income (loss) attributable to noncontrolling interest:			
Net income	**1**	11	10
Foreign currency translation adjustments	**31**	(77)	(31)
Comprehensive income (loss) attributable to noncontrolling interest	**32**	(66)	(21)
Comprehensive income (loss) attributable to Tronox Limited	**$ 42**	$ (518)	$ (539)

See notes to consolidated financial statements.

Consolidated Balance Sheets

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

	December 31,	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 248**	$ 229
Restricted cash	**3**	5
Accounts receivable, net of allowance for doubtful accounts	**421**	391
Inventories, net	**532**	630
Prepaid and other assets	**49**	46
Total current assets	**1,253**	1,301
Noncurrent Assets		
Property, plant and equipment, net	**1,831**	1,843
Mineral leaseholds, net	**1,607**	1,604
Intangible assets, net	**223**	244
Inventories, net	**14**	12
Other long-term assets	**22**	23
Total assets	**$4,950**	$5,027
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	**$ 181**	$ 159
Accrued liabilities	**174**	180
Short-term debt	**150**	150
Long-term debt due within one year	**16**	16
Income taxes payable	**1**	43
Total current liabilities	**522**	548
Noncurrent Liabilities		
Long-term debt	**2,888**	2,910
Pension and postretirement healthcare benefits	**122**	141
Asset retirement obligations	**73**	77
Long-term deferred tax liabilities	**152**	143
Other long-term liabilities	**32**	98
Total liabilities	**3,789**	3,917
Commitments and Contingencies		
Shareholders' Equity		
Tronox Limited Class A ordinary shares, par value $0.01 — 65,998,306 shares issued and 65,165,672 shares outstanding at December 31, 2016 and 65,443,363 shares issued and 64,521,851 shares outstanding at December 31, 2015	**1**	1
Tronox Limited Class B ordinary shares, par value $0.01 — 51,154,280 shares issued and outstanding at December 31, 2016 and 2015	**—**	—
Capital in excess of par value	**1,524**	1,500
(Accumulated deficit) retained earnings	**(13)**	93
Accumulated other comprehensive loss	**(495)**	(596)
Total Tronox Limited shareholders' equity	**1,017**	998
Noncontrolling interest	**144**	112
Total equity	**1,161**	1,110
Total liabilities and equity	**$4,950**	$5,027

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Tronox Limited
(Millions of U.S. dollars)

	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities:			
Net loss	**$ (58)**	$ (307)	$ (417)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, depletion and amortization	**236**	294	295
Corporate Reorganization	**(107)**	—	—
Deferred income taxes	**(9)**	—	237
Share-based compensation expense	**25**	22	20
Amortization of deferred debt issuance costs and discount on debt	**11**	11	10
Pension and postretirement healthcare benefit (income) expense	**8**	5	(3)
Net loss on liquidation of non-operating subsidiaries	**—**	—	35
(Gain) loss on extinguishment of debt	**(4)**	—	8
Amortization of fair value inventory step-up	**—**	9	—
Other, net	**55**	(4)	1
Contributions to employee pension and postretirement plans	**(25)**	(17)	(18)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	**(27)**	20	23
(Increase) decrease in inventories	**111**	157	(101)
(Increase) decrease in prepaid and other assets	**(9)**	18	9
Increase (decrease) in accounts payable and accrued liabilities	**8**	(12)	22
Increase (decrease) in taxes payable	**(4)**	20	20
Cash provided by operating activities	**211**	216	141
Cash Flows from Investing Activities:			
Capital expenditures	**(119)**	(191)	(187)
Proceeds from the sale of assets	**2**	1	—
Acquisition of business	**—**	(1,650)	—
Cash used in investing activities	**(117)**	(1,840)	(187)
Cash Flows from Financing Activities:			
Repayments of debt	**(31)**	(18)	(20)
Proceeds from debt	**—**	750	—
Debt issuance costs	**—**	(15)	(2)
Dividends paid	**(46)**	(117)	(116)
Proceeds from the exercise of warrants and options	**—**	3	6
Cash provided by (used in) financing activities	**(77)**	603	(132)
Effects of exchange rate changes on cash and cash equivalents	**2**	(26)	(21)
Net increase (decrease) in cash and cash equivalents	**19**	(1,047)	(199)
Cash and cash equivalents at beginning of period	**229**	1,276	1,475
Cash and cash equivalents at end of period	**$ 248**	$ 229	$1,276
Supplemental cash flow information:			
Interest paid, net	**$ 171**	$ 152	$ 126
Income taxes paid	**$ 2**	$ 23	$ 3

See notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Tronox Limited
(Millions of U.S. dollars)

	Tronox Limited Class A Ordinary Shares	Tronox Limited Class B Ordinary Shares	Capital in Excess of par Value	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total Tronox Limited Shareholders' Equity	Non-controlling Interest	Total Equity
Balance at January 1, 2014	$ 1	$—	$1,448	$1,073	$(284)	$2,238	$199	$2,437
Net income (loss)	—	—	—	(427)	—	(427)	10	(417)
Other comprehensive loss	—	—	—	—	(112)	(112)	(31)	(143)
Shares-based compensation	—	—	22	—	—	22	—	22
Class A and Class B share dividends	—	—	—	(117)	—	(117)	—	(117)
Warrants and options exercised	—	—	6	—	—	6	—	6
Balance at December 31, 2014	$ 1	$—	$1,476	$ 529	$(396)	$1,610	$178	$1,788
Net income (loss)	—	—	—	(318)	—	(318)	11	(307)
Other comprehensive loss	—	—	—	—	(200)	(200)	(77)	(277)
Shares-based compensation	—	—	21	—	—	21	—	21
Class A and Class B share dividends	—	—	—	(118)	—	(118)	—	(118)
Warrants and options exercised	—	—	3	—	—	3	—	3
Balance at December 31, 2015	$ 1	$—	$1,500	$ 93	$(596)	$ 998	$112	$1,110
Net income (loss)	—	—	—	(59)	—	(59)	1	(58)
Other comprehensive income	—	—	—	—	101	101	31	132
Shares-based compensation	—	—	25	—	—	25	—	25
Class A and Class B share dividends	—	—	—	(47)	—	(47)	—	(47)
Shares cancelled	—	—	(1)	—	—	(1)	—	(1)
Balance at December 31, 2016	$ 1	$—	$1,524	$ (13)	$(495)	$1,017	$144	$1,161

See notes to consolidated financial statements.

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. We are a global leader in the production and marketing of titanium bearing mineral sands and titanium dioxide ("TiO_2") pigment, and the world's largest producer of natural soda ash. 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. Our TiO_2 products are critical components of everyday applications such as paint and other coatings, plastics, paper, and other uses and our related mineral sands product streams include titanium feedstock, zircon, and pig iron. Our soda ash products are used by customers in the glass, detergent, and chemicals manufacturing industries.

We have global operations in North America, Europe, South Africa, and the Asia-Pacific region. Within our TiO_2 segment, we operate three pigment production 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.

On April 1, 2015 (the "Alkali Transaction Date"), we completed the acquisition of 100% of the Alkali Chemicals business ("Alkali") from FMC Corporation ("FMC") for an aggregate purchase price of $1.65 billion in cash (the "Alkali Transaction"). See Note 22 for additional information regarding the Alkali Transaction.

As a result of the Alkali Transaction, we produce natural soda ash from a mineral called trona, which we mine at two facilities we own near Green River, Wyoming. Our Wyoming facilities process the trona ore into chemically pure soda ash and specialty sodium products such as sodium bicarbonate (baking soda). We sell soda ash directly to customers in the United States ("U.S"), Canada and Europe and to the American Natural Soda Ash Corporation ("ANSAC"), a non-profit foreign sales association in which we and two other U.S. soda ash producers are members, for resale to customers elsewhere around the world. We use a portion of our soda ash at Green River to produce specialty sodium products such as sodium bicarbonate and sodium sesquicarbonate that have uses in food, animal feed, pharmaceutical, and medical applications.

In June 2012, Tronox Limited issued Class B ordinary shares ("Class B Shares") to Exxaro Resources Limited ("Exxaro") and one of its subsidiaries in consideration for 74% of Exxaro's South African mineral sands business, and the existing business of Tronox Incorporated was combined with the mineral sands business in an integrated series of transactions whereby Tronox Limited became the parent company (the "Exxaro Transaction"). Exxaro has agreed not to acquire any voting shares of Tronox Limited if, following such acquisition, Exxaro will have a voting interest in Tronox Limited of 50% or more unless Exxaro brings any proposal to make such an acquisition to the Board of Directors of Tronox Limited on a confidential basis. In the event an agreement regarding the proposal is not reached, Exxaro is permitted to make a takeover offer for all the shares of Tronox Limited not held by affiliates of Exxaro, subject to certain non-waivable conditions. At both December 31, 2016 and 2015, Exxaro held approximately 44% of the voting securities of Tronox Limited. See Note 23 for additional information regarding Exxaro transactions.

Basis of Presentation

We are considered a domestic company in Australia and, as such, are required to report in Australia under International Financial Reporting Standards ("IFRS"). Additionally, as we are not considered a "foreign private issuer" in the U.S., we are required to comply with the reporting and other requirements imposed by the U.S. securities law on U.S. domestic issuers, which, among other things, requires reporting under accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements included in this Form 10-K are prepared in conformity with U.S. GAAP. We publish our consolidated financial statements, in both U.S. GAAP and IFRS, in U.S. dollars.

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 ("BEE") legislation in South Africa. We account for such ownership interest as "Noncontrolling interest" in our consolidated financial statements. See Note 19.

Our 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.

During the year ended December 31, 2014, we recorded out-of-period adjustments that should have been recorded during 2012 that decreased cost of goods sold by $6 million, decreased loss before income taxes by $6 million, decreased net loss by $5 million and decreased loss per share by $0.03. Also during the year ended December 31, 2014, we recorded out-of-period adjustments that should have been recorded during 2013 that increased cost of goods sold by $6 million, increased selling, general and administrative expenses by $1 million, increased loss before income taxes by $7 million, increased net loss by $5 million and increased loss per share by $0.04. After evaluating the quantitative and qualitative aspects of the adjustments, we concluded that the effect of these adjustments, individually and in the aggregate, was not material to our previously issued consolidated financial statements nor to our 2014 consolidated financial statements.

During the year ended December 31, 2015, we recorded out-of-period adjustments that should have been recorded in 2012 through 2014 that decreased cost of goods sold by $5 million, decreased loss before income taxes by $5 million, decreased net loss by $3 million, and decreased

loss per share by $0.02. After evaluating the quantitative and qualitative aspects of the adjustments, we concluded the effect of these adjustments, individually and in the aggregate, was not material to our previously issued consolidated financial statements and was not material to our 2015 consolidated financial statements.

Use of Estimates

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.

2. Significant Accounting Policies

Foreign Currency

The U.S. dollar is the functional currency for our operations, except for our South African operations, whose functional currency is the Rand, and our European operations, whose functional currency is the Euro. We determine the functional currency of each subsidiary based on a number of factors, including the predominant currency for revenues, expenditures and borrowings. Adjustments from the remeasurement of non-functional currency monetary assets and liabilities are recorded in “Other income (expense), net” in the Consolidated Statements of Operations. When the subsidiary’s functional currency is not the U.S. dollar, translation adjustments resulting from translating the functional currency financial statements into U.S. dollar equivalents are recorded in “Accumulated other comprehensive loss” in the Consolidated Balance Sheets.

Gains and losses on intercompany foreign currency transactions that are not expected to be settled in the foreseeable future are reported in the same manner as translation adjustments.

Revenue Recognition

Revenue is recognized when risk of loss and title to the product is transferred to the customer, pricing is fixed or determinable, and collection is reasonably assured. All amounts billed to a customer in a sales transaction related to shipping and handling represent revenues earned and are reported as “Net sales” in the Consolidated Statements of Operations. Accruals are made for sales returns, rebates and other allowances, which are recorded in “Net sales” in the Consolidated Statements of Operations, and are based on our historical experience and current business conditions.

Cost of Goods Sold

Cost of goods sold includes costs for purchasing, receiving, manufacturing, and distributing products, including raw materials, energy, labor, depreciation, depletion, shipping and handling, freight, warehousing, and other production costs.

Research and Development

Research and development costs, included in “Selling, general and administrative expenses” in the Consolidated Statements of Operation comprising of salaries, building costs, utilities, administrative expenses, and allocations of corporate costs, were $11 million, $13 million, and $11 million during 2016, 2015, and 2014, respectively, and were expensed as incurred.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include costs related to marketing, agent commissions, and legal and administrative functions such as corporate management, human resources, information technology, investor relations, accounting, treasury, and tax compliance.

Income Taxes

We use the asset and liability method of accounting for income taxes. The estimation of the amounts of income taxes involves the interpretation of complex tax laws and regulations and how foreign taxes affect domestic taxes, as well as the analysis of the realizability of deferred tax assets, tax audit findings, and uncertain tax positions.

Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided against a deferred tax asset when it is more likely than not that all or some portion of the deferred tax asset will not be realized. We periodically assess the likelihood that we will be able to recover our deferred tax assets, and reflect any changes in our estimates in the valuation allowance, with a corresponding adjustment to earnings or other comprehensive income (loss), as appropriate. All available positive and negative evidence is weighted to determine whether a valuation allowance should be recorded.

The amount of income taxes we pay is subject to ongoing audits by federal, state, and foreign tax authorities, which may result in proposed assessments. Our estimate for the potential outcome for any uncertain tax issue is highly judgmental. We assess our income tax positions, and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions for which it is more likely than not that a tax benefit will be

sustained, we record the amount that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties are accrued as part of tax expense, where applicable. If we do not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized. See Note 5.

Earnings per Share

Basic and diluted earnings per share are calculated using the two-class method. Under the two-class method, earnings used to determine basic earnings per share are reduced by an amount allocated to participating securities. Participating securities include restricted shares issued under the Tronox Management Equity Incentive Plan (the "MEIP") (see Note 20) and the T-Bucks Employee Participation Plan ("T-Bucks EPP") (see Note 20), both of which contain non-forfeitable dividend rights. Our unexercised options, unexercised Series A and Series B Warrants (see Note 18), and unvested restricted share units do not contain non-forfeitable rights to dividends and, as such, are not considered in the calculation of basic earnings per share. Our unvested restricted shares do not have a contractual obligation to share in losses; therefore, when we record a net loss, none of the loss is allocated to participating securities. Consequently, in periods of net loss, the two class method does not have an effect on basic loss per share.

Diluted earnings per share is calculated by dividing net earnings allocable to ordinary shares by the weighted-average number of ordinary shares outstanding for the period, as adjusted for the potential dilutive effect of non-participating restricted share units, options, and Series A and Series B Warrants. The options and Series A and Series B Warrants are included in the calculation of diluted earnings per ordinary share utilizing the treasury stock method. See Note 6.

Fair Value Measurement

We measure fair value on a recurring basis utilizing valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible, and consider counterparty credit risk in our assessment of fair value. The fair value hierarchy is as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities;
- Level 2 – Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data; and,
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities

See Note 7.

Cash and Cash Equivalents

We consider all investments with original maturities of three months or less to be cash equivalents. 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.

At December 31, 2016 and 2015, we had restricted cash in Australia related to outstanding performance bonds of $3 million and $5 million, respectively.

Accounts Receivable, net of allowance for doubtful accounts

We perform credit evaluations of our customers, and take actions deemed appropriate to mitigate credit risk. Only in certain specific occasions do we require collateral in the form of bank or parental guarantees or guarantee payments. We maintain allowances for potential credit losses based on specific customer review and current financial conditions. See Note 8.

Inventories, net

Pigment and Alkali inventories are stated at the lower of actual cost or market ("LOCM"), net of allowances for obsolete and slow-moving inventory. The cost of inventories is determined using the first-in, first-out method. Carrying values include material costs, labor, and associated indirect manufacturing expenses. Costs for materials and supplies, excluding titanium ore, are determined by average cost to acquire. Mineral Sands inventories including titanium ore are stated at the lower of the weighted-average cost of production or market. Inventory costs include those costs directly attributable to products, including all manufacturing overhead but excluding distribution costs. Raw materials are carried at actual cost.

We review, annually and at the end of each quarter, the cost of our inventory in comparison to its net realizable value. We also periodically review our inventory for obsolescence. In either case, we record any write-down equal to the difference between the cost of inventory and its estimated net realizable value based on assumptions about alternative uses, market conditions and other factors. Inventories expected to be sold or consumed within twelve months after the balance sheet date are classified as current assets and all other inventories are classified as non-current assets. See Note 9.

Long Lived Assets
Property, plant and equipment, net is stated at cost less accumulated depreciation, and is depreciated over its estimated useful life using the straight-line method as follows:

Land improvements	10 — 20 years
Buildings	10 — 40 years
Machinery and equipment	3 — 25 years
Furniture and fixtures	10 years

Maintenance and repairs are expensed as incurred, except for costs of replacements or renewals that improve or extend the lives of existing properties, which are capitalized. Upon retirement or sale, the cost and related accumulated depreciation are removed from the respective account, and any resulting gain or loss is included in "Cost of goods sold" or "Selling, general, and administrative expenses" in the Consolidated Statements of Operations. See Note 10.

We capitalize interest costs on major projects that require an extended period of time to complete. See Note 14.

Mineral property acquisition costs are capitalized as tangible assets when management determines that probable future benefits consisting of a contribution to future cash inflows have been identified and adequate financial resources are available or are expected to be available as required to meet the terms of property acquisition and anticipated exploration and development expenditures. Mineral leaseholds are depleted over their useful lives as determined under the units of production method. Mineral property exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property through the commencement of production are capitalized. See Note 11.

Intangible assets are stated at cost less accumulated amortization, and are amortized on a straight-line basis over their estimated useful lives, which range from 3 to 20 years. See Note 12.

We evaluate the recoverability of the carrying value of long-lived assets that are held and used whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Under such circumstances, we assess whether the projected undiscounted cash flows of our long-lived assets are sufficient to recover the carrying amount of the asset group being assessed. If the undiscounted projected cash flows are not sufficient, we calculate the impairment amount by discounting the projected cash flows using our weighted-average cost of capital. For assets that satisfy the criteria to be classified as held for sale, an impairment loss, if any, is recognized to the extent the carrying amount exceeds fair value, less cost to sell. The amount of the impairment of long-lived assets is written off against earnings in the period in which the impairment is determined.

Business Acquisitions
Business acquisitions are accounted for using the acquisition method under Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"), which requires recording assets acquired and liabilities assumed at fair value as of the acquisition date. Under the acquisition method of accounting, each tangible and separately identifiable intangible asset acquired and liabilities assumed is recorded based on their preliminary estimated fair values on the acquisition date. The initial valuations are derived from estimated fair value assessments and assumptions used by management. Acquisition related costs are expensed as incurred and are included in "Selling, general and administrative expenses" in the Consolidated Statements of Operations. See Note 22.

Long-term Debt
Long-term debt is stated net of unamortized original issue premium or discount. Premiums or discounts are amortized using the effective interest method with amortization expense recorded in "Interest and debt expense, net" in the Consolidated Statements of Operations. Deferred debt issuance costs related to a recognized debt liability are presented in the Consolidated Balance Sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and are amortized using the effective interest method with amortization expense recorded in "Interest and debt expense, net" in the Consolidated Statements of Operations. See Note 14.

Asset Retirement Obligations
Asset retirement obligations are recorded at their estimated fair value, and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows discounted at our credit-adjusted risk-free interest rate, which are considered Level 3 inputs. We classify accretion expense related to asset retirement obligations as a production cost, which is included in "Cost of goods sold" in the Consolidated Statements of Operations. See Note 15.

Derivative Instruments
Derivative instruments are recorded in the Consolidated Balance Sheets at their fair values. Changes in the fair value of derivative instruments not designated for hedge accounting treatment are recorded in "Other income (expense), net" in the Consolidated Statements of Operations. The effective portion of the change in the fair value of cash flow hedges is deferred in other comprehensive loss and is subsequently recognized in the "Cost of goods sold" in the Consolidated Statements of Operations for commodity hedges, when the hedged item impacts earnings. Changes in fair value of derivative assets and liabilities designated as hedging instruments are shown in "Other noncash items affecting net loss" within operating activities in the Consolidated Statements of Cash Flows. Any portion of the change in fair value of derivatives designated as hedging instruments that is determined to be ineffective is recorded in "Other income (expense), net" in the Consolidated Statements of Operations. See Note 16.

Environmental Remediation and Other Contingencies

We recognize a loss and record an undiscounted liability when litigation has commenced or a claim or assessment has been asserted, or, based on available information, commencement of litigation or assertion of a claim or assessment is probable, and the associated costs can be reasonably estimated. See Note 17.

Self-Insurance

We are self-insured for certain levels of general and vehicle liability, property, workers' compensation and health care coverage. The cost of these self-insurance programs is accrued based upon estimated fully developed settlements for known and anticipated claims. Any resulting adjustments to previously recorded reserves are reflected in current operating results. We do not accrue for general or unspecific business risks.

Share-based Compensation

Equity Restricted Share and Restricted Share Unit Awards — The fair value of equity instruments is measured based on the share price on the grant date and is recognized over the vesting period. These awards contain service, market, and/or performance conditions. For awards containing only a service or a market condition, we have elected to recognize compensation costs using the straight-line method over the requisite service period for the entire award. For awards containing a market condition, the fair value of the award is measured using the Monte Carlo simulation under a lattice model approach. For awards containing a performance condition, the fair value is the grant date close price and compensation expense is not recognized until we conclude that it is probable that the performance condition will be met. We reassess the probability at least quarterly. See Note 20.

Liability Restricted Share Awards — Restricted share awards classified as liability awards contain only a service condition, and have graded vesting provisions. Liability awards are re-measured to fair value at each reporting date. See Note 20.

Option Awards — The Black-Scholes option pricing model is utilized to measure the fair value of options on the grant date. The options contain only service conditions, and have graded vesting provisions. We have elected to recognize compensation costs using the straight-line method over the requisite service period for the entire award. See Note 20.

Recently Adopted Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"). ASU 2015-16 simplifies the accounting for measurement-period adjustments by eliminating the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. We adopted ASU 2015-16 during the first quarter of 2016. Its adoption did not have an impact on our consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15, *Interest – Imputation of Interest* ("ASU 2015-15") and in April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest* ("ASU 2015-03"). ASU 2015-15 and ASU 2015-03 change and simplify the presentation of debt issuance costs. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-15 stated that it would also be acceptable to present debt issuance costs related to a line of credit arrangement as a direct deduction from the carrying amount of debt. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in these ASUs. We adopted these standards retroactively during the first quarter of 2016. The adoption of ASU 2015-03 resulted in decreases to long-term debt and other long term assets as of December 31, 2015 of $45 million. The adoption of ASU 2015-15 did not have an impact on our consolidated financial statements. As of December 31, 2016, debt issuance costs of $36 million are presented as a decrease to long-term debt and $4 million are presented as other long-term assets.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"), which requires management of all entities to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued. The guidance is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. We adopted ASU 2014-15 during the fourth quarter of 2016. Its adoption did not have an impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"), which clarifies the definition of a business with the objective of adding guidance to assist companies and other reporting organizations with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early application of the amendments in ASU 2017-01 is allowed under certain circumstances. The amendments in ASU 2017-01 should be applied prospectively on or after the effective date. No disclosures are required at transition. The impact, if any, that ASU 2017-01 will have on our consolidated financial statements will depend on the nature of future acquisitions of assets or businesses.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"), which requires that the reconciliation of the beginning-of-period and end-of period amounts shown in the statement of cash flows include restricted cash and restricted cash equivalents. ASU 2016-18 does not define restricted cash or restricted cash equivalents, but an entity will need to disclose the nature of the restrictions. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The guidance should be applied retrospectively to all periods presented. We do not expect the adoption of ASU 2016-18 to have a material impact on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"), which reduces the complexity in the accounting standards by allowing the recognition of current and deferred income taxes for an intra-entity asset transfer, other than inventory, when the transfer occurs. Historically, recognition of the income tax consequence was not recognized until the asset was sold to an outside party. This amendment should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 is effective for annual periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. The impact, if any, that ASU 2016-16 will have on our consolidated financial statements will depend upon future intra-entity transfers of assets other than inventory.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15") which provides guidance intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years with early adoption permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective transition method. We have not yet determined the impact, if any, that ASU 2016-15 will have on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires that entities use a current expected credit loss model which is a new impairment model based on expected losses rather than incurred losses. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost. The entity's estimate would consider relevant information about past events, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019 with early adoption permitted for annual reporting periods beginning after December 15, 2018. We do not expect the adoption of ASU 2016-13 to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), which amends ASC Topic 718, *Compensation – Stock Compensation* which simplifies various aspects related to how share-based payments are accounted for and presented in the financial statements including income taxes and forfeitures of awards. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. We do not expect the adoption of ASU 2016-09 to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05, *Derivatives and Hedging: Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships* ("ASU 2016-05"), which clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument in an existing hedging relationship would not, in and of itself, be considered a termination of the derivative instrument or a change in a critical term of the hedging relationship. As long as all other hedge accounting criteria in ASC 815, *Derivatives and Hedging* ("ASC 815") are met, a hedging relationship in which the hedging derivative instrument is novated would not be discontinued or require redesignation. This clarification applies to both cash flow and fair value hedging relationships. The standard is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. We do not expect the adoption of ASU 2016-05 to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02") which includes a lessee accounting model that recognizes two types of leases - finance leases and operating leases. The standard requires that a lessee recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or an operating lease. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. We have developed an implementation plan for adopting ASU 2016-02, which includes utilizing a software program to manage our lease obligations. We are evaluating the impact that ASU 2016-02 will have on our consolidated financial statements and have concluded that we will not early adopt ASU 2016-02. Refer to Note 17 regarding current obligations under operating lease agreements.

In July 2015, as part of its simplification initiative, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"). ASU 2015-11 simplifies the subsequent measurement of inventory by requiring entities to remeasure inventory at the lower of cost and net realizable value, which is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We are required to adopt this standard in the first quarter of 2017. This standard is required to be applied prospectively with earlier application permitted as of the beginning of an interim or annual period. The adoption of ASU 2015-11 is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) 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. ASU 2014-09 also requires several new disclosures. This guidance is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted, and may be applied either retrospectively or on a modified retrospective basis. Subsequent to the issuance of the May 2014 guidance, several clarifications and updates have been issued on this topic, the most recent of which was issued in December 2016. We concluded that we will not early adopt this guidance. We have developed an implementation plan for adopting ASU 2014-09 and are currently operating in line with that plan. We are evaluating the impact, if any, that ASU 2014-09, and any amendments thereto, will have on our consolidated financial statements. We concluded that we will not early adopt this guidance. We have developed an implementation plan for adopting ASU 2014-09 and are currently operating in line with that plan. We and have tentatively concluded to apply the modified retrospective basis approach to ASU 2014-09.

3. Restructuring Expense

During 2014, we initiated a cost improvement initiative. The initiative resulted in a reduction in our workforce by approximately 135 employees and outside contractor positions. At December 31, 2014, the remaining liability was $4 million. During 2015, we paid $4 million of cash related to such restructuring.

In 2015, as part of our commitment to reduce operating costs and working capital, we commenced a global restructuring of our TiO_2 segment, (the "Global TiO_2 Restructure"), which we completed in 2016. A portion of this initiative involved a reduction in our global TiO_2 workforce by approximately 500 employees and outside contractor positions. The restructuring streamlined the operations of our TiO_2 segment resulting in the creation of a more commercially and operationally efficient business segment. This action resulted in a charge, consisting of employee severance and associated costs, of $14 million, which was recorded in "Restructuring expense" in the Consolidated Statements of Operations of which $2 million was paid during 2015. During 2016, we recorded an additional charge related to our TiO_2 segment, consisting of employee severance costs of $1 million, which was recorded in "Restructuring expense" in the Consolidated Statements of Operations. The charge consisted of employee severance costs and other associated costs. During 2016, we made cash payments of $13 million.

As part of our cost improvement initiative, in November 2015, we ceased production at our sodium chlorate plant in Hamilton, Mississippi, (the "Sodium Chlorate Plant Restructure"), resulting in a reduction in our workforce of approximately 50 employees. This action resulted in a charge, consisting primarily of employee severance costs, of $4 million, which was recorded in "Restructuring expense" in the Consolidated Statements of Operations for the year ended December 31, 2015, of which $3 million and $1 million was paid during 2016 and 2015, respectively.

In line with our goal of aligning production output to market requirements, during the third quarter of 2015, we decided that the operation of our Cooljarloo North Mine in Western Australia would be suspended on December 31, 2015, resulting in a reduction in our workforce of approximately 30 employees. This action resulted in a charge, consisting primarily of employee severance costs, of $3 million, which was recorded in "Restructuring expense" in the Consolidated Statements of Operations and paid during 2015.

A summary in the changes in the liability established for restructuring, which is included in "Accrued liabilities" in the Consolidated Balance Sheets, is as follows:

	2016	2015
Balance, January 1,	**$ 15**	$ 4
Restructuring expense	**1**	21
Cash payments	**(16)**	(10)
Balance, December 31,	**$ —**	$ 15

Restructuring expense by segment during 2016, 2015 and 2014 was as follows:

	Year Ended December 31,		
	2016	2015	2014
TiO_2 segment	**$ 1**	$20	$12
Corporate	**—**	1	3
Total	**$ 1**	$21	$15

4. Other Income (Expense), Net

Other income (expense), net is comprised of the following:

	Year Ended December 31,		
	2016	2015	2014
Net realized and unrealized foreign currency gains (losses)	**$ (32)**	$21	$ 5
Interest income	**3**	7	13
Pension and postretirement benefit curtailment gains/(settlement losses) (1)	**(1)**	—	9
Other, net	**1**	—	—
Total	**$ (29)**	$28	$ 27

(1) During 2014, we recognized curtailment gains related to our U.S. postretirement healthcare plan and our Netherlands pension plan. During 2016, we recognized net settlement losses related to our Netherlands pension plan. See Note 21.

5. Income Taxes

Our operations are conducted through 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.

Income (loss) before income taxes is comprised of the following:

	Year Ended December 31,		
	2016	2015	2014
Australia	**$ (139)**	$ (353)	$ (242)
International	**(34)**	87	93
Loss before income taxes	**$ (173)**	$ (266)	$ (149)

The income tax (provision) benefit is summarized below:

	Year Ended December 31,		
	2016	2015	2014
Australian:			
Current	**$ 65**	$(17)	$ (15)
Deferred	**—**	—	(183)
International:			
Current	**41**	(24)	(15)
Deferred	**9**	—	(55)
Income tax (provision) benefit	**$115**	$(41)	$ (268)

The following table reconciles the applicable statutory income tax rates to our effective income tax rates for "Income tax (provision) benefit" as reflected in the Consolidated Statements of Operations.

	Year Ended December 31,		
	2016	2015	2014
Statutory tax rate	**30%**	30%	30%
Increases (decreases) resulting from:			
Tax rate differences	**65**	39	78
Disallowable expenditures	**(25)**	(4)	(17)
Valuation allowances	**135**	(89)	(1,577)
Corporate Reorganization	**(188)**	—	—
Anadarko litigation settlement	**—**	—	1,341
State NOL limitations	**—**	—	(15)
State rate changes	**(6)**	17	—
Withholding taxes	**63**	(15)	(24)
Prior year accruals	**(4)**	3	(2)
Foreign exchange	**—**	0	1
Tax credits	**—**	1	2
Branch taxation	**(4)**	1	4
Other, net	**—**	2	(1)
Effective tax rate	**66%**	(15)%	(180)%

The effective tax rate for each of 2016, 2015, and 2014 differs from the Australian statutory rate of 30%. Historically, the differences were primarily due to valuation allowances, income in foreign jurisdictions taxed at rates lower than 30%, and withholding tax accruals on interest income. Additionally, the effective tax rate for 2014 is impacted by $58 million and $255 million, respectively, due to increases to full valuation allowances in the Netherlands and Australia. During 2014, the Anadarko Litigation settlement of $5.2 billion provided us with additional deferred tax assets of $2.0 billion, which were offset by full valuation allowances in the United States of $2.0 billion. As a result of an ownership change on June 15, 2012, our ability to use federal losses was not impacted; however, due to state apportionment impacts and carryforward periods, our state losses were limited. This limitation which was recorded in 2014 resulted in the loss of $23 million of deferred tax assets but was fully offset by a reduction of the related valuation allowances.

During the fourth quarter of 2016, we implemented various steps of an internal corporate restructuring plan to simplify our corporate structure and thereby improve operational, administrative, and commercial synergies within each of our operating segments (the “Corporate Reorganization”). As a result of the Corporate Reorganization, we reduced our cross jurisdictional financing arrangements and consequently reversed the deferred tax assets related to intercompany interest deductions. The related withholding tax amounts were also reversed as a result of the Corporate Reorganization. Additionally, we reduced our deferred tax assets related to loss carryforwards which will no longer be available to utilize. The changes to deferred taxes are offset by valuation allowances and result in no impact to the consolidated provision for income taxes for the year ended December 31, 2016. The net income impact of the Corporate Reorganization was a benefit of $137 million in the fourth quarter of 2016, reflecting the reversal of $139 million of withholding tax accruals, offset by a foreign currency loss of $2 million. For the year ended December 31, 2016, the net income impact was $107 million, reflecting a net reduction in withholding tax accruals of $110 million, offset by of a foreign currency loss of $3 million.

Changes in our state apportionment factors, state statutory rate changes, and the acquisition of the Alkali entities, caused our overall effective state tax rates to change. Due to the large deferred tax asset created by the Anadarko litigation settlement in 2014, these state rate changes have a material impact on deferred taxes for 2015 and 2016. These are reflected within the State rate changes line above. The changes to deferred tax are offset by valuation allowances.

The statutory tax rates on income earned in South Africa (28% for limited liability companies), the Netherlands (25% for corporations), and the United Kingdom (20% for corporations and limited liability companies and not applicable for certain limited liability partners) are lower than the Australian statutory rate of 30%. The statutory tax rate, applied against losses in the United States (35% for corporations), is higher than the Australian statutory rate of 30%. Also, we continue to maintain a full valuation allowance in Australia, the Netherlands, and the United States.

As a result of the Alkali Transaction, we expect to offset a portion of our previously existing U.S. tax attributes with income generated by the Alkali entities. This expectation, however, does not change our overall judgement regarding the utilization of existing deferred tax assets.

Net deferred tax assets (liabilities) at December 31, 2016 and 2015 were comprised of the following:

	December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss and other carryforwards	**$ 1,900**	$ 1,614
Property, plant and equipment, net	**106**	343
Reserves for environmental remediation and restoration	**25**	23
Obligations for pension and other employee benefits	**78**	86
Investments	**25**	25
Grantor trusts	**1,055**	1,231
Inventories, net	**11**	6
Interest	**326**	445
Other accrued liabilities	**9**	11
Unrealized foreign exchange losses	**1**	3
Other	**13**	15
Total deferred tax assets	**3,549**	3,802
Valuation allowance associated with deferred tax assets	**(3,338)**	(3,576)
Net deferred tax assets	**211**	226
Deferred tax liabilities:		
Property, plant and equipment, net	**(270)**	(222)
Intangible assets, net	**(85)**	(96)
Inventories, net	**(1)**	(8)
Unrealized foreign exchange gains	**(2)**	(40)
Other	**(5)**	(3)
Total deferred tax liabilities	**(363)**	(369)
Net deferred tax liability	**$ (152)**	$ (143)
Balance sheet classifications:		
Deferred tax assets — long-term	**—**	—
Deferred tax liabilities — long-term	**(152)**	(143)
Net deferred tax liability	**$ (152)**	$ (143)

The net deferred tax liabilities reflected in the above table include deferred tax assets related to grantor trusts, which were established as Tronox Incorporated emerged from bankruptcy during 2011. The balances relate to the assets contributed to such grantor trusts by Tronox Incorporated. Additionally, as a result of the resolution of the Anadarko Litigation of $5.2 billion during 2014, we recorded additional deferred tax assets of $2.0 billion. This increase was fully offset by valuation allowances. During 2015 and 2016, the U.S. net operating loss increased as the grantor trusts spent a portion of the funds received from the litigation.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.* The standard requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. We early adopted ASU 2015-17 during the fourth quarter of 2015 on a prospective basis.

Accordingly, we classified all deferred taxes as noncurrent at December 31, 2015. The adoption did not have a material effect on our consolidated financial statements.

There was a decrease to our valuation allowance of $238 million during 2016 and an increase of $231 million in 2015. The table below sets forth the changes, by jurisdiction:

	December 31,	
	2016	2015
Australia	**$ (258)**	$ 112
United States	**20**	114
The Netherlands	**—**	6
South Africa	**—**	(1)
Total increase (decrease) in valuation allowances	**$ (238)**	$ 231

The decrease to our valuation allowance in Australia during 2016 is primarily the result of the Corporate Reorganization. When we reduced our deferred tax assets related to intercompany interest deductions and loss carryforwards which will no longer be available to utilize, it caused a corresponding reduction to the valuation allowance and resulted in no impact to the consolidated provision for income taxes for the year ended December 31, 2016. The increase to our valuation allowances in both Australia and the United States during 2015 was to offset deferred tax assets generated from deferred intercompany interest deductions.

At December 31, 2016, we maintain full valuation allowances related to the total net deferred tax assets in Australia, the United States, and 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. Additionally, we have valuation allowances against specific tax assets in South Africa.

These conclusions were reached by the application of ASC 740, *Income Taxes,* and require that all available positive and negative evidence be weighted to determine whether a valuation allowance should be recorded. The more significant evidential matter in Australia, the United States, and the Netherlands relates to recent book losses and the lack of sufficient projected taxable income. The more significant evidential matter for South Africa relates to assets that cannot be depleted or depreciated for tax purposes.

An ownership change occurred during 2012, as a result of the Exxaro Transaction. These ownership changes resulted in a limitation under IRC Sections 382 and 383 related to U.S. net operating losses. We do not expect that the application of these net limitations will have any material effect on our U.S. federal income tax liabilities; however, for 2014, we reduced our state net operating loss carryforwards and the related deferred tax benefits. The loss of these benefits is offset by a corresponding reduction in the valuation allowances.

The deferred tax assets generated by tax loss carryforwards in Australia, the United States, and the Netherlands have been fully offset by valuation allowances. The expiration of these carryforwards at December 31, 2016 is shown below. The Australian and South African tax loss carryforwards do not expire.

	Australia	U.S. Federal	U.S. State	Other	Tax Loss Carryforwards Total
2017	$ —	$ —	$ —	$ —	$ —
2018	—	—	21	—	21
2019	—	—	1	—	1
2020	—	—	16	—	16
2021	—	—	3	17	20
Thereafter	—	3,880	3,942	199	8,021
No Expiration	542	—	—	17	559
Total tax loss carryforwards	$ 542	$3,880	$3,983	$233	$8,638

At December 31, 2016, Tronox Limited had foreign subsidiaries with undistributed earnings. Although we would not be subject to income tax on these earnings, amounts totaling $135 million could be subject to withholding tax if distributed. Tronox Incorporated no longer has foreign subsidiaries. We have made no provision for deferred taxes for Tronox Limited related to these undistributed earnings because they are considered to be indefinitely reinvested outside of the parents' taxing jurisdictions.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for 2016 and 2015 is as follows:

	Year Ended December 31,	
	2016	2015
Balance at January 1	**$ 1**	$ 1
Reductions for tax positions related to prior years	**(1)**	—
Balance at December 31	**$ —**	$ 1

The noncurrent liabilities section of our Consolidated Balance Sheet does not reflect a reserve for uncertain tax positions at December 31, 2016 and reflects $1 million for December 31, 2015.

Our Australian returns are closed through 2011. However, under Australian tax laws, transfer pricing issues have no limitation period. Our U.S. returns are closed for years through 2012, with the exception of an amendment filed for the 2007 tax year. Our Netherlands returns are closed through 2012. In accordance with the Alkali Transaction, we are not liable for income taxes of the acquired companies with respect to periods prior to the Alkali Transaction Date.

We believe that we have made adequate provision for income taxes that may be payable with respect to years open for examination; however, the ultimate outcome is not presently known and, accordingly, additional provisions

may be necessary and/or reclassifications of noncurrent tax liabilities to current may occur in the future.

Anadarko Litigation

On January 23, 2015, Anadarko Petroleum Corp. ("Anadarko") paid $5.2 billion, including approximately $65 million of accrued interest, pursuant to the terms of a settlement agreement with Tronox Incorporated. We did not receive any portion of the settlement amount. Instead, 88% of the $5.2 billion went to trusts and other governmental entities for the remediation of polluted sites by Kerr-McGee Corporation ("Kerr-McGee"). The remaining 12% was 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 are 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 $5.2 billion is spent. We believe that these expenditures and the accompanying tax deductions may continue for years. At December 31, 2014, we had recorded deferred tax assets of $2.0 billion related to the $5.2 billion of expected future tax deductions from trust expenditures. These deferred tax assets were fully offset by valuation allowances. At December 31, 2016, approximately $2 billion of the trust from the litigation proceeds have been incurred.

6. Loss Per Share

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

	Year Ended December 31,		
	2016	2015	2014
Numerator – Basic and Diluted:			
Net loss	**$ (58)**	$ (307)	$ (417)
Less: Net income attributable to noncontrolling interest	**1**	11	10
Undistributed net loss	**(59)**	(318)	(427)
Percentage allocated to ordinary shares (1)	**100%**	100%	100%
Net loss available to ordinary shares	**$ (59)**	$ (318)	$ (427)
Denominator – Basic and Diluted:			
Weighted-average ordinary shares (in thousands)	**116,161**	115,566	114,281
Net loss per Ordinary Share (2):			
Basic and diluted net loss per ordinary share	**$ (0.50)**	$ (2.75)	$ (3.74)

(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 2016, 2015, and 2014, the two-class method did not have an effect on our net loss per ordinary share calculation, and as such, dividends paid during the year did not impact this calculation.
(2) Net loss per ordinary share amounts were calculated from exact, not rounded net loss and share information.

In computing diluted net loss per share under the two-class method, we considered potentially dilutive shares. Anti-dilutive shares not recognized in the diluted net loss per share calculation were as follows:

	December 31, 2016		December 31, 2015		December 31, 2014	
	Shares	**Average Exercise Price**	Shares	Average Exercise Price	Shares	Average Exercise Price
Options	**1,970,481**	**$ 21.19**	2,189,967	$ 21.15	2,560,875	$ 21.14
Series A Warrants	**1,440,662**	**$ 8.51**	1,354,529	$ 9.63	1,273,917	$ 11.04
Series B Warrants	**1,953,207**	**$ 9.37**	1,833,834	$ 10.63	1,715,986	$ 12.19
Restricted share units	**5,587,331**	**$ 7.19**	1,494,027	$ 23.04	875,776	$ 22.17

7. Fair Value Measurement

For financial instruments that are subsequently measured at fair value, the fair value measurement is grouped into levels. See Note 2.

At December 31, 2016, our financial instruments measured at fair value were our natural gas commodity price swap contracts and environmental rehabilitation trust, which amounted to $3 million and $13 million, respectively, and were categorized as Level 2. At December 31, 2015, the only financial instrument measured at fair value was the environmental rehabilitation trust, which amounted to $12 million and was categorized as Level 2 as it was recorded at amortized cost which approximates fair value. See Notes 15 and 16.

The carrying amounts for cash and cash equivalents, accounts receivable, other current assets, accounts payable, short-term debt, and other current liabilities approximate their fair value because of the short-term nature of these instruments.

Our debt is recorded at historical amounts. At December 31, 2016 and 2015, the fair value of the Term Loan, defined below, was $1.5 billion and $1.3 billion, respectively. At December 31, 2016 and 2015, the fair value of the Senior Notes due 2020, defined below, was $841 million and $520 million, respectively. At December 31, 2016 and 2015, the fair value of the Senior Notes due 2022, defined below, was $544 million and $347 million, respectively. We determined the fair value of the Term Loan, the Senior Notes due 2020 and the Senior Notes due 2022 using quoted market prices. The fair value hierarchy for the Term Loan, the Senior Notes due 2020 and the Senior Notes due 2022 is a Level 1 input. Balances outstanding under our UBS Revolver are carried at contracted amounts, which approximate fair value based on the short term nature of the borrowing and the variable interest rate. The fair value hierarchy for our UBS Revolver is a Level 2 input. See Note 14.

8. Accounts Receivable, Net of Allowance for Doubtful Accounts

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

	December 31, 2016	December 31, 2015
Trade receivables	**$408**	$367
Other	**15**	25
Subtotal	**423**	392
Allowance for doubtful accounts	**(2)**	(1)
Accounts receivable, net of allowance for doubtful accounts	**$421**	$391

Bad debt expense was $2 million for the year ended 2016, and less than $1 million for each of the years ended 2015 and 2014. Bad debt expense was recorded in "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

9. Inventories, net

Inventories, net consisted of the following:

	December 31, 2016	December 31, 2015
Raw materials	**$194**	$248
Work-in-process	**41**	43
Finished goods, net	**204**	245
Materials and supplies, net [1]	**107**	106
Total	**546**	642
Less: Inventories, net – non-current	**(14)**	(12)
Inventories, net – current	**$532**	$630

(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 $24 million and $30 million at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, inventory obsolescence reserves were $17 million and $18 million, respectively. At December 31, 2016 and December 31, 2015, reserves for lower of cost or market were $26 million and $63 million, respectively.

10. Property, Plant and Equipment

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

	December 31, 2016	December 31, 2015
Land and land improvements	**$ 159**	$ 143
Buildings	**309**	189
Machinery and equipment	**1,888**	1,765
Construction-in-progress	**146**	261
Other	**50**	44
Total	**2,552**	2,402
Less: accumulated depreciation	**(721)**	(559)
Property, plant and equipment, net [1]	**$ 1,831**	$ 1,843

(1) Substantially all of these assets are pledged as collateral for our debt. See Note 14.

Depreciation expense related to property, plant and equipment during 2016, 2015, and 2014 was $171 million, $187 million, and $158 million, respectively, of which $167 million, $183 million, and $155 million, respectively, was recorded in "Cost of goods sold" in the Consolidated Statements of Operations. Depreciation expense of $4 million each for 2016 and 2015 and $3 million for 2014 was recorded in "Selling, general and administrative expenses" in the Consolidated Statements of Operations. In April 2016, we commissioned our Fairbreeze mine in KZN and began depreciating related assets placed in service.

11. Mineral Leaseholds, net

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

	December 31,	
	2016	2015
Mineral leaseholds	**$ 1,996**	$ 1,948
Less accumulated depletion	**(389)**	(344)
Mineral leaseholds, net	**$ 1,607**	$ 1,604

Depletion expense related to mineral leaseholds during 2016, 2015, and 2014 was $40 million, $81 million, and $110 million, respectively, and was recorded in "Cost of goods sold" in the Consolidated Statements of Operations.

12. Intangible Assets, net

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

	December 31, 2016			December 31, 2015		
	Gross Cost	**Accumulated Amortization**	**Net Carrying Amount**	Gross Cost	Accumulated Amortization	Net Carrying Amount
Customer relationships	**$ 291**	**$ (115)**	**$ 176**	$ 294	$ (98)	$ 196
TiO_2 technology	**32**	**(9)**	**23**	32	(8)	24
Internal-use software	**45**	**(21)**	**24**	37	(13)	24
Other	**—**	**—**	**—**	9	(9)	—
Intangible assets, net	**$ 368**	**$ (145)**	**$ 223**	$ 372	$ (128)	$ 244

Amortization expense related to intangible assets was $25 million, $26 million and $27 million during 2016, 2015 and 2014, respectively, of which $24 million, $25 million and $26 million was recorded during 2016, 2015 and 2014, respectively, in "Selling general and administrative expenses" in the Consolidated Statements of Operations. During 2016, 2015 and 2014, $1 million each of amortization expense was recorded in "Cost of goods sold" in the Consolidated Statements of Operations. Estimated future amortization expense related to intangible assets is $25 million for each of the years from 2017 through 2021, and $98 million thereafter.

13. Accrued Liabilities

Accrued liabilities consisted of the following:

	December 31,	
	2016	2015
Employee-related costs and benefits	**$ 83**	$ 69
Restructuring costs	**—**	15
Interest	**35**	35
Sales rebates	**25**	28
Taxes other than income taxes	**10**	11
Other	**21**	22
Accrued liabilities	**$ 174**	$ 180

14. Debt

Our short-term debt consisted of a UBS Revolver, defined below, and was $150 million at both December 31, 2016 and December 31, 2015. The average effective interest rates of our UBS Revolver were 4.2% and 3.5% during 2016 and 2015, respectively.

UBS Revolver

We have a global senior secured asset-based syndicated revolving credit facility with UBS AG ("UBS") with a maturity date of June 18, 2017 (the "UBS Revolver"). Through March 31, 2015, the UBS Revolver provided us with a committed source of capital with a principal borrowing amount of up to $300 million, subject to a borrowing base. Balances due under the UBS Revolver are carried at contracted amounts, which approximate fair value based on the short-term nature of the borrowing and the variable interest rate.

On April 1, 2015, in connection with the Alkali Transaction, we entered into an amended and restated asset-based revolving syndicated facility agreement with UBS, which provides for up to $500 million of revolving credit lines, with a $85 million sublimit for letters of credit with a new maturity that is the earlier of the date which is five years after the closing date and the date which is three months prior to the maturity of the Term Loan, defined below; provided that in no event shall the Revolving Maturity be earlier than June 18, 2017. Availability of revolving credit loans and

letters of credit are subject to a borrowing base. Borrowings bear interest at our option, at either a base rate or an adjusted London Interbank Offered Rate ("LIBOR") as the greatest of (a) the Administrative Agent's prime rate, (b) the Federal funds effective rate plus 0.50% and (c) the adjusted LIBOR for a one-month period plus 1.00%. The applicable margin ranges from 0.50% to 1.00% for borrowings at the base rate and from 1.50% to 2.00% for borrowings at the adjusted LIBOR, in each case, based on the average daily borrowing availability.

On April 1, 2015, we borrowed $150 million against the UBS Revolver, which was outstanding at both December 31, 2016 and 2015. During 2016, we had no additional drawdowns or repayments on the UBS Revolver. There are $2 million of deferred debt issuance costs related to the UBS Revolver included in "Other long-term assets" in the Consolidated Balance Sheets at December 31, 2015. At December 31, 2016 and 2015, our amount available to borrow was $190 million and $217 million, respectively.

ABSA Revolving Credit Facility

We have a R1.3 billion (approximately $95 million at December 31, 2016) revolving credit facility with ABSA Bank Limited ("ABSA") acting through its ABSA Capital Division with a maturity date of June 14, 2017 (the "ABSA Revolver"). The ABSA Revolver bears interest at (i) the base rate (defined as one month Johannesburg Interbank Agreed Rate, which is the mid-market rate for deposits in South African Rand for a period equal to the relevant period which appears on the Reuters Screen SAFEY Page alongside the caption YLD) as of 11h00 Johannesburg time on the first day of the applicable period, plus (ii) the Margin, which is 3.9%.

During 2016, 2015 and 2014, we had no drawdowns or repayments on the ABSA Revolver. At both December 31, 2016 and 2015, there were no outstanding borrowings on the ABSA Revolver.

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

	Original Principal	Annual Interest Rate	Maturity Date	**December 31, 2016**	December 31, 2015
Term Loan, net of unamortized discount [(1)]	$1,500	Variable	3/19/2020	**$1,441**	$1,454
Senior Notes due 2020	$ 900	6.375%	8/15/2020	**896**	900
Senior Notes due 2022	$ 600	7.50%	3/15/2022	**584**	600
Co-generation Unit Financing Arrangement	$ 16	6.50%	2/1/2016	**—**	1
Lease financing				**19**	16
Total borrowings				**2,940**	2,971
Less: Long-term debt due within one year				**(16)**	(16)
Debt issuance costs				**(36)**	(45)
Long-term debt				**$2,888**	$2,910

(1) Average effective interest rate of 4.9%, 4.7% and 4.6% during 2016, 2015 and 2014, respectively.

At December 31, 2016, the scheduled maturities of our long-term debt were as follows:

	Total Borrowings
2017	$ 16
2018	16
2019	16
2020	2,298
2021	1
Thereafter	598
Total	2,945
Remaining accretion associated with the Term Loan	(5)
Total borrowings	$ 2,940

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-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 December 31, 2016 and 2015, the unamortized discount was $5 million and $6 million, respectively. We made principal repayments during 2016 and 2015 of $15 million each.

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 350 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. Debt issuance cost related to the Term Loan of $17 million was recorded as a direct reduction to the carrying value of the long-term debt as described below.

Senior Notes due 2020

On August 20, 2012, our wholly owned subsidiary, Tronox Finance LLC ("Tronox Finance"), completed a private placement offering of $900 million aggregate principal amount of senior notes at par value (the "Senior Notes due 2020"). The Senior Notes due 2020 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 due 2020 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. Debt issuance costs related to the Senior Notes Due 2020 of $9 million were recorded as a direct reduction to the carrying value of the long-term debt as described below.

On September 17, 2013, Tronox Finance 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 due 2020 are guaranteed by Tronox and certain of its subsidiaries. See Note 25. There were no repayments during 2016 and 2015. During 2016, we repurchased $4 million of face value of notes at a price of 77% of par, resulting in a net gain of approximately $1 million which was included in "Gain (loss) on extinguishment of debt" in the Consolidated Statements of Operations.

Senior Notes due 2022

On March 6, 2015, Evolution Escrow Issuer LLC ("Evolution"), a special purpose limited liability company organized under the laws of Delaware, was formed. Evolution was wholly owned by Stichting Evolution Escrow, a Dutch foundation not affiliated with the Company.

On March 19, 2015, Evolution closed an offering of $600 million aggregate principal amount of its 7.50% Senior Notes due 2022 (the "Senior Notes due 2022"). The Senior Notes due 2022 were offered and sold by Evolution in reliance on an exemption pursuant to Rule 144A and Regulation S under the Securities Act. The Senior Notes due 2022 were issued under an Indenture, dated as of March 19, 2015 (the "Indenture"), between Evolution and Wilmington Trust, National Association (the "Trustee").

On April 1, 2015, in connection with the Alkali Transaction, Evolution merged with and into Tronox Finance, Tronox Finance assumed the obligations of Evolution under the Indenture and the Senior Notes due 2022, and the proceeds from the offering were released to us to partially pay the purchase price for the Alkali Transaction. We and certain of our subsidiaries entered into a supplemental indenture (the "First Supplemental Indenture"), by and among us, Tronox Finance, the guarantors party thereto, and the Trustee, pursuant to which we and such subsidiaries became guarantors of the Senior Notes due 2022 under the Indenture. The Senior Notes due 2022 have not been registered under the Securities Act, and may not be offered or sold in the U.S. absent registration or an applicable exemption from registration requirements. There were no repayments during the 2016 and 2015. During 2016, we repurchased $16 million of face value of notes at a weighted average price of 76% of par, resulting in a net gain of approximately $3 million which was included in "Gain (loss) on extinguishment of debt" in the Consolidated Statements of Operations. Debt issuance costs related to the Senior Notes due 2022 of $10 million were recorded as a direct reduction of the carrying value of the long-term debt as described below.

The Indenture and the Senior Notes due 2022 provide, among other things, that the Senior Notes due 2022 are senior unsecured obligations of Tronox Finance. Interest is payable on March 15 and September 15 of each year beginning on September 15, 2015 until their maturity date of March 15, 2022. The terms of the Indenture, among other things, limit, in certain circumstances, the ability of us to: incur certain additional indebtedness and issue preferred stock; make certain dividends, distributions, investments and other restricted payments; sell certain assets; incur liens; agree to any restrictions on the ability of certain subsidiaries to make payments to the Company; consolidate or merge with or into, or sell substantially all of our assets to, another person; enter into transactions with affiliates; and enter into new lines of business.

Liquidity and Capital Resources

As of December 31, 2016 we had $190 million available under the $500 million UBS Revolver, $95 million available under the ABSA Revolver and $248 million in cash and cash equivalents.

Lease Financing

We have capital lease obligations in South Africa, which are payable through 2031 at a weighted average interest rate of approximately 14%. At December 31, 2016 and 2015, assets recorded under capital lease obligations were $21 million and $18 million, respectively. Related accumulated amortization was $6 million and $5 million at December 31, 2016 and

2015, respectively. During 2016, 2015, and 2014 we made principal payments of less than $1 million for all periods.

At December 31, 2016, future minimum lease payments, including interest, were as follows:

	Principal Repayments	Interest	Total Payments
2017	$ 1	$ 2	$ 3
2018	1	2	3
2019	1	2	3
2020	1	2	3
2021	1	2	3
Thereafter	14	11	25
Total	$ 19	$ 21	$ 40

Bridge Facility

In connection with the Alkali Transaction, we entered into a $600 million senior unsecured bridge facility (the "Bridge Facility"). The Bridge Facility was not utilized and terminated with the completion of the Alkali Transaction. During 2015, we incurred $8 million of financing fees related to the Bridge Facility, which were included in "Interest and debt expense, net" in the Consolidated Statements of Operations.

Debt Covenants

At December 31, 2016, 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 year ended December 31, 2016.

Interest and Debt Expense, Net

Interest and debt expense, net in the Consolidated Statements of Operations consisted of the following:

	Year Ended December 31,		
	2016	2015	2014
Interest on debt	**$174**	$160	$124
Amortization of deferred debt issuance costs and discounts on debt	**11**	11	10
Bridge Facility	**—**	8	—
Capitalized interest	**(4)**	(6)	(3)
Other	**3**	3	2
Total interest and debt expense, net	**$184**	$176	$133

In connection with obtaining debt, we incurred debt issuance costs, which are being amortized through the respective maturity dates using the effective interest method. At both December 31, 2016 and 2015, we had deferred debt issuance costs of $4 million related to the UBS Revolver and ABSA Revolver which are recorded in "Other long-term assets" in the Consolidated Balance Sheets and $36 million and $45 million at December 31, 2016 and 2015, respectively, of Term Loan, Senior Notes due 2020 and Senior Notes due 2022, as a direct reduction of the carrying value of the long-term debt.

15. 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 asset retirement obligations was as follows:

	Year Ended December 31,	
	2016	2015
Balance, January 1,	**$ 81**	$ 90
Additions	**1**	3
Accretion expense	**5**	5
Remeasurement/translation	**1**	(12)
Changes in estimates, including cost and timing of cash flows	**(11)**	(3)
Settlements/payments	**(1)**	(2)
Balance, December 31,	**$ 76**	$ 81

	December 31,	
	2016	2015
Asset retirement obligations were classified as follows:		
Current portion included in "Accrued liabilities"	**$ 3**	$ 4
Noncurrent portion included in "Asset retirement obligations"	**73**	77
Asset retirement obligations	**$76**	$ 81

We used the following assumptions in determining asset retirement obligations at December 31, 2016: inflation rates between 2.5% - 5.1% per year; credit adjusted risk-free interest rates between 7.0% -16.1%; the life of mines between 12-28 years and the useful life of assets of between 5-34 years.

During 2016, we amended our lease agreement for our TiO_2 pigment facility in Botlek, the Netherlands, which included an option to extend the lease term for an additional 25 years. This amendment increased the estimated useful life used in determining the asset retirement obligation and consequently, we recognized a $10 million reduction to this liability.

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 December 31, 2016 and 2015, the environmental rehabilitation trust assets were $13 million and $12 million, respectively, which were recorded in “Other long-term assets” in the Consolidated Balance Sheets.

16. Derivative Instruments

We manufacture and market our products in a number of countries throughout the world and, as a result, are exposed to changes in foreign currency exchange rates, particularly in South Africa, Australia, and the Netherlands. Costs in South Africa and Australia are primarily incurred in local currencies, while the majority of revenues are in U.S. dollars. In Europe, the majority of revenues and costs are in the local currency. This leaves us exposed to movements in the South African Rand and the Australian dollar versus the U.S. dollar.

Our businesses rely on natural gas as one of the main fuel sources in our production process. Natural gas prices have historically been volatile. Natural gas prices could increase as a result of reduced domestic drilling and production activity. Drilling and production operations are subject to extensive federal, state, local and foreign laws and government regulations, which could directly curtail such activity or increase the cost of drilling, resulting in reduced levels of drilling activity and therefore increased natural gas prices. This exposes us to commodity price risk.

We mitigate our exposures to currency risks and commodity price risks, through a controlled program of risk management that includes the use of derivative financial instruments. We enter into foreign exchange forward contracts to reduce the effects of fluctuating foreign currency exchange rates. We also use commodity price swap contracts and forward purchase contracts to manage forecasted energy exposure.

We formally document all relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking our hedge transactions. This process includes relating derivatives that are designated as cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. We also formally assess both at the inception of the hedge and throughout its term, whether each derivative is highly effective in offsetting changes in cash flows of the hedged item. If we determine that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, we discontinue hedge accounting with respect to that derivative prospectively. On the date the derivative instrument is entered into, we assess whether to designate the derivative a hedge of the variability of cash flows to be received or paid related to a forecasted transaction (cash flow hedge) or not. We recognize all derivatives in the Consolidated Balance Sheets at fair value.

Our currency forward contracts are not designated for hedge accounting treatment under ASC 815. As such, changes in the fair value are recorded in “Other income (expense), net” in Consolidated Statements of Operations. We did not record any gains or losses during 2016, 2015 and 2014 related to forward contracts. At both December 31, 2016 and 2015, we did not have any currency forward contracts in place.

We have designated our natural gas commodity price swap contracts, which qualify as cash flow hedges, for hedge accounting treatment under ASC 815. Our current natural gas derivative contracts matured on December 31, 2016. We perform an analysis for effectiveness of the derivatives at the end of each quarter based on the terms of the contract and the underlying item being hedged. The effective portion of the change in the fair value of cash flow hedges is deferred in other comprehensive loss and is subsequently recognized in “Cost of goods sold” in the Consolidated Statements of Operations for commodity hedges, when the hedged item impacts earnings. Changes in fair value of derivative assets and liabilities designated as hedging instruments are shown in “Other noncash items affecting net loss” within operating activities in the Consolidated Statements of Cash Flows. Any portion of the change in fair value of derivatives designated as hedging instruments that is determined to be ineffective is recorded in “Other income (expense), net” in the Consolidated Statements of Operations.

At December 31, 2016, we recorded the fair value of the natural gas hedge of $3 million in “Prepaid and other assets” in the Consolidated Balance Sheets, with the offset of $3 million unrealized gain recognized in accumulated other comprehensive loss with no tax impact which is expected to be reclassified as earnings within the next twelve months. See Note 5 to the consolidated financial statements. The current open commodity contract hedges forecasted transactions until December 31, 2017. At December 31, 2016, we had an equivalent of 4.8 MMBTUs (millions of British Thermal Units) in aggregate notional volume of outstanding natural gas commodity forward contract to hedge forecasted purchases. The fair value of the natural gas commodity price contract was based on market price quotations and the use of a pricing model. The contract was considered a level 2 input in the fair value hierarchy at December 31, 2016. We did not have any natural gas hedge positions at December 31, 2015.

17. Commitments and Contingencies

Leases—We lease office space, railcars, storage, and equipment under non-cancelable lease agreements, which expire on various dates through 2030. Total rental expense related to operating leases recorded in “Cost of goods sold” in the Consolidated Statements of Operations was $39 million, $38 million and $24 million during 2016, 2015 and 2014, respectively. Total rental expense related to operating leases recorded in “Selling, general and administrative expense” in the Consolidated Statements of Operations, was $3 million each during 2016 and 2015 and $2 million during 2014.

At December 31, 2016, minimum rental commitments under non-cancelable operating leases were as follows:

	Operating
2017	$ 33
2018	25
2019	19
2020	18
2021	18
Thereafter	71
Total	$ 184

Purchase Commitments—At December 31, 2016, purchase commitments were $124 million for 2017, $73 million for 2018, $50 million for 2019, $36 million for 2020, $25 million for 2021, and $132 million thereafter.

Letters of Credit—At December 31, 2016, we had outstanding letters of credit, bank guarantees, and performance bonds of $69 million, of which $42 million were letters of credit issued under the UBS Revolver, $20 million were bank guarantees and letters of credit issued by ABSA, $5 million were bank guarantees issued by Standard Bank 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. Currently, we are not party to any pending legal or administrative proceedings that may have a material adverse effect, either individually or in the aggregate, on our business, financial condition or results of operations.

18. Shareholders' Equity

The changes in outstanding Class A ordinary shares ("Class A Shares") and Class B Shares for 2015 and 2016 were as follows:

Class A Shares:	
Balance, January 1, 2015	63,968,616
Shares issued for share-based compensation	403,213
Shares issued upon warrants exercised	8,549
Shares issued upon options exercised	141,473
Balance, December 31, 2015	64,521,851
Shares issued for share-based compensation	732,724
Shares cancelled for share-based compensation	(89,062)
Shares issued upon warrants exercised	159
Balance, December 31, 2016	65,165,672
Class B Shares:	
Balance at December 31, 2016 and 2015	51,154,280

Warrants

We have outstanding Series A Warrants (the "Series A Warrants") and Series B Warrants (the "Series B Warrants"), together (the "Warrants"). At December 31, 2016, holders of the Series A Warrants and the Series B Warrants were entitled to purchase 6.02 and 6.03 of Class A Shares, respectively, and receive $12.50 in cash at an exercise price of $51.21 for each Series A Warrant and $56.51 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 December 31, 2016 and 2015, there were 239,306 and 239,316 Series A Warrants outstanding, respectively, and 323,915 and 323,999 Series B Warrants outstanding, respectively.

Dividends

During 2016 and 2015, we declared and paid quarterly dividends to holders of our Class A Shares and Class B Shares as follows:

	Q1 2016	**Q2 2016**	**Q3 2016**	**Q4 2016**
Dividend per share	**$ 0.25**	**$ 0.045**	**$ 0.045**	**$ 0.045**
Total dividend	**$ 30**	**$ 5**	**$ 5**	**$ 6**
Record date (close of business)	**March 4**	**May 16**	**August 17**	**November 16**

	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Dividend per share	$ 0.25	$ 0.25	$ 0.25	$ 0.25
Total dividend	$ 29	$ 30	$ 30	$ 29
Record date (close of business)	March 9	May 18	August 19	November 16

Accumulated Other Comprehensive Loss Attributable to Tronox Limited

The tables below present changes in accumulated other comprehensive loss by component for 2016, 2015 and 2014.

	Cumulative Translation Adjustment	Pension Liability Adjustment	Unrealized Gains on Derivatives	Total
Balance, January 1, 2014	$ (215)	$ (69)	$ —	$ (284)
Other comprehensive loss	(99)	(46)	—	(145)
Amounts reclassified from accumulated other comprehensive loss (1)	35	(2)	—	33
Balance, December 31, 2014	$ (279)	$ (117)	$ —	$ (396)
Other comprehensive income (loss)	(215)	12	—	(203)
Amounts reclassified from accumulated other comprehensive loss	—	3	—	3
Balance, December 31, 2015	$ (494)	$ (102)	$ —	$ (596)
Other comprehensive income	88	8	4	100
Amounts reclassified from accumulated other comprehensive loss	—	2	(1)	1
Balance, December 31, 2016	**$ (406)**	**$ (92)**	**$ 3**	**$ (495)**

(1) During 2014, we completed the liquidation of a non-operating subsidiary, Tronox Pigments International GmbH, for which we recognized a noncash loss from the realization of cumulative translation adjustment of $35 million, which was recorded in "Net gain (loss) on liquidation of non-operating subsidiaries" in the Consolidated Statements of Operations

19. 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 BEE 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 the consolidated financial statements.

Noncontrolling interest activity was as follows:

Balance, January 1, 2014	$199
Net income attributable to noncontrolling interest	10
Effect of exchange rate changes	(31)
Balance, December 31, 2014	$178
Net income attributable to noncontrolling interest	11
Effect of exchange rate changes	(77)
Balance, December 31, 2015	$112
Net income attributable to noncontrolling interest	1
Effect of exchange rate changes	31
Balance, December 31, 2016	**$144**

20. Share-based Compensation

Share-based compensation expense consisted of the following:

	Year Ended December 31,		
	2016	2015	2014
Restricted shares and restricted share units	**$ 21**	$ 15	$ 13
Options	**2**	5	7
T-Bucks Employee Participation Plan	**2**	2	2
Long-term incentive plan	**—**	—	(2)
Total share-based compensation expense	**$ 25**	$ 22	$ 20

Tronox Limited Management Equity Incentive Plan

On June 15, 2012, we adopted 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 of Directors (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 20,781,225 Class A Shares. These shares were increased by 8,000,000 on the affirmative vote of our shareholders on May 25, 2016.

Restricted Shares

During 2016, we granted 244,362 restricted shares which vest ratably over a three-year period and 62,283 shares which vested immediately. The 62,283 restricted shares that vested immediately were granted to certain members of the Board in lieu of cash fees earned during the first and second quarters of 2016. 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 2016:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2016	373,278	$ 22.02
Granted	306,645	4.16
Vested	(184,386)	16.31
Forfeited	(211,137)	22.37
Outstanding, December 31, 2016	284,400	$ 6.09
Expected to vest, December 31, 2016	284,400	$ 6.09

At December 31, 2016, there was $1 million of unrecognized compensation expense related to nonvested restricted shares which is expected to be recognized over a weighted-average period of 1.7 years. Since the restricted shares were granted to certain members of our Board as indicated above, the unrecognized compensation expense was not adjusted for estimated forfeitures. The weighted-average grant-date fair value of restricted shares granted during 2016, 2015 and 2014 was $4.16 per share, $22.60 per share, and $22.17 per share, respectively. The total fair value of restricted shares that vested during 2016, 2015 and 2014 was $3 million, $4 million, and $8 million, respectively.

Restricted Share Units ("RSUs")

During 2016, 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.

The following table presents a summary of activity for 2016:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2016	1,494,027	$ 23.04
Granted	4,906,660	4.07
Vested	(548,338)	17.49
Forfeited	(265,018)	17.31
Outstanding, December 31, 2016	5,587,331	$ 7.19
Expected to vest, December 31, 2016	6,211,035	$ 6.81

At December 31, 2016, there was $18 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 1.8 years. The weighted-average grant-date fair value of RSUs granted during 2016, 2015 and 2014 was $4.07 per share, $23.47 per share, and $22.37 per share, respectively. The total fair value of RSUs that vested during 2016, 2015 and 2014 was $10 million, $6 million and $3 million, respectively.

Options

The following table presents a summary of activity for 2016:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Intrinsic Value
Outstanding, January 1, 2016	2,189,967	$ 21.15	7.39	$ —
Forfeited	(46,149)	20.98		
Expired	(173,337)	20.76		
Outstanding, December 31, 2016	1,970,481	$ 21.19	6.38	$ —
Expected to vest, December 31, 2016	224,369	$ 22.04	7.12	$ —
Exercisable, December 31, 2016	1,745,575	$ 21.08	6.29	$ —

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 year. The amount will change based on the fair market value of our stock. No options were exercised during 2016 and consequently, there was no related intrinsic value. Total intrinsic value of options exercised during 2015 and 2014 was less than $1 million and $2 million, respectively. We issue new shares upon the exercise of options. Since no stock options were exercised during 2016, no cash was received. During 2015 and 2014, we received $3 million and $6 million, respectively, in cash for the exercise of stock options.

At December 31, 2016 and 2015, unrecognized compensation expense related to options, adjusted for estimated forfeitures, was less than $1 million and $3 million, respectively, which is expected to be recognized over a weighted-average period of 1 year.

We did not issue any options during 2016. During 2015 and 2014, we granted 2,380 and 915,988 options, respectively, with a weighted average grant date fair value of $7.04 and $8.19, respectively.

Fair value of options granted 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 on the grant date were as follows:

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. Dividend yield is determined based on the Company's expected dividend payouts.

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 December 31, 2016 and 2015 was 548,234 shares.

Long-Term Incentive Plan

We have a long-term incentive plan (the "LTIP") for the benefit of certain qualifying employees of Tronox subsidiaries in South Africa and Australia. The LTIP is classified as a cash settled compensation plan, and is re-measured to fair value at each reporting date. At both December 31, 2016 and 2015, the LTIP plan liability was less than $1 million.

21. Pension and Other Postretirement Healthcare Benefits

We sponsor two noncontributory defined benefit retirement plans, the qualified retirement plan and Alkali qualified retirement plan in the United States, a defined benefit retirement plan in the Netherlands, a collective defined contribution plan in the Netherlands, and a South Africa postretirement healthcare plan.

U.S. Plans

Qualified Retirement Plan — We sponsor a noncontributory qualified defined benefit plan (funded) (the "U.S. Qualified Plan") in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code. We made contributions into funds managed by a third-party, and those funds are held exclusively for the benefit of the plan participants. Benefits under the U.S. Qualified Plan were generally calculated based on years of service and final average pay. The U.S. Qualified Plan was frozen and closed to new participants on June 1, 2009.

Postretirement Healthcare Plan — We sponsored an unfunded U.S. postretirement healthcare plan. Effective January 1, 2015, we eliminated the pre-65 retiree medical programs. Participants who retired prior to January 1, 2015 received a one-time subsidy aggregating to less than $1 million towards medical cost through a health reimbursement arrangement that we established for them. Benefits under this plan for participants who have not retired by January 1, 2015 were eliminated. As a result of this action, we recorded a curtailment gain of $6 million, which was included in "Other income (expense), net" in the Consolidated Statements of Operations during 2014. Additionally, this action resulted in an unrecognized settlement gain of $3 million, which was recorded in "Accumulated other comprehensive income (loss)" in the Consolidated Balance Sheets during 2014.

Tronox Alkali Qualified Retirement Plan — As part of the Alkali Transaction, we established the Alkali Corporation Union Retirement Plan (the "Alkali Qualified Plan") to cover eligible employees of Tronox Alkali Corporation effective April 1, 2015. The plan is open to union employees of Alkali. The Alkali Qualified Plan is the same as the FMC Corporation Employees' Retirement Program Part II Union Hourly Employees' Retirement Plan provided to eligible participants for services prior to the Alkali Transaction Date. These two plans are aggregated to form the full pension for eligible participants. Under the Tronox Alkali Qualified Plan, each eligible employee will automatically become a participant upon completion of one year of credited services. Retirement benefits under this plan are calculated based on the total years of service of an eligible participant, multiplied by a specified benefit rate in effect at the termination of the plan participant's years of service. FMC will be responsible for the portion of this total benefit accrued to eligible participants for all the years of service up to March 31, 2015, and we will be responsible for the portion of the total benefit accrued to participants from April 1, 2015 up to the date of termination of a participant's years of service.

Foreign Plans

The Netherlands Plan — On January 1, 2007, we established the TDF-Botlek Pension Fund Foundation (the "Netherlands Plan") to provide defined pension benefits to qualifying employees of Tronox Pigments (Holland) B.V. and its related companies. During the fourth quarter of 2014, in response to the tax and pension legislation changes in the Netherlands, our benefit committee approved to end future benefit accruals under the Netherlands Plan and replaced it with a multiemployer plan effective January 1, 2015 (the "TDF-Botlek Pension Plan"). As a result of this decision, effective from January 1, 2015, benefit contributions commenced under the multiemployer plan while the Netherlands Plan became effectively "frozen". This action ended future benefit accrual for participants under the current plan, resulting in a curtailment gain of $3 million, which was recognized in "Other income (expense), net" in the Consolidated Statements of Operations during 2014. Such amounts had previously been recognized as unamortized prior service costs in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets.

In August 2016, we agreed with the Board of Trustees of the Netherlands Pension Plan to settle the VPL portion of the plan. The VPL Plan was a small transition arrangement established in 2005 for the benefit of certain of our Botlek employees, which was added to the Netherlands Pension Plan when it was established in 2007. Under the settlement agreement, we transferred $1 million into accounts

established with industrywide Pension Fund for the Graphical Industry ("PGB") for the benefit of the participants as a full settlement of our obligation under the VPL Plan. Accordingly, during the third quarter of 2016, we recognized a curtailment gain of $1 million included in "Other income (expense), net" in the Consolidated Statement of Operations. This amount had previously been recognized in "Accumulated other comprehensive loss" in the Consolidated Balance Sheet as prior service credits. Consequently, as of August 31, 2016, we remeasured the plan assets and the projected benefit obligation of the Netherlands Pension Plan which resulted in €19 million (approximately $21 million) of actuarial losses which was recognized in "Accumulated other comprehensive loss" during the third quarter of 2016.

On November 1, 2016 (the "Settlement Date"), we agreed with the Board of Trustees to settle the remaining portion of the Netherlands Pension Plan. Under the settlement agreement, we transferred the Netherlands Botlek Pension Plan assets of $126 million to the Pension Fund for Graphical Industry (the "PGB") for the benefit of the participants as a full settlement of our obligation under the Pension Plan. Consequently, we derecognized the pension liability from our Consolidated Balance Sheet, resulting in a settlement gain of $31 million, which was recorded in "Accumulated other comprehensive loss" in the Consolidated Balance Sheet at December 31, 2016 and a settlement loss of $2 million, which was recorded in the "Other income (expense) in the Consolidated Statement of Operations for the year ended December 31, 2016.

Netherlands Collective Contribution Plan — Effective January 1, 2015, we ceased offering benefits under the Netherlands Plan to qualifying employees and established a multiemployer plan, the collective contribution plan ("CDC Plan"). Under the CDC plan, employees earn benefits based on their pensionable salaries each year determined using a career average benefit formula. The collective bargaining agreement between us and the participants require us to contribute 20.6% of the participants' pensionable salaries into a pooled fund administered by the industrywide PGB. The pensionable salary is the annual income of employees subject to a cap, which is adjusted each year to reflect the current requirements of the Netherlands' Wages and Salaries Tax Act of 1964. Our obligation under this new plan is limited to the fixed percentage contribution we make each year. That is, investment risks, mortality risks and other actuarial risks typically associated with a defined benefit plan are borne by the employees. Additionally, the employees are entitled to any returns generated from the investment activities of the fund.

The following table outlines the details of our participation in the CDC Plan for the year ended December 31, 2016. The CDC disclosures provided herein are based on the fund's 2015 annual report, which is the most recently available public information. Based on the total plan assets and accumulated benefit obligation information in the plan's annual report, the zone status was green as of December 31, 2015. A green zone status indicates that the plan was at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. As of December 31, 2016, we are not aware of any financial improvement or rehabilitation plan being implemented or pending. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

		Pension Protection Act Zone Status			Tronox Contributions			
Pension Fund	EIN/Pension Plan Number	2016	2015	FIP/RP Pending/ Implemented	2016	2015	Surcharge Imposed	Expiration date of Collective-Bargaining Agreement
PGB	NA	N/A	Green	No	4	4	No	12/31/2019

On the basis of the information available in the CDC Plan 2015 annual report, our contribution does not constitute more than 5 percent of the total contribution to the plan by all participants. During 2016, the fund did not impose any surcharge on us.

South Africa Postretirement Healthcare Plan — As part of the Exxaro Transaction, we established a post-employment healthcare plan, which provides medical and dental benefits to certain Namakwa Sands employees, retired employees and their registered dependents (the "South African Plan"). The South African Plan provides benefits as follows: (i) members employed before March 1, 1994 receive 100% post-retirement and death-in-service benefits; (ii) members employed on or after March 1, 1994 but before January 1, 2002 receive 2% per year of completed service subject to a maximum of 50% post-retirement and death-in-service benefits; and, (iii) members employed on or after January 1, 2002 receive no post-retirement and death-in-service benefits.

Benefit Obligations and Funded Status — The following provides a reconciliation of beginning and ending benefit obligations, beginning and ending plan assets, funded status, and balance sheet classification of our pension and postretirement healthcare plans as of and for the years ended December 31, 2016 and 2015. The benefit obligations and plan assets associated with our principal benefit plans are measured on December 31.

	Retirement Plans		Postretirement Healthcare Plans	
	Year Ended December		Year Ended December	
	2016	2015	**2016**	2015
Change in benefit obligations:				
Benefit obligation, beginning of year	**$ 511**	$ 581	**$ 7**	$ 8
Service cost	**5**	4	**—**	—
Interest cost	**20**	19	**1**	1
Net actuarial (gains) losses	**43**	(42)	**—**	—
Foreign currency rate changes	**(5)**	(16)	**—**	(2)
Contributions by plan participants	**—**	—	**—**	—
Curtailment	**—**	—	**—**	—
Settlement	**(155)**	—	**—**	—
Plan amendments	**4**	—	**—**	—
Benefits paid	**(34)**	(31)	**—**	—
Administrative expenses	**(5)**	(4)	**—**	—
Benefit obligation, end of year	**384**	511	**8**	7
Change in plan assets:				
Fair value of plan assets, beginning of year	**377**	417	**—**	—
Actual return on plan assets	**41**	(8)	**—**	—
Employer contributions [(1)]	**21**	17	**—**	—
Settlement	**(126)**	—	**—**	—
Foreign currency rate changes	**(4)**	(14)	**—**	—
Benefits paid [(1)]	**(34)**	(31)	**—**	—
Administrative expenses	**(5)**	(4)	**—**	—
Fair value of plan assets, end of year	**270**	377	**—**	—
Net over (under) funded status of plans	**$ (114)**	$ (134)	**$ (8)**	$ (7)
Classification of amounts recognized in the Consolidated Balance Sheets:				
Accrued liabilities	**$ —**	$ —	**$ —**	$ —
Pension and postretirement healthcare benefits	**(114)**	(134)	**$ (8)**	(7)
Total liabilities	**(114)**	(134)	**(8)**	(7)
Accumulated other comprehensive (income) loss	**94**	104	**(2)**	(2)
Total	**$ (20)**	$ (30)	**$ (10)**	$ (9)

(1) We expect 2017 contributions to be $18 million and $3 million for the qualified retirement plan and Alkali qualified retirement plan, respectively.

At December 31, 2016, our qualified retirement plan was in an underfunded status of $107 million. As a result, we have a projected minimum funding requirement of $17 million for 2016, which will be payable in 2017.

	December 31, 2016			December 31, 2015		
	U.S. Qualified Plan	**Alkali Qualified Plan**	**The Netherlands Plan**	U.S. Qualified Plan	Alkali Qualified Plan	The Netherlands Plan
Accumulated benefit obligation	**$ 369**	**$ 15**	**$ —**	$ 370	$ 5	$ 135
Projected benefit obligation	**(369)**	**(15)**	**—**	(370)	(5)	(135)
Fair value of plan assets	**262**	**8**	**—**	254	2	121
Funded status - underfunded	**$ (107)**	**$ (7)**	**$ —**	$ (116)	$ (3)	$ (14)

Expected Benefit Payments — The following table shows the expected cash benefit payments for the next five years and in the aggregate for the years 2022 through 2026:

	2017	2018	2019	2020	2021	2022-2026
Retirement Plans	$28	$27	$27	$27	$27	$131
Postretirement Healthcare Plan	$ —	$ —	$ —	$ —	$ —	$ 2

Retirement and Postretirement Healthcare Expense — The table below presents the components of net periodic cost (income) associated with the U.S. and foreign plans recognized in the Consolidated Statements of Operations for 2016, 2015, and 2014:

	Retirement Plans			Postretirement Healthcare Plans		
	Year Ended December 31,			Year Ended December 31,		
	2016	2015	2014	**2016**	2015	2014
Net periodic cost:						
Service cost	**$ 5**	$ 4	$ 4	**$—**	$—	$ 1
Interest cost	**20**	19	21	**1**	1	1
Expected return on plan assets	**(20)**	(22)	(23)	**—**	—	—
Net amortization of actuarial loss	**2**	3	1	**—**	—	1
Curtailment gains	**(1)**	—	(3)	**—**	—	(6)
Settlement losses	**2**	—	—	**—**	—	—
Total net periodic cost (income)	**$ 8**	$ 4	$ —	**$ 1**	$ 1	$ (3)

Pretax amounts that are expected to be reclassified from "Accumulated other comprehensive loss" in the Consolidated Balance Sheets to retirement expense during 2017 related to unrecognized actuarial losses are $3 million for the U.S. retirement plans and unrecognized settlement gain of $3 million for the U.S. postretirement healthcare plan.

Assumptions — The following weighted average assumptions were used to determine net periodic cost:

	2016			2015			2014		
	U.S. Qualified Plan	**Alkali Qualified Plan**	**Netherlands Plan**	U.S. Qualified Plan	Alkali Qualified Plan	Netherlands Plan	U.S. Qualified Plan	Alkali Qualified Plan	Netherlands Plan
Discount rate	**4.75%**	**5.00%**	**2.25%**	3.75%	4.15%	2.25%	4.50%	—	3.50%
Expected return on plan assets	**5.64%**	**4.23%**	**4.25%**	5.95%	4.46%	4.75%	6.50%	—	4.75%
Rate of compensation increases	**—**	**—**	**—**	—	—	—	—	—	3.25%

The following weighted average assumptions were used in estimating the actuarial present value of the plans' benefit obligations:

	2016			2015			2014		
	U.S. Qualified Plan	**Alkali Qualified Plan**	**Netherlands Plan[(1)]**	U.S. Qualified Plan	Alkali Qualified Plan	Netherlands Plan	U.S. Qualified Plan	Alkali Qualified Plan	Netherlands Plan
Discount rate	**4.25%**	**4.50%**	**1.50%**	4.75%	5.00%	2.25%	3.75%	—	2.25%

(1) This reflects the rate used to calculate the final Netherlands Plan benefit obligation immediately before the Settlement Date.

During 2014, the Society of Actuaries issued an updated mortality table and improvement scale that indicated significant mortality improvement over the prior table. We concluded that the updated table represented our best estimate of mortality. In 2016, the mortality improvement scale that had been used in the 2015 was updated by the Society of Actuaries to reflect actual experience in mortality rates. We updated our mortality assumption accordingly resulting in a decrease of $6 million to our projected benefit obligation as compared to December 31, 2015.

The following weighted-average assumptions were used in determining the actuarial present value of the South African Plan:

	2016	2015	2014
Discount rate	**10.87%**	10.94%	9.16%

Expected Return on Plan Assets — In forming the assumption of the U.S. long-term rate of return on plan assets, we took into account the expected earnings on funds already invested, earnings on contributions expected to be received in the current year, and earnings on reinvested returns. The long-term rate of return estimation methodology for U.S. plans is based on a capital asset pricing model using historical data and a forecasted earnings model. An expected return on plan assets analysis is performed which incorporates the current portfolio allocation, historical asset-class returns, and an assessment of expected future performance using asset-class risk factors. Our assumption of the long-term rate of return for the Netherlands Plan was developed considering the portfolio mix and country-specific economic data that includes the rates of return on local government and corporate bonds.

Discount Rate — The discount rate selected for estimation of the actuarial present value of the benefit obligations of the qualified plan were 4.25% and 4.75% at December 31, 2016 and 2015, respectively. The 2016 and 2015 rates were selected based on the results of a cash flow matching analysis, which projected the expected cash flows of the plans using a yield curves model developed from a universe of Aa-graded U.S. currency corporate bonds (obtained from Bloomberg) with at least $50 million outstanding. Bonds with features that imply unreliable pricing, a less than certain cash flow, or other indicators of optionality are filtered out of the universe. The remaining universe is categorized into maturity groups, and within each of the maturity groups yields are ranked into percentiles.

The discount rates selected for estimating the actuarial present value of the benefit obligation of Alkali Qualified Plan were 4.50% and 5.0% as of December 31, 2016 and 2015, respectively. The 2016 and 2015 rates were selected based on the results of a cash flow matching analysis, which projected the expected cash flows of the plan using Aon Hewitt AA Above Median yield curve developed from U.S. currency corporate bonds with at least $250 million outstanding.

The discount rates selected for estimating the actuarial present value of the benefit obligation of the Netherlands Plan was 1.50% as the Settlement Date and 2.25% as of December 31, 2015. These rates were based on long-term Euro corporate bond index rates that correlate with anticipated cash flows associated with future benefit payments.

Plan Assets — Asset categories and associated asset allocations for our funded retirement plans at December 31, 2016 and 2015:

	December 31,			
	2016		2015	
	Actual	**Target**	Actual	Target
Qualified Plan:				
Comingled equity funds	**36%**	**38%**	37%	38%
Debt securities	**61**	**62**	61	62
Cash and cash equivalents	**3**	**—**	2	—
Total	**100%**	**100%**	100%	100%
Alkali Qualified Plan:				
Debt securities	**100%**	**100%**	100%	100%
Total	**100%**	**100%**	100%	100%
Netherlands:				
Equity securities	**—%**	**—%**	24%	25%
Debt securities	**—**	**—**	64	62
Real estate	**—**	**—**	11	10
Cash and cash equivalents	**—**	**—**	1	3
Total	**—%**	**—%**	100%	100%

The U.S. Qualified Plan is administered by a board-appointed committee that has fiduciary responsibility for the plan's management. The committee maintains an investment policy stating the guidelines for the performance and allocation of plan assets, performance review procedures and updating of the policy. At least annually, the U.S. plan's asset allocation guidelines are reviewed in light of evolving risk and return expectations.

Substantially all of the plan's assets are invested with nine equity fund managers, three fixed-income fund managers and one money-market fund manager. To control risk, equity fund managers are prohibited from entering into the following transactions, (i) investing in commodities, including all futures contracts, (ii) purchasing letter stock, (iii) short selling, and (iv) option trading. In addition, equity fund managers are prohibited from purchasing on margin and are prohibited

from purchasing Tronox securities. Equity managers are monitored to ensure investments are in line with their style and are generally permitted to invest in U.S. common stock, U.S. preferred stock, U.S. securities convertible into common stock, common stock of foreign companies listed on major U.S. exchanges, common stock of foreign companies listed on foreign exchanges, covered call writing, and cash and cash equivalents.

Fixed-income fund managers are prohibited from investing in (i) direct real estate mortgages or commingled real estate funds, (ii) private placements above certain portfolio thresholds, (iii) tax exempt debt of state and local governments above certain portfolio thresholds, (iv) fixed income derivatives that would cause leverage, (v) guaranteed investment contracts, and (vi) Tronox securities. They are permitted to invest in debt securities issued by the U.S. government, its agencies or instrumentalities, commercial paper rated A3/P3, Federal Deposit Insurance Corporation insured certificates of deposit or bankers' acceptances and corporate debt obligations. Each fund manager's portfolio has an average credit rating of A or better.

The Alkali Qualified Plan is administered by a board-appointed committee that has fiduciary responsibility for the plan's management. The committee is responsible for the oversight and management of the plan's investments. The committee maintains an investment policy that provides guidelines for selection and retention of investment managers or funds, allocation of plan assets and performance review procedures and updating of the policy. At least annually, the Alkali Qualified Plan's asset allocation guidelines are reviewed in light of evolving risk and return expectations.

The objective of the committee's investment policy is to manage the plan assets in such a way that will allow for the on-going payment of the Company's obligation to the beneficiaries. To meet this objective, the committee has structured a portfolio that will provide liquidity to meet the plan benefit payments and expense payable from the plan under ERISA and manage the plan asset in a liability framework. To provide adequate liquidity and control risk, the investment policy sets our broad investment guidelines that permit investment managers and funds to invest in liability-hedging assets to control the plan's surplus volatility. This includes investment in high-quality, investment grade bonds with durations that approximate the durations of the liabilities.

Fixed income portfolio managers are permitted to use fixed income derivative contracts to achieve general portfolio objectives in accordance with the risk management and internal control procedures agreed between the manager and the committee's advisor. The overall performance of the liability-hedging assets will be determined primarily by how they track the investable custom liability-hedging mandate they are designed to hedge. Cash equivalents can he held to meet the benefits obligations of the plan and to pay fees. The plan's cash equivalents investments could be invested in a diversified mix of high-quality, short-term debt securities, including commercial paper, bankers' acceptance, certificates of deposits and US government obligations. Investment in return seeking assets is prohibited.

The Netherlands plan is administered by a pension committee representing the employer, the employees, and the pensioners. The pension committee has six members, whereby three members are elected by the employer, two members are elected by the employees and one member is elected by the pensioners, and each member has one vote. The pension committee meets at least quarterly to discuss regulatory changes, asset performance, and asset allocation. The plan assets are managed by one Dutch fund manager against a mandate set at least annually by the pension committee. The plan assets are evaluated annually by a multinational benefits consultant against state defined actuarial tests to determine funding requirements.

The fair values of pension investments as of December 31, 2016 are summarized below:

	U.S. Qualified Plan			
	Fair Value Measurement at December 31, 2016, Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category:				
Commingled Equity Funds	$ 95 (1)	$ —	$ —	$ 95
Debt securities:				
Corporate	—	78 (2)	—	78
Government	81 (3)	—	—	81
Cash & cash equivalents:				
Commingled cash equivalents fund	8 (4)	—	—	8
Total at fair value	$184	$78	$ —	$ 262

(1) For commingled equity funds owned by the funds, fair value is based on observable quoted prices on active exchanges, which are level 1 inputs.
(2) For corporate related debt securities, the fair value is based on observable inputs of comparable market transactions, which are level 2 inputs.
(3) For government related debt securities, the fair value is based on observable quoted prices on active exchanges, which are level 1 inputs.
(4) For commingled cash equivalents funds, fair value is based on observable quoted prices on active exchanges, which are level 1 inputs.

	Alkali Qualified Plan			
	Fair Value Measurement at December 31, 2016, Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category:				
Debt securities:				
Fixed income funds	$8 (1)	$ —	$ —	$8
Total at fair value	$8	$ —	$ —	$8

(1) For commingled fixed income funds, fair value is based on observable quoted prices on active exchanges, which are Level 1 inputs.

The fair values of pension investments for the U.S. Qualified Plan as of December 31, 2015 are summarized below:

	Fair Value Measurement at December 31, 2015 (1)
Asset category:	
Commingled Equity Funds	$ 93
Debt securities:	
Commingled Fixed Income Funds	155
Cash & cash equivalents:	
Commingled Cash Equivalents Fund	6
Total at fair value	$254

(1) The fair values were measured at net asset value under ASC 820, *Fair Value Measurement*, as a practical expedient.

	Alkali Qualified Plan			
	Fair Value Measurement at December 31, 2015, Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category:				
Debt securities:				
U.S. Fixed Income Funds	$ 1 (1)	$ —	$ —	$1
Commingled Fixed Income Funds	—	1 (2)	—	1
Total at fair value	$ 1	$ 1	$ —	$2

(1) For U.S. fixed income funds owned by the funds, fair value is based on observable quoted prices on active exchanges, which are Level 1.
(2) For commingled fixed income funds, fair value is based on observable inputs of comparable market transactions, which are Level 2 inputs.

	Netherlands Pension			
	Fair Value Measurement at December 31, 2015, Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category:				
Equity securities — Non-U.S. Pooled Funds	$—	$ 29 (1)	$—	$ 29
Debt securities — Non-U.S. Pooled Funds	—	77 (2)	—	77
Real Estate Pooled Funds	—	13 (3)	—	13
Cash equivalents	—	2 (4)	—	2
Total at fair value	$—	$121	$—	$121

(1) For equity securities in the form of fund units that are redeemable at the measurement date, the unit value is deemed a Level 2 input.
(2) For pooled fund debt securities, the fair value is based on observable inputs, but do not solely rely on quoted market prices, and are therefore deemed Level 2 inputs.
(3) For real estate pooled funds, the fair value is based on observable inputs, but do not solely rely on quoted market prices, and are therefore deemed Level 2 inputs.
(4) For cash equivalents, the fair value is based on observable inputs but do not solely rely on quoted market prices and are therefore deemed level 2 inputs.

Defined Contribution Plans

U.S. Savings Investment Plan

In 2006, we established the U.S. Savings Investment Plan (the "SIP"), a qualified defined contribution plan under section 401(k) of the Internal Revenue Code. Under the SIP, our regular full-time and part-time employees contribute a portion of their earnings, and we match these contributions up to a predefined threshold. Our matching contribution was 100% of the first 6% of employee contributions. Effective January 1, 2013, we established a profit sharing contribution at 6% of employees' pay ("discretionary contribution"). The discretionary contribution is subject to our Board of Directors' approval each year. The Board approved discretionary contribution of 6% of pay for 2016, 2015 and 2014. Our matching contribution to the SIP vests immediately; however, our discretionary contribution is subject to vesting conditions that must be satisfied over a three year vesting period. Contributions under the SIP, including our match, are invested in accordance with the investment options elected by plan participants. Compensation expenses associated with our matching contribution to the SIP was $5 million each during 2016 and 2015, and $4 million during 2014, which was included in "Selling, general and administrative expenses" in the Consolidated Statements of Operations. Compensation expense associated with our discretionary contribution was $6 million, $5 million and $4 million in 2016 2015 and 2014, respectively, which was included in "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

U.S. Benefit Restoration Plan

In 2006, we established the U.S. Benefit Restoration Plan (the "BRP"), a nonqualified defined contribution plan, for employees whose eligible compensation is expected to exceed the IRS compensation limits for qualified plans. Under the BRP, participants can contribute up to 20% of their annual compensation and incentive. Our matching contribution under the BRP is the same as the SIP. Our matching contribution under this plan vests immediately to plan participants. Contributions under the BRP, including our match, are invested in accordance with the investment options elected by plan participants. Compensation expense associated with our matching contribution to the BRP was $1 million each during 2016, 2015 and 2014 which was included in "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

22. Acquisition of Alkali Chemicals Group

On April 1, 2015, we acquired Alkali because it diversifies our end markets and revenue base, and increases our participation in faster growing emerging market economies. We believe it also provides us greater opportunity to utilize a portion of our U.S. tax attributes in future periods. See Note 5 for a discussion of the tax impact of the Alkali Transaction. We accounted for the Alkali Transaction using the acquisition method under ASC 805 which requires recording assets acquired and liabilities assumed at fair value. Under the acquisition method of accounting, the assets acquired and liabilities assumed were recorded based on their preliminary estimated fair values on the Alkali Transaction Date. The results of the Alkali chemical business are included in the Alkali segment. The results of the Alkali chemical business are included in the Alkali segment. The valuations were derived from estimated fair value assessments and assumptions used by management.

We funded the Alkali Transaction through existing cash and new debt. See Note 14 for further details of the Alkali Transaction financing.

Purchase Price Allocation

	Valuation
Consideration:	
Purchase price	$ 1,650
Fair Value of Assets Acquired and Liabilities Assumed:	
Current Assets:	
Accounts receivable	$ 147
Inventories	48
Prepaid and other assets	32
Total Current Assets	227
Property, plant and equipment [(1)]	767
Mineral leaseholds [(2)]	739
Other long-term assets	3
Total Assets	$ 1,736
Current Liabilities:	
Accounts payable	46
Accrued liabilities	28
Total Current Liabilities	74
Noncurrent Liabilities:	
Other	12
Total Liabilities	86
Net Assets	$ 1,650

(1) The fair value of property, plant and equipment was determined using the cost approach, which estimates the replacement cost of each asset using current prices and labor costs, less estimates for physical, functional and technological obsolescence, based on the estimated useful life ranging from 5 to 38 years.
(2) The fair value of mineral rights was determined using the Discounted Cash Flow method, which was based upon the present value of the estimated future cash flows for the expected life of the asset taking into account the relative risk of achieving those cash flows and the time value of money. A discount rate of 10.4% was used taking into account the risks associated with such assets.

There were no contingent liabilities currently recorded in the fair value of net assets acquired as of the Alkali Transaction Date, and the fair value of net assets acquired includes accounts receivables with book value that approximates fair value.

Condensed Combined Financial Information

The following condensed financial information presents the resulting operations of Alkali from the Alkali Transaction Date to December 31, 2015:

	For the period April 1, 2015 through December 31, 2015
Net sales	$ 602
Income from operations	$ 69
Net income	$ 52

Supplemental Pro forma financial information

The following unaudited pro forma information gives effect to the Alkali Transaction as if it had occurred on January 1, 2014. The unaudited pro forma financial information reflects certain adjustments related to the acquisition, such as (1) conforming the accounting policies of Alkali to those applied by Tronox, (2) recording certain incremental expenses resulting from purchase accounting adjustments, such as incremental depreciation expense in connection with fair value adjustments to property, plant and equipment, and depletion expense in connection with fair value adjustments to mineral leaseholds, (3) to record the effect on interest expense related to borrowings in connection with the Alkali Transaction and (4) to record the related tax effects. The unaudited pro forma financial information was adjusted to include the effect of certain non-recurring items as of January 1, 2014 such as the impact of transaction costs related to the Alkali Transaction of approximately $29 million, inventory step-up amortization of $9 million and $8 million of interest expense incurred on the Bridge Facility (see Note 14). All of these non-recurring costs were excluded from the 2015 supplemental pro forma information. The unaudited pro forma financial information is for illustrative purposes only and should not be relied upon as being indicative of the historical results that would have been obtained if the Alkali Transaction had actually occurred on that date, nor the results of operations in the future.

In accordance with ASC 805, the supplemental pro forma results of operations for 2015 and 2014, as if the Alkali Transaction had occurred on January 1, 2014, are as follows:

	Year Ended December 31,	
	2015	2014
Net sales	$ 2,307	$ 2,520
Income (loss) from operations	$ (67)	$ 67
Net loss	$ (260)	$ (405)
Loss per share, basic and diluted	$ (2.25)	$ (3.54)

23. Related Party Transactions

Exxaro

We have service level agreements with Exxaro for research and development that expire in 2017. We also had service level agreements with Exxaro for services such as tax preparation and information technology which expired during 2015. Such service level agreements amounted to expenses of $1 million, $2 million, and $3 million during 2016, 2015 and 2014, respectively, which was included in “Selling general and administrative expense” in the Consolidated Statements of Operations. Additionally, we have a professional service agreement with Exxaro related to the Fairbreeze construction project. We made payments to Exxaro of $2 million during 2016 and $3 million each in 2015, and 2014, which was capitalized in “Property, plant and equipment, net” in our

Consolidated Balance Sheets. At December 31, 2016 and 2015, we had less than $1 million and $1 million, respectively, of related party payables, which were recorded in "Accounts payable" in our Consolidated Balance Sheets.

ANSAC

We hold a membership in ANSAC, which is responsible for promoting exports of U.S.-produced soda ash. Under the ANSAC membership agreement, Alkali's exports of soda ash to all markets except Canada, the European community, the European Free Trade Association and the Southern African Customs Union are exclusively through ANSAC. Certain sales and marketing costs incurred by ANSAC are charged directly to us. Selling, general and administrative expenses in the Consolidated Statement of Operations include amounts charged to us by ANSAC principally consisting of salaries, benefits, office supplies, professional fees, travel, rent and certain other costs, which amounted to $4 million and $3 million for 2016 and 2015, respectively. During 2016 and 2015, we recorded net sales to ANSAC of $276 million and $210 million, respectively, which was included in "Net sales" in the Consolidated Statements of Operations. At December 31, 2016 and 2015, we had $60 million and $47 million, respectively, of related party receivables from ANSAC which were recorded in "Accounts receivable, net of allowance for doubtful accounts" in our Consolidated Balance Sheets. At December 31, 2016 and 2015, we had related party payables due to ANSAC of $1 million and $2 million, respectively, recorded in "Accounts payable" in our Consolidated Balance Sheets. Additionally, during 2016 and 2015, "Cost of goods sold" in the Consolidated Statements of Operations included $4 million each of charges to us by ANSAC for freight costs incurred on our behalf. We did not have a liability to ANSAC at December 31, 2016 and $1 million of liabilities in 2015 for freight costs incurred on our behalf, included in "Accounts payable" in the Consolidated Balance Sheets.

Natron$_x$ Technologies LLC

In connection with the Alkali Transaction, we acquired FMC's one-third ownership interest in a joint venture, Natron$_x$ Technologies LLC ("Natron$_x$"). Natron$_x$ manufactured and marketed sodium-based, dry sorbents for air pollution control in electric utility and industrial boiler operations. Pursuant to an agreement with Natron$_x$, we purchased ground trona from a third-party vendor as an agent on its behalf (the "Supply Agreement"). We also provided certain administrative services such as accounting, technology and customer services to Natron$_x$ under a service level agreement (the "SLA"). We are reimbursed by Natron$_x$ for the related costs incurred under the Supply Agreement and the SLA. At December 31, 2016 and 2015, we had less than $1 million and $1 million of receivables related to these agreements, which were recorded in "Accounts receivable, net of allowance for doubtful accounts" in the Consolidated Balance Sheets.

During April 2016, Natron$_x$ notified its customers of its intent to cease operations and end deliveries of product on June 30, 2016. On September 1, 2016, the Board of Directors of Natron$_x$ approved the demolition of the plant located at Alkali's Westvaco facility and other costs associated with dissolving the joint venture. During the second half of 2016, a reserve of $1 million, representing our one-third share of the estimated expenses related to the termination of the Natron$_x$ business, including severance and other exit activities, was recognized and included in "Selling, general and administrative expenses" in our Consolidated Statements of Operations and in "Accrued liabilities" in our Consolidated Balance Sheets as of December 31, 2016. We do not expect to incur any additional future expenses related to the termination of the Natron$_x$ business.

24. 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 Executive Officer, who is our chief operating decision maker ("CODM"), to assess performance and to allocate resources.

Prior to the Alkali Transaction, we had two operating and reportable segments, Mineral Sands and Pigment, based on the way the management team was organized and our CODM monitored performance, aligned strategies, and allocated resources. As a result of the increased interdependency between the Mineral Sands and Pigment businesses and related organizational changes, our CODM determined that it was better to review the Mineral Sands and Pigment businesses, along with our electrolytic business, as a combined one, TiO_2, and to assess performance and allocate resources at that level. Following the Alkali Transaction, we restructured our organization to reflect two business segments, TiO_2 and Alkali. The change in reportable segments for financial reporting purposes that occurred in the second quarter of 2015 has been retrospectively applied.

Our TiO_2 operating segment includes the following:

- exploration, mining, and beneficiation of mineral sands deposits;
- production of titanium feedstock (including chloride slag, slag fines, and rutile), pig iron, and zircon;
- production and marketing of TiO_2; and
- electrolytic manganese dioxide manufacturing and marketing.

Our Alkali operating segment includes the mining of trona ore for the production from trona of natural soda ash and its derivatives: sodium bicarbonate, sodium sesquicarbonate and caustic soda (collectively referred to as "alkali-products").

Segment performance is evaluated based on segment operating income (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.

Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2016	2015	2014
TiO_2 segment	$1,309	$1,510	$1,737
Alkali segment	784	602	—
Net sales	$2,093	$2,112	$1,737
TiO_2 segment	$ 6	$ (123)	$ 78
Alkali segment	84	69	—
Corporate	(54)	(64)	(78)
Income (loss) from operations	36	(118)	—
Interest and debt expense, net	(184)	(176)	(133)
Net loss on liquidation of non-operating subsidiaries	—	—	(35)
Gain (loss) on extinguishment of debt	4	—	(8)
Other income, net	(29)	28	27
Loss before income taxes	(173)	(266)	(149)
Income tax (provision) benefit	115	(41)	(268)
Net loss	$ (58)	$ (307)	$ (417)

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

	Year Ended December 31,		
	2016	2015	2014
U.S. operations	**$1,354**	$1,223	$ 749
International operations:			
Australia	**352**	380	426
South Africa	**200**	313	329
The Netherlands	**187**	196	233
Total net sales	**$2,093**	$2,112	$1,737

Net sales from external customers for each similar product were as follows:

	Year Ended December 31,		
	2016	2015	2014
Pigment	**$ 966**	$ 976	$1,179
Alkali	**784**	602	—
Titanium feedstock and co-products	**286**	426	445
Electrolytic	**57**	108	113
Total net sales	**$2,093**	$2,112	$1,737

During 2016, 2015 and 2014 our ten largest third-party TiO_2 customers represented 22%, 29% and 34%, respectively, of our consolidated net sales. During 2016 and 2015, our ten largest third-party Alkali customers represented 24% and 18%, respectively, of our consolidated net sales. During 2016 and 2015, ANSAC accounted for 13% and 10% of our consolidated net sales. No single customer accounted for 10% of our consolidated net sales in 2014. See Note 23 for further details.

Depreciation, amortization and depletion by segment were as follows:

	Year Ended December 31,		
	2016	2015	2014
TiO_2 segment	**$171**	$246	$289
Alkali segment	**59**	42	—
Corporate	**6**	6	6
Total depreciation, amortization and depletion	**$236**	$294	$295

Capital expenditures by segment were as follows:

	Year Ended December 31,		
	2016	2015	2014
TiO_2 segment	**$ 84**	$164	$184
Alkali segment	**33**	26	—
Corporate	**2**	1	3
Total capital expenditures	**$119**	$191	$187

Total assets by segment were as follows:

	Year Ended December 31,	
	2016	2015
TiO_2 segment	**$2,990**	$3,055
Alkali segment	**1,669**	1,690
Corporate	**291**	282
Total	**$4,950**	$5,027

Property, plant and equipment, net and mineral leaseholds, net, by geographic region, were as follows:

	Year Ended December 31,	
	2016	2015
U.S. operations	**$ 1,663**	$ 1,687
International operations:		
South Africa	**844**	747
Australia	**896**	968
The Netherlands	**35**	45
Total	**$3,438**	$3,447

25. Guarantor Condensed Consolidating Financial Statements

The obligations of Tronox Finance, our wholly owned subsidiary, under the Senior Notes due 2020 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, 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 due 2020 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 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.

The guarantor condensed consolidating financial statements are presented on a legal entity basis, not on a business segment basis. The indentures governing the Senior Notes due 2020 provide 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 due 2020 and all other obligations under the indenture; or
- Release or discharge of the Guarantor Subsidiary's guarantee of certain other indebtedness.

At December 31, 2016, certain entities which were created as part of the Corporate Reorganization were designated as non-guarantor entities. Pursuant to the Seventh Supplemental Indenture, dated as of February 14, 2017, to the Indenture, dated August 20, 2012 among Tronox Finance LLC, as Issuer, Tronox Limited as Parent, the guarantors named therein and Wilmington Trust, National Association, as trustee, these entities have been designated as guarantor entities, effective prospectively.

Guarantor Condensed Consolidating Statements of Operations

Year Ended December 31, 2016
(Millions of U.S. dollars)

	Consolidated	Eliminations	Tronox Finance LLC	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$2,093	$(199)	$ —	$ —	$1,742	$ 550
Cost of goods sold	1,846	(206)	—	—	1,550	502
Gross profit	247	7	—	—	192	48
Selling, general and administrative expenses	(210)	3	—	(27)	(142)	(44)
Restructuring expenses	(1)	—	—	—	1	(2)
Income (loss) from operations	36	10	—	(27)	51	2
Interest and debt expense, net	(184)	—	(105)	—	(4)	(75)
Gain on extinguishment of debt	4	—	4	—	—	—
Other income (expense), net	(29)	—	—	45	64	(138)
Intercompany interest income (expense)	—	—	—	509	(562)	53
Equity in earnings of subsidiary	—	55	—	(281)	(195)	421
Income (loss) before income taxes	(173)	65	(101)	246	(646)	263
Income tax benefit (provision)	115	—	30	(305)	374	16
Net income (loss)	(58)	65	(71)	(59)	(272)	279
Net income attributable to noncontrolling interest	1	1	—	—	—	—
Net income (loss) attributable to Tronox Limited	$ (59)	$ 64	$ (71)	$ (59)	$ (272)	$ 279

Guarantor Condensed Consolidating Statements of Comprehensive Income (Loss)

Year Ended December 31, 2016
(Millions of U.S. dollars)

	Consolidated	Eliminations	Tronox Finance LLC	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net income (loss)	$ (58)	$ 65	$(71)	$ (59)	$(272)	$279
Other comprehensive income (loss):						
Foreign currency translation adjustments	119	(228)	—	88	137	122
Pension and postretirement plans	10	(18)	—	10	1	17
Unrealized gain (loss) on derivative financial instruments	3	(3)	—	3	3	—
Other comprehensive income (loss)	132	(249)	—	101	141	139
Total comprehensive income (loss)	$ 74	$(184)	$(71)	42	$(131)	418
Comprehensive income attributable to noncontrolling interest:						
Net income	1	1	—	—	—	—
Foreign currency translation adjustments	31	31	—	—	—	—
Comprehensive income attributable to noncontrolling interest	32	32	—	—	—	—
Comprehensive income (loss) attributable to Tronox Limited	$ 42	$(216)	$(71)	$ 42	$(131)	$418

Guarantor Condensed Consolidating Balance Sheets

As of December 31, 2016
(Millions of U.S. dollars)

	Consolidated	Eliminations	Tronox Finance LLC	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Assets						
Cash and cash equivalents	$ 248	$ —	$ 1	$ 2	$ 181	$ 64
Restricted cash	3	—	—	—	3	—
Accounts receivable, net	421	—	—	—	322	99
Inventories, net	532	(13)	—	—	363	182
Other current assets	49	(842)	62	91	277	461
Investment in subsidiaries	—	(8,789)	—	1,005	4,069	3,715
Property, plant and equipment, net	1,831	—	—	—	1,322	509
Mineral leaseholds, net	1,607	—	—	—	1,236	371
Intercompany loans receivable	—	(6,365)	1,200	405	37	4,723
Other long-term assets	259	—	—	—	228	31
Total assets	$4,950	$(16,009)	$1,263	$1,503	$8,038	$10,155
Liabilities and Equity						
Short-term debt	$ 150	$ —	$ —	$ —	$ 150	$ —
Other current liabilities	372	(842)	43	484	491	196
Long-term debt	2,888	—	1,462	—	—	1,426
Intercompany loans payable	—	(6,365)	—	—	6,328	37
Other long-term liabilities	379	—	—	2	199	178
Total liabilities	3,789	(7,207)	1,505	486	7,168	1,837
Total equity	1,161	(8,802)	(242)	1,017	870	8,318
Total liabilities and equity	$4,950	$(16,009)	$1,263	$1,503	$8,038	$10,155

Guarantor Condensed Consolidating Statements of Cash Flows

Year Ended December 31, 2016
(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)	$ (58)	$ 65	$ (71)	$ (59)	$(272)	$ 279
Depreciation, depletion and amortization	236	—	—	—	185	51
Other	33	(65)	(34)	124	357	(349)
Cash provided by (used in) operating activities	211	—	(105)	65	270	(19)
Cash Flows from Investing Activities:						
Capital expenditures	(119)	—	—	—	(77)	(42)
Proceeds on sale of assets	2	—	—	—	1	1
Collections of intercompany loans	—	(209)	126	8	—	75
Intercompany loans	—	100	(5)	—	(95)	—
Cash provided by (used in) investing activities	(117)	(109)	121	8	(171)	34
Cash Flows from Financing Activities:						
Repayments of debt	(31)	—	(15)	—	—	(16)
Repayments of intercompany loans	—	209	—	(126)	(83)	—
Proceeds from intercompany loans	—	(100)	—	100	—	—
Dividends paid	(46)	—	—	(46)	—	—
Cash provided by (used in) financing activities	(77)	109	(15)	(72)	(83)	(16)
Effects of exchange rate changes on cash and cash equivalents	2	—	—	—	—	2
Net increase in cash and cash equivalents	19	—	1	1	16	1
Cash and cash equivalents at beginning of period	$ 229	$ —	$ —	$ 1	$ 165	$ 63
Cash and cash equivalents at end of period	$ 248	$ —	$ 1	$ 2	$ 181	$ 64

Guarantor Condensed Consolidating Statements of Operations

Year Ended December 31, 2015
(Millions of U.S. dollars)

	Consolidated	Eliminations	Tronox Finance LLC	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$2,112	$(178)	$ —	$ —	$1,636	$654
Cost of goods sold	1,992	(165)	—	—	1,527	630
Gross profit	120	(13)	—	—	109	24
Selling, general and administrative expenses	(217)	3	(1)	(23)	(155)	(41)
Restructuring expenses	(21)	—	—	—	(15)	(6)
Income (loss) from operations	(118)	(10)	(1)	(23)	(61)	(23)
Interest and debt expense, net	(176)	—	(103)	—	(7)	(66)
Intercompany interest income (expense)	—	—	—	518	(568)	50
Other income (expense), net	28	(1)	—	4	(2)	27
Equity in earnings of subsidiary	—	672	—	(616)	(56)	—
Income (loss) before income taxes	(266)	661	(104)	(117)	(694)	(12)
Income tax benefit (provision)	(41)	—	31	(201)	133	(4)
Net income (loss)	(307)	661	(73)	(318)	(561)	(16)
Net income attributable to noncontrolling interest	11	11	—	—	—	—
Net income (loss) attributable to Tronox Limited	$ (318)	$ 650	$ (73)	$ (318)	$ (561)	$ (16)

Guarantor Condensed Consolidating Statements of Comprehensive Income (Loss)

Year Ended December 31, 2015
(Millions of U.S. dollars)

	Consolidated	Eliminations	Tronox Finance LLC	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net income (loss)	$(307)	$ 661	$ (73)	$ (318)	$(561)	$ (16)
Other comprehensive income (loss):						
Foreign currency translation adjustments	(292)	508	—	(215)	(293)	(292)
Pension and postretirement plans	15	(14)	—	15	18	(4)
Other comprehensive income (loss)	(277)	494	—	(200)	(275)	(296)
Total comprehensive income (loss)	(584)	1,155	(73)	(518)	(836)	(312)
Comprehensive income (loss) attributable to noncontrolling interest:						
Net income	11	11	—	—	—	—
Foreign currency translation adjustments	(77)	(77)	—	—	—	—
Comprehensive income (loss) attributable to noncontrolling interest	(66)	(66)	—	—	—	—
Comprehensive income (loss) attributable to Tronox Limited	$(518)	$1,221	$ (73)	$ (518)	$(836)	$ (312)

Guarantor Condensed Consolidating Balance Sheets

As of December 31, 2015
(Millions of U.S. dollars)

	Consolidated	Eliminations	Tronox Finance LLC	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
ASSETS						
Cash and cash equivalents	$ 229	$ —	$ —	$ 1	$ 165	$ 63
Restricted cash	5	—	—	—	5	—
Accounts receivable	391	—	—	—	303	88
Inventories, net	630	(24)	—	—	439	215
Other current assets	46	(4,345)	657	1,473	1,149	1,112
Investment in subsidiaries	—	2,596	—	(3,274)	678	—
Property, plant and equipment, net	1,843	—	—	—	1,388	455
Mineral leaseholds, net	1,604	—	—	—	1,266	338
Intercompany loans receivable	—	(7,106)	688	5,936	76	406
Other long-term assets	279	—	4	—	258	17
Total assets	$5,027	$ (8,879)	$1,349	$ 4,136	$ 5,727	$2,694
LIABILITIES AND EQUITY						
Short-term debt	$ 150	$ —	$ —	$ —	$ 150	$ —
Other current liabilities	398	(4,345)	45	2,443	2,081	174
Long-term debt	2,910	—	1,470	—	—	1,440
Intercompany loans payable	—	(7,106)	5	694	6,338	69
Other long-term liabilities	459	—	—	1	267	191
Total liabilities	3,917	(11,451)	1,520	3,138	8,836	1,874
Total equity	1,110	2,572	(171)	998	(3,109)	820
Total liabilities and equity	$5,027	$ (8,879)	$1,349	$ 4,136	$ 5,727	$2,694

Guarantor Condensed Consolidating Statement of Cash Flows

Year Ended December 31, 2015
(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)	$ (307)	$ 661	$ (73)	$ (318)	$ (561)	$ (16)
Depreciation, depletion and amortization	294	—	—	—	232	62
Other	229	(662)	596	352	542	(599)
Cash provided by (used in) operating activities	216	(1)	523	34	213	(553)
Cash Flows from Investing Activities:						
Capital expenditures	(191)	—	—	—	(68)	(123)
Proceeds on sale of assets	1	—	—	—	1	—
Acquisition of business	(1,650)	—	—	—	(1,650)	—
Investment in subsidiaries	—	1,526	—	(1,526)	—	—
Return of capital from subsidiaries	—	(24)	—	24	—	—
Collections of intercompany loans	—	(725)	79	26	43	577
Intercompany loans	—	1,386	(589)	(3)	(237)	(557)
Cash provided by (used in) investing activities	(1,840)	2,163	(510)	(1,479)	(1,911)	(103)
Cash Flows from Financing Activities:						
Repayments of debt	(18)	—	—	—	(2)	(16)
Repayments of intercompany loans	—	725	—	(103)	(602)	(20)
Proceeds from debt	750	—	—	—	150	600
Proceeds from intercompany loans	—	(1,386)	—	1,380	3	3
Contribution from parent	—	(1,526)	—	—	1,526	—
Return of capital to parent	—	24	—	—	(24)	—
Partnership distribution to parent	—	1	—	—	(1)	—
Debt issuance costs	(15)	—	(13)	—	(2)	—
Dividends paid	(117)	—	—	(117)	—	—
Proceeds from the exercise of warrants and options	3	—	—	3	—	—
Cash provided by (used in) financing activities	603	(2,162)	(13)	1,163	1,048	567
Effects of exchange rate changes on cash and cash equivalents	(26)	—	—	—	—	(26)
Net increase (decrease) in cash and cash equivalents	(1,047)	—	—	(282)	(650)	(115)
Cash and cash equivalents at beginning of period	$ 1,276	$ —	$ —	$ 283	$ 815	$ 178
Cash and cash equivalents at end of period	$ 229	$ —	$ —	$ 1	$ 165	$ 63

Guarantor Condensed Consolidating Statement of Operations

As of December 31, 2014
(Millions of U.S. dollars)

	Consolidated	Eliminations	Tronox Finance LLC	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$1,737	$(211)	$ —	$ —	$1,224	$724
Cost of goods sold	1,530	(238)	—	—	1,113	655
Gross profit	207	27	—	—	111	69
Selling, general and administrative expenses	(192)	3	—	(13)	(140)	(42)
Restructuring expenses	(15)	—	—	—	(6)	(9)
Income (loss) from operations	—	30	—	(13)	(35)	18
Interest and debt expense, net	(133)	—	(59)	—	(4)	(70)
Intercompany interest income (expense)	—	—	—	546	(578)	32
Net loss on liquidation of non-operating subsidiaries	(35)	—	—	—	(33)	(2)
Loss on extinguishment of debt	(8)	—	—	—	(2)	(6)
Other income (expense), net	27	53	—	1	(15)	(12)
Equity in earnings of subsidiary	—	759	—	(706)	(53)	—
Income (loss) before income taxes	(149)	842	(59)	(172)	(720)	(40)
Income tax benefit (provision)	(268)	—	18	(255)	20	(51)
Net income (loss)	(417)	842	(41)	(427)	(700)	(91)
Net income attributable to noncontrolling interest	10	10	—	—	—	—
Net income (loss) attributable to Tronox Limited	$ (427)	$ 832	$(41)	$(427)	$ (700)	$ (91)

Guarantor Condensed Consolidating Statements of Comprehensive Income (Loss)

Year Ended December 31, 2014
(Millions of U.S. Dollars)

	Consolidated	Eliminations	Tronox Finance LLC	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net income (loss)	$(417)	$ 842	$(41)	$(427)	$(700)	$ (91)
Other comprehensive income (loss):						
Foreign currency translation adjustments	(95)	186	—	(64)	(85)	(132)
Pension and postretirement plans	(48)	50	—	(48)	(47)	(3)
Other comprehensive income (loss)	(143)	236	—	(112)	(132)	(135)
Total comprehensive income (loss)	(560)	1,078	(41)	(539)	(832)	(226)
Comprehensive income (loss) attributable to noncontrolling interest:						
Net income	10	10	—	—	—	—
Foreign currency translation adjustments	(31)	(31)	—	—	—	—
Comprehensive income (loss) attributable to noncontrolling interest	(21)	(21)	—	—	—	—
Comprehensive income (loss) attributable to Tronox Limited	$(539)	$1,099	$(41)	$(539)	$(832)	$(226)

Guarantor Condensed Consolidating Statements of Cash Flows

Year Ended December 31, 2014
(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)	$ (417)	$ 842	$(41)	$(427)	$ (700)	$ (91)
Depreciation, depletion and amortization	295	—	—	—	217	78
Other	263	(842)	(10)	692	286	137
Cash provided by (used in) operating activities	141	—	(51)	265	(197)	124
Cash Flows from Investing Activities:						
Capital expenditures	(187)	—	—	—	(76)	(111)
Collections of intercompany loans	—	(51)	51	—	—	—
Cash provided by (used in) investing activities	(187)	(51)	51	—	(76)	(111)
Cash Flows from Financing Activities:						
Repayments of debt	(20)	—	—	—	(3)	(17)
Repayments of intercompany loans	—	51	—	(51)	—	—
Debt issuance costs	(2)	—	—	—	—	(2)
Dividends paid	(116)	—	—	(116)	—	—
Proceeds from the exercise of warrants and options	6	—	—	6	—	—
Cash provided by (used in) financing activities	(132)	51	—	(161)	(3)	(19)
Effects of exchange rate changes on cash and cash equivalents	(21)	—	—	—	—	(21)
Net increase (decrease) in cash and cash equivalents	(199)	—	—	104	(276)	(27)
Cash and cash equivalents at beginning of period	$1,475	$ —	$ —	$ 179	$1,091	$ 205
Cash and cash equivalents at end of period	$1,276	$ —	$ —	$ 283	$ 815	$ 178

26. Quarterly Results of Operations (Unaudited)

The following represents our unaudited quarterly results for the years ended December 31, 2016 and 2015. These quarterly results were prepared in conformity with generally accepted accounting principles and reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results, and were of a normal recurring nature.

Unaudited quarterly results for 2016:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$ 475	$ 537	$ 533	$ 548
Cost of goods sold	455	480	453	458
Gross profit	20	57	80	90
Net income (loss)	(92)	(48)	(42)	124[(1)]
Net income (loss) attributable to noncontrolling interest	(1)	2	(2)	2
Net income (loss) attributable to Tronox Limited	$ (91)	$ (50)	$ (40)	$ 122
Income (loss) per share, basic	$(0.78)	$(0.42)	$(0.35)	$1.04
Income (loss) per share, diluted	$(0.78)	$(0.42)	$(0.35)	$1.00

(1) Includes the net impact of the Corporate Reorganization of a benefit of $137 million in the fourth quarter of 2016, reflecting the reversal of $139 million of withholding tax accruals, offset by a foreign currency loss of $2 million. For the year ended December 31, 2016, the net income impact was $107 million, reflecting a net reduction in withholding tax accruals of $110 million, offset by a foreign currency loss of $3 million.

Unaudited quarterly results for 2015:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$ 385	$ 617	$ 575	$ 535
Cost of goods sold	350	593	536	513
Gross profit	35	24	39	22
Net loss	(46)	(118)	(54)	(89)
Net income attributable to noncontrolling interest	3	1	6	1
Net loss attributable to Tronox Limited	$ (49)	$ (119)	$ (60)	$ (90)
Loss per share, basic and diluted	$(0.42)	$(1.03)	$(0.52)	$(0.78)

27. Subsequent Event

On February 21, 2017, the Company, The National Titanium Dioxide Company Ltd., a limited company organized under the laws of the Kingdom of Saudi Arabia (“Cristal”), and Cristal Inorganic Chemicals Netherlands Coöperatief W.A., a cooperative organized under the laws of the Netherlands and a wholly owned subsidiary of Cristal (“Seller”), entered into a Transaction Agreement (the “Transaction Agreement”), pursuant to which the Company agreed to acquire Cristal’s titanium dioxide business for $1.673 billion in cash, subject to a working capital adjustment at closing (the “Cash Consideration”), plus 37,580,000 Class A ordinary shares, par value $0.01 per share, of the Company (the “Transaction”). Following the closing of the Transaction, the Seller will own approximately 24% of the outstanding ordinary shares (including both Class A and Class B) of the Company. Concurrently with this announcement, the Company announced its intent to begin a process to sell its Alkali business. The Cash Consideration is expected to be funded through proceeds from asset sales, including the Company’s Alkali business and selected other non-core assets if appropriate, and cash on hand. The Transaction is conditioned on the Company obtaining financing sufficient to fund the cash consideration, and the Transaction Agreement provides that the Company must pay to Cristal a termination fee of $100 million if all conditions to closing, other than the financing condition, have been satisfied and the Transaction Agreement is terminated because closing of the Transaction has not occurred by May 21, 2018. The Transaction, which has been unanimously approved by our board of directors, is expected to close before the first quarter 2018, subject to regulatory approvals and satisfaction of customary closing conditions, including the favorable vote of a majority of our outstanding shares.

Management's Report on Internal Controls Over Financial Reporting

Management of Tronox Limited and its subsidiaries is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our internal controls over financial reporting include those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management assessed the effectiveness of our internal controls over financial reporting as of December 31, 2016. In making this assessment, management used the criteria in *Internal Control-Integrated Framework* (2013) set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment using those criteria, management concluded that our internal control over financial reporting as of December 31, 2016 was effective.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

**To the Board of Directors
and Shareholders of Tronox Limited**

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income (loss), of changes in shareholders' equity, and of cash flows present fairly, in all material respects, the financial position of Tronox Limited and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

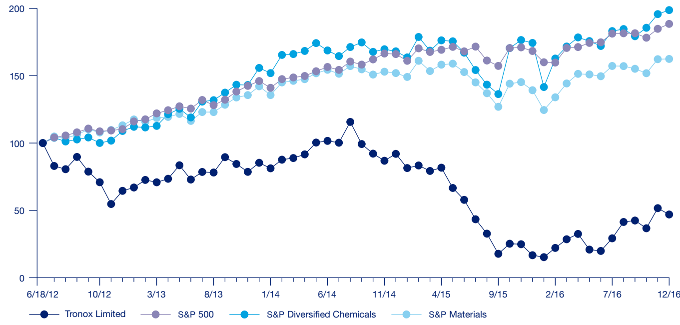
PricewaterhouseCoopers LLP

Stamford, Connecticut
February 23, 2017

Comparison of 54-Month Cumulative Total Return*

Tronox Limited

Among Tronox Limited, the S&P 500 Index, the S&P Diversified Chemicals Index and the S&P Materials Index



* (Unaudited) $100 invested on 6/18/12 in stock or 5/31/12 in index, including reinvestment of dividends. Fiscal year ending December 31.
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Shareholder Information

Shareholder Information
Tronox Limited is a public company registered under the laws of the State of Western Australia, Australia. We have global operations in North America, Europe, Africa, and Australia.

Corporate Offices
Australia:
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United States:
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+1.203.705.3800

This report is made available to shareholders in advance of the annual meeting of shareholders to be held at 9 a.m. EDT, April 21, 2017, in Stamford, Connecticut. The proxy will be made available to shareholders on or about March 13, 2017, at which time proxies for the meeting will be requested.

Information about Tronox, including financial information, can be found on our website: www.tronox.com.

Stock Listing
New York Stock Exchange

Ticker Symbol
TROX

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Broadridge Corporate Issuer Solutions

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Shareholder website
https://investor.broadridge.com

Shareholder email inquiries
shareholder@broadridge.com

Electronic Access
https://materials.proxyvote.com/Q9235V

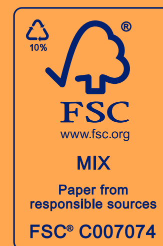
Copies of the Tronox 2016 Annual Report, the proxy, and the 2016 International Financial Report Standards (IFRS) statement are available at https://materials.proxyvote.com/Q9235V. The company's IFRS statement will be available to shareholders no later than April 20, 2017. A copy of the company's Form 10-K and other filings with the U.S. Securities and Exchange Commission are available at investor.tronox.com/sec.cfm.

Certifications
Tronox has included as Exhibits 31.1, 31.2, 32.1, and 32.2 to its Annual Report on Form 10-K for fiscal year 2016 filed with the Securities and Exchange Commission certificates of its Chief Executive Officer and Chief Financial Officer certifying, among other things, the information contained in the Form 10-K.

Annually, Tronox submits to the New York Stock Exchange (NYSE) a certificate of Tronox's Chief Executive Officer certifying that he was not aware of any violation by Tronox of NYSE corporate governance listing standards as of the date of the certification.

Shareholder Information
Our Internet site www.tronox.com provides shareholders easy access to Tronox's financial results. Shareholders may also contact Brennen Arndt, Vice President, Investor Relations at +1.203.705.3800.

Tronox and its operating unit names, logos, and product service designators are either the registered or unregistered trademarks or trade names of Tronox Limited and its subsidiaries.



This paper has been certified to meet the environmental and social standards of the Forest Stewardship Council® (FSC®) and from well-managed forests and other responsible sources.

Design: SVP Partners, Wilton, CT

TRONOX

A Brighter Future – From the Ground Up

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