PARTICIPANTS

Corporate Participants

Brennen Arndt – Vice President-Investor Relations, Tronox Ltd.
Tom Casey – Chairman & Chief Executive Officer, Tronox Ltd.
Katherine C. Harper – Chief Financial Officer & Senior Vice President, Tronox Ltd.

Other Participants

Hassan I. Ahmed – Analyst, Alembic Global Advisors LLC
Des G. Kilalea – Analyst, RBC Europe Ltd. (Broker)
Edlain Rodriguez – Analyst, UBS Securities LLC
Hamed Khorsand – Founder, President & Chief Compliance Officer, BWS Financial, Inc.
Caroline Learmonth – Analyst, Absa Capital Securities (Pty) Ltd.
John E. Roberts – Analyst, UBS Securities LLC
Tom A. McKay – Founder, President & Portfolio Manager, T. A. McKay & Co., Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Tronox Limited Q2 2014 Earnings Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Brennen Arndt, VP of Investor Relations. Sir, you may begin.

Brennen Arndt, Vice President-Investor Relations

Thank you and welcome everyone to Tronox Limited's Second Quarter 2014 Conference Call and webcast. With me today are Tom Casey, Chairman and CEO, who will review our first quarter – second quarter performance, rather; and Kathy Harper, Senior Vice President and CFO, who will report on our financial position. Tom will conclude our remarks by providing an update on our growth strategy and focus on unlocking superior value.

Today, we'll be using slides as we move through the conference call. Those of you listening by Internet broadcast through our website should already have them. For those of you listening by telephone, if you haven't already done so, you can access them on our website at tronox.com.

Let me begin with a reminder that our discussion today will include certain statements that are forward-looking and subject to various risks and uncertainties including, but not limited to the specific factors summarized in our 23 – 2013, rather, Form 10-K, our most recent Form 10-Q and other SEC filings. This information represents our best judgment based on today's information. However, actual results may vary based on these risks and uncertainties. The company undertakes no obligation to update or revise any forward-looking statements.

During the conference call, we will refer to certain non-U.S. GAAP financial terms that we use in the management of our business, including EBITDA, adjusted EBITDA, and adjusted earnings per diluted share. EBITDA represents net income before net interest expense, income tax, and depreciation, depletion, and amortization expense. Adjusted EBITDA represents EBITDA as further adjusted for non-cash, unusual and non-recurring items. Adjusted earnings per diluted share represents EPS adjusted for unusual and non-recurring items on a fully diluted basis. A reconciliation is provided in our earnings release.

It's now my pleasure to turn the call over to Tom Casey. Tom?

Tom Casey, Chairman & Chief Executive Officer

Thanks Brennen, and thank you all for joining us this morning. Despite essentially flat selling prices in the first half of the year, our second quarter performance was particularly strong as sales volumes increased across multiple products and geographic regions.

Pigment sales grew 8% over last year's quarter and 13% over this year's first quarter. Sales volume gains were realized in every region of the world. Pigment adjusted EBITDA of $37 million more than doubled the $17 million we reported in the first quarter. This marks the sixth consecutive quarter of sequential improvement in this part of our business. Finished pigment inventories were at normal seasonal levels and plant operating rates were also at normalized levels.

Mineral Sands prices remain soft, as we expected, primarily as a result of what we believe is the temporary buildup of feedstock inventories caused by last year's reduced pigment plant utilization rates. However, compared sequentially to the first quarter, Mineral Sands revenue increased 28% driven by sales volume increase of 36%.

As a result of our vertical integration, lower feedstock selling prices contributed to greater margins in our pigment business and will continue to do so as pigment made from that feedstock is sold, which is typically five or six months later. We expect feedstock market conditions to gradually improve as pigment plant utilization rates have returned to normal and therefore feedstock inventories will be worked down.

We continue to pursue our growth strategy and focus on unlocking superior value. We believe our strategic optionality in this regard was significantly enhanced in the quarter with the settlement in April of the so-called Anadarko litigation for $5.15 billion. We calculate that we now have approximately $9.8 billion of tax attributes and future deductions with $9.2 billion in the United States and $600 million in foreign jurisdictions. With this strategic optionality, we are now pursuing opportunities to maximize value creation in both our operating businesses and across strategic option.

And for the ninth straight quarter, our Board has declared a quarterly dividend of $0.25 per share payable on September 3, 2014 to shareholders of record of the company's Class A shares at the close of business on August 18, 2014.

So turning now to the first quarter – excuse me, second quarter results beginning with Mineral Sands; slide four, for those of you who are following on the slides. Overall the Mineral Sands segment remained somewhat weaker than the year ago quarter. Revenue of $227 million was 27% lower than the $312 million we reported in the year ago quarter, driven primarily by lower zircon selling prices and sales volumes compared to the record volumes we had last year and lower feedstock selling prices. However, compared sequentially to the first quarter of this year revenue increased 28% as sales volumes also increased by 36%.

And let me provide a little detail about this. Although CP slag sales volume increased 87% sequentially, this only represented an 11,000 ton increase in sales to third parties, which get booked in the quarter, and an increase of about 25,000 additional tons to our pigment operations as the plant utilization rates increase. Finally, zircon sales volumes increased 28% sequentially.

Revenue from intercompany sales was $91 million in the quarter; sales to third parties were $136 million including $25 million from CP titanium slag and $86 million from zircon and pig iron. As we have said before, we think that the selling prices for high grade chloride feedstock currently produce inadequate return and we expect to sell CP titanium slag and natural rutile as feedstock solely to our Pigment business until the slag market conditions improve. Mineral Sands continued to sell 100% of its synthetic rutile feedstock to our pigment operations on an intercompany basis.

Zircon revenue increased 30% versus the first quarter as sales volumes increased 28% and selling prices increased 1%. Compared to the prior year quarter, sales volumes were 41% below that record quarter and selling prices were 8% lower.

Mineral Sands segment operating income in the quarter was $18 million which compares to operating income of $68 million in the year ago quarter and the first quarter operating income of $6 million, which excluded a $23 million LCM charge. Adjusted EBITDA was $81 million in the quarter versus a $129 million in the prior year and $60 million in the first quarter, again excluding the $23 million LCM charge. A reminder that Mineral Sands segment adjusted EBITDA is calculated before the elimination of gross profit on sales for the Pigment segment that occurs in consolidation at the company level.

In the second quarter, $11 million of Mineral Sands gross profit and $5 million related to Mineral Sands LCM activity was eliminated in consolidation. And $22 million of previously eliminated gross profit was reversed for a net adjusted EBITDA contribution in consolidation of $6 million.

Last month we reached a collective bargaining agreement with the National Union of Mineworkers and Solidarity that covers all union-represented employees working in our Mineral Sands operations in South Africa. The one year agreement was effective July 1, 2014.

Construction continues to progress at our KZN Sands Fairbreeze mine in South Africa. All government permits and authorizations have been received. This mine as, you know, will serve as a feedstock supplier to our slag furnaces at KZN. It's expected to begin operations late in the second half of 2015 and be fully operational in 2016.

Capital expenditures related to the Fairbreeze mine are expected to be approximately $365 million, with somewhere between $65 million or $70 million to $85 million or $90 million to be spent during 2014. Approximately $30 million was spent through 2013.

Moving to our Pigment segment, this goes now to slide five, pigment revenue of $328 million increased 8% versus $304 million in the prior year as sales volume increased 11% and selling prices declined 3%. Sales volume gains were realized in all regions of the world and were especially strong in the coatings and construction markets in North America partially related to demand catch-up resulting from harsh first quarter weather conditions. Compared to the first quarter, Pigment revenue increased 13% as sales volumes increased 13% and selling prices were 1% lower.

The second quarter was the third consecutive quarter that our sales volumes have exceeded production volumes and therefore we continue to reduce finished goods inventory. At the end of the second quarter, finished pigment inventory was in the range of 45 days to 50 days, which is the normal seasonal level for this time of the year. Plant operating rates in the quarter were also at normal levels in the high 80% range.

Pigment segment operating income of $8 million improved by $64 million versus an operating loss of $56 million in the year ago quarter. Pigment adjusted EBITDA improved to $37 million in the quarter, which was a $63 million improvement versus adjusted EBITDA of a $26 million negative number in the year ago quarter, so a very significant improvement in the Pigment segment year-on-year.

On a sequential basis, adjusted EBITDA of $37 million improved for the sixth consecutive quarter, up from $17 million in the first quarter; again, driven by higher sales volumes and lower feedstock cost. Average feedstock cost reflected in the Pigment segment in the second quarter was $834 per metric ton, down from $921 per metric ton in the first quarter.

During the second quarter 100 % of Pigment feedstock purchases were from our own Mineral Sands operations and that – those transactions occurred at an average cost of $714 per metric ton. The lag time between purchases of feedstock by Pigment to the time that feedstock is reflected in the Pigment segment is typically in the range of five to six months. Therefore, the average purchase of $714 per metric ton for feedstock in the second quarter is an approximate indicator of what feedstock cost should be in the Pigment income statement approximately five to six months from now.

Thank you everybody. I'll now turn the call over to Kathy Harper for a review of our financial position.

Katherine C. Harper, Chief Financial Officer & Senior Vice President

Thanks, Tom. I'll review the Corporate and Other segment and then move to major line items on our financial statements.

Revenue in Corporate and Other, which includes our electrolytic operations, was $27 million as compared to $35 million in the year-ago quarter. This decline is primarily the result of lower sales volumes of electrolytic manganese dioxide and lower pricing on sodium chlorate. The Corporate and Other loss from operations was $17 million in the quarter compared to an $11 million loss from operations in the year ago quarter, which was also related to electrolytic performance. Adjusted EBITDA in Corporate and Other was negative $16 million, which is principally driven by our corporate operation.

Selling, administrative and general expenses for the company in the second quarter were $45 million versus $41 million in the year-ago quarter, the increase primarily due to additional spending for professional services and employee-related costs. Interest and debt expense was $33 million versus $35 million in the year-ago quarter. The reduction reflects lower amortization of debt issuance costs and a lower interest rate as we re-priced our term loans in April which reduced our per annum interest rate by 50 basis points. The new rate is 300 basis points plus LIBOR, subject to a 1% LIBOR floor. On $1.48 billion financing, this should save us approximately $7 million in interest expense on an annualized basis.

On June 30, 2014, gross consolidated debt was $2.4 billion and debt net of cash was $1.030 billion. Our debt maturity profile is weighted toward 2020 and thereafter it's approximately $2.3 billion of our debt maturing in 2020.

For the quarter, capital expenditures were $31 million and depreciation, depletion and amortization was $84 million. This is up from Q1 mainly on higher depletion with the benefit of favorable production yields in our [ph] Cooljarloo (14:28) mine giving rise to increased unit sub production depletion. Recall, we saw this in quarter four of 2013 as well.

Regarding the non-controlling interest line, this component of equity on our balance sheet represents the amount of Exxaro's 26% ownership of our South African entity, as required by the countries Black Economic Empowerment legislation. Third-party revenue generated by our South African operations was $106 million in the second quarter, up from $78 million last quarter. This should enable you, after making your own assumption regarding profit margins, to estimate non-controlling interest.

And finally, a comment on the schedule in our earnings release entitled Mineral Sands Production and Sales Volume Statistics. In this section, we report production and sales volume statistics for Mineral Sands for each of our major products. We will update these statistics twice each year, at the end of the first half and at the end of the second half, to enable you to do year-on-year and sequential comparisons. In this second quarter report, we've added the first half 2014 data.

With that, I thank you and I'll turn the call back to Tom.

Tom Casey, Chairman & Chief Executive Officer

Thank you, Kathy. In last quarter's call, I shared our perspective on what we believe to be the strong set of operating and financial attributes that underpin our growth strategy and our ability to unlock superior value for our shareholders. As you know, our strategy has a large component of inorganic growth that is complemented by the high return organic growth initiatives such as our Fairbreeze project, some ongoing plant de-bottlenecking, and energy saving projects that we are engaged in.

We continue to strengthen our operations and lower our costs through organic initiatives of this nature. Clearly, however an immediate way for Tronox to create significant value is through inorganic means. We continue to pursue these inorganic opportunities. As I mentioned earlier, our strategic optionality was significantly enhanced in our view in the quarter with the April settlement of the so-called Anadarko litigation. We calculate that we now have approximately $9.8 billion of tax attributes and future deductions with $9.2 billion in the United States, and $600 million in foreign jurisdictions.

In late May, U.S. Bankruptcy Court for the Southern District of New York approved the settlements for $5.15 billion and that settlement is now pending before the District Court in the Southern District. We can't predict when the Court might act or whether appeals might be filed that would delay the settlement from becoming final. But we do know that many of you continue to try to assess the financial benefit of this tax portfolio to Tronox and to do so with some degree of precision to the extent it's possible given some of the unknowns. So let me review its components again.

The portfolio is comprised of essentially the following: approximately $2.3 billion of tax loss carry-forwards for U.S. federal and state, and foreign net operating losses. The U.S. portion of these tax loss carry-forwards are subject to Internal Revenue Code 382 limitations, following the ownership change as a result of the Exxaro transaction in June 2012.

In addition, there are $2 billion of interest expense deductions over 10 years resulting from our internal financing structure. These deductions are subject to an annual taxable income limitation of $200 million and a 10% withholding rate; and approximately $5.5 billion of U.S. federal tax deductions resulting from the $5.15 billion settlement reached in April combined with $350 million that Tronox had previously contributed to the tort and environmental trusts involved in the Anadarko litigation. All of these trusts are considered grantor trusts for federal income tax purposes.

When the settlement is approved therefore, Tronox Limited is entitled, we believe, to tax deductions equal to the amount spent by the trusts to compensate the injured individuals in the tort cases and to remediate the environmental matters assigned to them. These deductions will accrue over the life of the trusts as the funds are spent.

The tort trust for the civil suits is entitled to receive 12% of the 500 – excuse me, $5.15 billion settlement or approximately $620 million. Although obviously we have no control over it, we do anticipate that these funds will be spent by the trusts relatively soon after it is funded. The environmental trusts are entitled to receive the balance, 88% of the $5.15 billion settlement which is approximately $4.5 billion.

Given the nature of environmental remediation, we expect that these funds will be spent by the trusts over many years and perhaps decades. However, we have been informed that in aggregate the trusts can be expected to spend approximately $1.5 billion in the first 12 months to 18 months after receiving the funds.

Specifically, approximately $750 million is expected to go to the government for reimbursement of remediation spending already made. Approximately $620 million will be made, as I've already discussed, in payments to the tort claimants; and almost $100 million will be spent in payment of various other expenses incurred by the trust. These are our best estimates of these numbers, but as you can see these numbers add up to almost $1.5 billion. Moreover, these amounts do not assume any payments for current environmental remediation that the trust would be engaged in during this period of time and those payments would add to the total.

The challenge anybody has with respect to benefit analysis is that the NPV of these tax attributes and future deductions depends, of course, on the level of taxable income in the relevant jurisdictions that is able to be shielded and the rate at which the trust spends, especially in the early years. We've given you our best sense at the present time of the rate and of course we can't talk about the future income.

In closing, given the value creation potential we see on both fronts, we are pursuing opportunities for maximizing value in both our operating businesses and across the full range of our strategic options.

With that, I thank you for your time and attention. We'll be happy to answer any questions there may be, operator.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]. And our first question comes from Hassan Ahmed from Alembic Global. Your line is open.

<Q – Hassan Ahmed – Alembic Global Advisors LLC>: Good morning, Tom.

<A – Tom Casey – Tronox Ltd.>: Good morning, Hassan.

<Q – Hassan Ahmed – Alembic Global Advisors LLC>: Good, really good volumes on the pigment side of things, both year-on-year and sequentially. When I compare and contrast your volume growth to some of your TiO2 sort of peers, you guys seem to have grown volumes at a faster clip, so just wanting to understand what was going on there. Was this sort of the chloride side of things gaining market share? Was it you guys gaining market share? Just the dynamic.

<A – Tom Casey – Tronox Ltd.>: Yeah, I mean, I don't know obviously the details of any other supplier other than what I read in their own earnings call, so but taking your premise that we grew volumes faster than our competitors, I think part of that is that the North American market was very strong, as we said, and we are – we have a strong presence in the North American market and so that is a large explanation of it, to be honest.

We, as you saw, we did not – we do not – we have not gained market share by trying to reduce price. We don't think that's the appropriate strategy going forward, although obviously we're competitors, so we compete where we have to but it's not a price driven market share accretion. It's just that our customers are growing faster than the market as a whole, perhaps, and that our share of those customers is also increasing and we hope that says something about the vibrancy and power of our relationships and how we target our efforts into this market.

<Q – Hassan Ahmed – Alembic Global Advisors LLC>: Very fair. Now just on sort of the organic/inorganic opportunities out there and the tax attributes and the like, obviously as I sort of read the press, a lot of these inversion related M&A activities happening with a lot of domestic companies looking overseas to reduce their tax bill per se, which obviously make you guys sitting out here highly attractive to be acquired. Now the question is that if – two parts, actually. So if a domestic company were to acquire you, would all of these tax attributes and deductions be completely transferable? So that's the first part of it; and the second part of it is, are there any industry restrictions, meaning does it have to be an acquirer only from the chemical industry or could it be broader than that?

<A – Tom Casey – Tronox Ltd.>: We're now at a level of tax lawyer expertise...

<Q – Hassan Ahmed – Alembic Global Advisors LLC>: [indiscernible] (24:18)

<A – Tom Casey – Tronox Ltd.>: ...well beyond my comfort. But let me tell you what I think and then obviously I would recommend anybody who wants to really confirm this to talk to tax – their own tax people. The answer to your question is no. It does not have – an acquirer of us does not have to come from the chemical industry, number one. Anyone can acquire Tronox. There are regulations under the Internal Revenue Code and actually provisions in the law itself which prohibit acquirers from acquiring any company for the – I think the words are for the primary purpose of obtaining deductions. So there has to be business rationale, but once there is a business rational for it then I don't think it's – it will be an issue.

The question – the other part of your question was whether or not the losses are – or the deductions are transferable. And the answer to that question is yes, but if they – if Tronox has been – has – excuse me, let me try to speak English here. If the control of Tronox has been transferred, then the amount of deductions available to us under the net operating loss category is capped. And it's capped at, and this is sort of a rough rule of thumb measure, it's capped at about 3% of U.S. equity value.

So as we said in the presentation earlier, the NOLs that arose prior to our transaction with Exxaro have already been capped because the transaction with Exxaro resulted in the transfer of control. Any NOLs that arise after that; so for example, all of the Anadarko trust payments are not capped right now and would not be capped unless and until we transferred control of Tronox to another party at which point they would be capped, any trust payments that had already been made, but not the decades of future trust payments, they would be capped and added to the other NOLs that we already have.

<Q – Hassan Ahmed – Alembic Global Advisors LLC>: Understood. Thanks so much, Tom.

<A – Tom Casey – Tronox Ltd.>: Yeah.

Operator: And our next question comes from Des Kilalea from RBC. Your line is open.

<Q – Des Kilalea – RBC Europe Ltd. (Broker)>: Hi, good morning, Tom, Brennen. Could I just ask a couple of questions on zircon? It sounds like the zircon inventories globally are kind of depleted except to the extent of course somebody like Iluka could ramp up. I'm just wondering if you could give us your view on that. And then the pigment inventories, you spoke about yours being normal. Do you have any view on the sector? And then finally, are you, given that softness in the market, are you still moving the [indiscernible] (27:01) from [indiscernible] (27:03)?

<A – Tom Casey – Tronox Ltd.>: Okay. Zircon, we are selling all the zircon that we can produce. And we have – Kathy talked about the additional depletion that came out of the Northern operations mine in Australia that is largely driven – our increased activity level there is largely driven by the desire to get zircon. So I think the zircon demand market is very strong.

I take your point about Iluka, but right now at least we're – we have not building – we don't have any significant inventory of zircon and we are selling what we make. The prices have not recovered back to where they were two years ago so the net impact on a revenue line is not what it was. But in terms of volume demand, it appears to be quite strong. The – what were the other questions?

<Q – Des Kilalea – RBC Europe Ltd. (Broker)>: The pigment, your pigment inventory's at 42 days, 45 days or 45 days to 50 days, how you see this – yeah, how you see the industry generally. Do you think that the industry is kind of down to more normal days or would you think there are pockets of excess inventory still?

<A – Tom Casey – Tronox Ltd.>: I think it varies, to be honest. I mean, I read some of the statements from the other earnings calls and I think there's some variability among us. Again, we go back to the point that in North America, the North American demand was quite strong. As you know, that's a chloride market almost exclusively, not quite exclusively but almost exclusively, and so we're well positioned in the North American market and I think our inventories are in very good shape. I just can't speak to the other providers.

<Q – Des Kilalea – RBC Europe Ltd. (Broker)>: And then just finally, given the softness in the market, are you still moving some of that [indiscernible] (28:56)?

<A – Tom Casey – Tronox Ltd.>: Yes.

<Q – Des Kilalea – RBC Europe Ltd. (Broker)>: Thanks very much.

<A – Tom Casey – Tronox Ltd.>: Yeah.

Operator: Thank you. And our next question comes from Edlain Rodriguez from UBS Securities. Your line is open.

<Q – Edlain Rodriguez – UBS Securities LLC>: Good morning.

<A – Tom Casey – Tronox Ltd.>: Good morning.

<Q – Edlain Rodriguez – UBS Securities LLC>: Tom, two questions for you; I mean, this quarter, it was the first quarter since Q1 2013, that we saw a sequential uptick in Mineral Sands EBITDA quarter-on-quarter. Is this a blip or is this like a new trend that's sustainable even though prices continue to decline? So, that's first. And second, again, I think I've asked this question every time, but how confident are you that TiO2 prices can go up if [ph] all (29:43) prices continue to decline?

<A – Tom Casey – Tronox Ltd.>: The first question, first; Mineral Sands volumes are always going to be a function of pigment plant utilization rates, so pigment volumes. They're derivative of pigment volumes and inventories levels. As we ramp up our utilization, pigment plant utilization rates, then the demand, our demand for feedstock also rose and therefore, since we take 100% of our feedstock consumption from our own Mineral Sands business, then their volumes would rise.

I think that similar effect and similar increase in utilization rates has applied to all of our competitors. So if you look at the industry-wide utilization rates, I think they are increasing which would mean demand for feedstock is increasing. So I'd view that as a positive sign and I don't know that it's going to continue to increase simply because the utilization rates can only go so high, but there will be a period where prices lag demand recovery as the inventories on the Mineral Sands side are worked down, but again, I have always contended that I believe this is simply an inventory – the price – what has happened in price in this industry is about inventory building up too high and it's just they're being worked down, which I think will happen here.

With respect to pigment price increases, we had originally anticipated that there would some turning in the second half of the year. We are now into the third quarter; it appears that there will be very modest if any turn in the third quarter. Fourth quarter, we'll see. Again, it's a function of inventory levels largely, I think. But the fourth quarter is usually a weak quarter because of weather as is the first quarter so we don't normally expect to see really vibrant demand in the fourth quarter of any year. So we're pretty cautious about expecting significant price increases in the second half of the year.

<Q – Edlain Rodriguez – UBS Securities LLC>: Okay, that's make sense. Thank you.

<A – Tom Casey – Tronox Ltd.>: Yeah.

Operator: Thank you. And our next question comes from Hamed Khorsand from BWS Financial. Your line is open.

<Q – Hamed Khorsand – BWS Financial, Inc.>: Good morning. Just want to start off with what are your plans for Q3 production right now?

<A – Tom Casey – Tronox Ltd.>: I mean, we – as I said before, we're operating at normalized plant utilization rates with essentially normal inventory levels, maybe even a touch light on inventory for some grades. And so we would expect to continue to operate just as we're operating now.

<Q – Hamed Khorsand – BWS Financial, Inc.>: Okay. And do you think that your operating levels – you're selling more than your inventory, could that lead to customers going to your competitors to pick up inventory since you might not be able to fill that?

<A – Tom Casey – Tronox Ltd.>: No, we're not selling more than our inventories. We're selling more than our production, which we did as a deliberate strategy to reduce what we thought were excess inventory levels. As we get down to normalized inventory levels, which where is we are now sort of 47 days, 48 days then now we will – we'll track our production to our demand more precisely, more closely than we have for the last several quarters because in the last quarters we were trying to reduce inventory. But our inventory is fine, our production is fine, our sales are fine. We don't think we're going to have a problem. As you – we heard from some of the earlier questions, I mean we've actually gained market share. Our sales volume growth is growing faster than at least some of our competitors so we think we're in a good shape on that.

<Q – Hamed Khorsand – BWS Financial, Inc.>: Okay. And lastly, given the bump you're seeing in sales volume, are you providing any favorable credit terms to any customers right now?

<A – Tom Casey – Tronox Ltd.>: Nothing extraordinary, nothing extraordinary. No, we haven't changed our credit policies for anybody to my knowledge. Kathy? I mean, Kathy is here, she's actually the ...

<A – Kathy Harper – Tronox Ltd.>: Yeah we're competitive in the marketplace. We're not doing anything extra.

<Q – Hamed Khorsand – BWS Financial, Inc.>: All right, great. Thank you.

<A – Tom Casey – Tronox Ltd.>: Yeah.

Operator: Thank you. And our next question comes from Caroline Learmonth from Barclays. Your line is open.

<Q – Caroline Learmonth – Absa Capital Securities (Pty) Ltd.>: Thank you. Just going back to the tax aspect, please, and sorry I may have missed this guidance or misunderstood some of the summaries. But could you just explain the tax line item for this quarter, which was a positive. And then going forward, what tax rate should we be assuming in terms of our modeling for Tronox?

And then just going back to M&A activities, so can you just explain, I think you were addressing a question earlier about if Tronox were acquired but if Tronox acquires businesses, what is the scenario in terms of using the tax attributes and benefits that you've got available? Thanks.

<A – Tom Casey – Tronox Ltd.>: Okay. I'll answer the M&A aspect and then I'll turn the tax issue over to Kathy Harper. With respect to M&A, yes, you're right, if transfer – if control of Tronox transfers, which would happen in an acquisition program, then the annual use of these tax attributes as deductions is capped. They're not eliminated, but they're capped. And again, they're capped as sort of a rule of thumb – and again, I would ask you to check all of this with tax people, your own tax experts if you need to – if you want to go into it more precisely. But in general, the rule of thumb is 3% of U.S. equity value is the annual cap.

If we – so that's if we are acquired, if control of Tronox is transferred.

<Q – Caroline Learmonth – Absa Capital Securities (Pty) Ltd.>: Yeah.

<A – Tom Casey – Tronox Ltd.>: If we acquire another party with taxable income, then those tax deductions are not capped, assuming that in that transaction somehow control has not transferred. So just assume we were to acquire another business with significant taxable income in the jurisdictions in which we have these benefits and control of Tronox did not transfer, control being 50% of the shares over a period of time – measured over period of time, if that didn't transfer, then we would have full use of all of these deductions coming out of the trust.

<Q – Caroline Learmonth – Absa Capital Securities (Pty) Ltd.>: Okay.

<A – Tom Casey – Tronox Ltd.>: With respect to the tax question you asked, let me turn it over to Kathy Harper.

<A – Kathy Harper – Tronox Ltd.>: Thank you. When you look at our 10-Q, you will see income tax benefit in the quarter with $25 million and that relates to, again, depending on jurisdiction where we make our earnings, we have operating losses and therefore we have tax benefit as opposed to a tax expense. The ongoing rate you could expect would typically be around 15% which, again, would be weighted average across all our jurisdiction on a normal tax calculation.

<A – Caroline Learmonth – Absa Capital Securities (Pty) Ltd.>: Okay. Thank you. That's great, bye-bye.

Operator: Thank you. Our next question comes from John Roberts with UBS. Your line is now open.

<Q – John Roberts – UBS Securities LLC>: Good morning.

<A – Tom Casey – Tronox Ltd.>: Hi John.

<Q – John Roberts – UBS Securities LLC>: I had heard some speculation that if Tronox were acquired before year-end that some of the NOLs might not come under that restriction that you mentioned if someone acquires you. Is there a temporary timing issue here that they're not booked, maybe, under the restriction until after the start of the year?

<A – Tom Casey – Tronox Ltd.>: Well, it doesn't really have anything to do – your main point is correct. So let me try to be more precise about it. It doesn't have to do with calendar years. It has to do with, if we were acquired, so control of Tronox has been transferred, prior to the time that the trust spends money, okay; then by definition therefore the deduction which arises from the trust spending money will accrue after the new company is formed, that is after whoever acquired us has acquired us and closed on it. And therefore, there would be no transfer of control of Tronox following the spending. And that means you'd get – the new company would get 100% of the deduction.

<Q – John Roberts – UBS Securities LLC>: Great. Thanks for the color.

<A – Tom Casey – Tronox Ltd.>: Okay. There's a little bit of wrinkle in with respect to the first year of payment, I'm told by tax lawyers. And again, I encourage you to talk to your own guys, your own tax experts, but I'm told that in the first year of spending that if the trust spends $100 on January 2nd of a period and we were to close a transaction in which control of Tronox transferred on February 2nd that there could be an election to prorate the spending across the full year and that the acquirer would get more than the capped amount but less than the full deduction in that first year.

<Q – John Roberts – UBS Securities LLC>: Okay. Thanks.

<A – Tom Casey – Tronox Ltd.>: So it's not a cliff in other words; there's a one year – can be a transition for the first year.

<Q – John Roberts – UBS Securities LLC>: Okay. And then maybe a more fundamental question, it's hard to gauge what's going on in the Chinese TiO_2 production environment. Are they stable as the industry is showing some recovery here in volumes and is all of their production essentially staying in China at this point?

<A – Tom Casey – Tronox Ltd.>: We think that – it's not the most transparent market in the world, as you know probably, but our sense is that we do not see Chinese supply in our markets as a material competitive presence either in terms of volume or in terms of price. And that implies to us that it's staying pretty much within the Chinese or the Asian market. I think a lot of supply generally from China generally tends to go into Latin America than into the Middle East, and so we're – it's simply not a major force in our markets. I also think that they had such a run of low prices in the domestic market that a number of Chinese suppliers have actually shut their doors and that we now see evidence that prices in China are increasing, which is obviously a good sign. So that's how we see the Chinese market right now.

<Q – John Roberts – UBS Securities LLC>: Okay. Thank you

Operator: Thank you. Our next question comes from Malone Ma from Simplon Partners. Your line is open. Please ensure your line is not on mute.

<Q – Tom McKay – T. A. McKay & Co., Inc.>: Good morning. This is Tom McKay for Malone. My question was concerning the utilization of the tax attributes, they're so significant now in relation to the market cap of the company that it seems unlikely that you could make an acquisition of another company that would be large enough to really accelerate the use of the tax attributes. And so does it still make sense to carry the large cash position that you have and attendant bank debt considering it – that has an annual cost that's fairly significant?

<A – Tom Casey – Tronox Ltd.>: Yes.

<Q – Tom McKay – T. A. McKay & Co., Inc.>: Could you elaborate on that?

<A – Tom Casey – Tronox Ltd.>: Yeah. I mean, your point I think is a fair one with respect to our ability to exhaust $9.8 billion of tax attributes. Clearly, we're not big enough to do that in one transaction. However, we certainly have the ability to accelerate a significant portion of the realization of those tax attributes by acquiring someone with high U.S., in particular, taxable income and we might not exhaust $9.8 billion, but we would do significantly more than $0, which is approximately what we're doing now. So, it's not, I don't believe that it's in all or nothing thing. I think we can create value, we can create less value, we can create more value. We'd prefer to create as much as we can, obviously, and that might involve us using all of that $1.4 billion that we don't need for operating purposes in a transaction.

And so, yes, I accept that there's a negative carry-cost on it but I think the strategic power of having it is very substantial and worth the negative carry-cost.

<Q – Tom McKay – T. A. McKay & Co., Inc.>: Okay. Thanks.

<A – Tom Casey – Tronox Ltd.>: Okay. I think that's the last question, operator.

Operator: Thank you. Ladies and gentlemen, that does conclude our question and answer session for today's conference. I would now like to turn the call over to Tom Casey for any closing remarks.

Tom Casey, Chairman & Chief Executive Officer

Okay. Thank you very much. We appreciate all of you joining us in mid-August or early August. Hopefully you will have a relaxing rest of your summer and get some time and we will talk to you end of the next quarter. So thank you very much; bye.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect.