Form

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:Times New Roman" SIZE="2">Property, plant and equipment 14.8 15.9

Reserves for environmental remediation and restoration

164.7 177.4

Obligations for pension and other employee benefits

49.1 49.7

Investments

32.2 34.2

State and local tax

0.8 0.8

Other long-term assets

8.4 8.6

Inventory

6.0 4.6

Interest

2.9 2.2

Other accrued liabilities

18.5 18.4

Litigation

3.7 3.7

Other

12.1 7.1

Total deferred tax assets	389.5	414.8
Valuation allowance associated with deferred tax assets	(346.0)	(370.9)
Net deferred tax assets	$43.5	$43.9
Deferred tax liabilities		
Property, plant and equipment	$(21.4)	$(28.9)
Inventory	(1.0)	
Prepaid expenses	(0.7)	(0.8)

Uncertain tax positions	(3.9)	
Other	(2.8)	(7.2)
Total deferred tax liabilities	(29.8)	(36.9)
Net deferred tax asset	$13.7	$7.0

Balance sheet classifications:

Deferred tax assets current	$4.3	$3.0
Deferred tax assets long-term	9.4	4.0
Deferred tax liability current		
Deferred tax liability long-term		
Net deferred tax asset	$13.7	$7.0

During the years ended December 31, 2010 and December 31, 2009, the total change to the valuation allowance was a decrease of $24.9 million and an increase of $20.8 million, respectively.

The deferred tax assets generated by tax loss carryforwards of the Company have been fully offset by valuation allowances. The expiration of these carryforwards as of December 31, 2010, is as follows:

	Tax Loss Carryforwards (Millions of dollars)
Year of Expiration:	
2011	$ 34.6
2012	0.3
2013	22.5
2014	53.2
2015	56.0
Thereafter	382.4
Total tax losses	$ 549.0

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Undistributed earnings of certain foreign subsidiaries totaled $56.1 million at December 31, 2010. At December 31, 2010, no provision for deferred U.S. income taxes had been made for these earnings because they were considered to be indefinitely reinvested outside the U.S. The distribution of these earnings in the form of dividends or otherwise, may subject the Company to U.S. federal and state income taxes and, possibly, foreign withholding taxes. However, because of the complexities of U.S. taxation of foreign earnings, it is not practicable to estimate the amount of additional tax that might be payable on the eventual remittance of these earnings to the U.S.

The Company entered into a tax sharing agreement with Kerr-McGee that governed Kerr-McGee s and the Company s respective rights, responsibilities and obligations subsequent to the IPO with respect to taxes for tax periods ending in 2005 and prior. Generally, taxes incurred or accrued prior to the IPO that are attributable to the business of one party will be borne solely by that party. The tax sharing agreement was set aside by the Bankruptcy Court during the year ended December 31, 2010, therefore, no future payables or receivables will be recorded under the tax sharing agreement for tax periods ending in 2005 and prior.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits at December 31, 2010, 2009, and 2008 is as follows:

	2010	2009	2008
		(Millions of dollars)	
Balance at January 1	$ 7.9	$ 40.4	$ 53.1
Additions for tax positions related to the current year	3.5		1.8
Reductions for tax positions related to prior years		(32.5)	(1.7)
Unrealized foreign exchange gains (losses)	1.6	0.5	(4.5)
Decrease due to settlements			(8.3)
Decrease due to lapse of applicable statute of limitations		(0.5)	
Balance at December 31	$ 13.0	$ 7.9	$ 40.4

Included in the balance at December 31, 2010, were tax positions of $0.8 million for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. There were no tax positions with timing uncertainty as of December 31, 2009 or December 31, 2008. The net benefit associated with approximately $12.2 million of the December 31, 2010 reserve for unrecognized tax benefits, if recognized, would affect the effective income tax rate.

As a result of statute lapses, it is reasonably possible that the Company s gross unrecognized tax benefits for foreign exchange and transfer pricing positions may decrease within the next twelve months by an amount up to $9.4 million.

The Company recognizes interest and penalties related to unrecognized tax benefits in Income tax benefit (provision) on the Consolidated Statements of Operations. During the years ended December 31, 2010, 2009, and 2008, the Company recognized approximately $1.6 million, $1.7 million and $2.7 million, respectively, in gross interest and penalties in the Consolidated Statement of Operations. At December 31, 2010, the Company had approximately $9.9 million accrued for the gross payment of interest and penalties. The equivalent amounts at December 31, 2009 and 2008 were $7.5 million and $11.6 million, respectively. At December 31, 2010, the noncurrent liability section of the Consolidated Balance Sheet reflected $19.1 million as the reserve for uncertain tax positions. This account balance included the $9.9 million of interest and penalties, but did not include unrecognized tax benefits of $3.8 million, which were recorded to the deferred tax liability account.

The Company was included in the U.S. federal income tax returns of Kerr-McGee Corporation and Subsidiaries for tax periods ending in 2005 and prior. The Internal Revenue Service (the IRS) has completed its examination of the Kerr-McGee Corporation and Subsidiaries federal income tax returns for all years through

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2005, and these years have been closed with the exception of issues for which a refund claim has been filed and is being pursued in the U.S. Court of Federal Claims. The amounts payable to Kerr-McGee under the tax sharing agreement with respect to these closed years was settled upon emergence.

The IRS is currently conducting an examination of the 2008 tax year. The U.S. returns are now closed for years prior to 2008, with the exception of issues for which the Kerr-McGee Corporation refund claim is being pursued in the U.S. Court of Federal Claims. The Netherlands returns are closed through 2005. Only the years 2002 and 2004 have closed with respect to Australia. The Switzerland returns are closed through 2006. The Company believes that it has 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.

19. Discontinued Operations

Tronox Pigments GmbH, the Company s holding subsidiary for a pigment facility in Uerdingen, Germany, filed an application with the insolvency court in Krefeld, Germany, to commence insolvency proceedings on March 13, 2009. The German Insolvency Court appointed a trustee to administer the insolvency proceedings which resulted in the Company losing management control over these subsidiaries. As a result, the German subsidiaries have been deconsolidated from the Company s consolidated financial statements as of March 13, 2009. Management has determined that the operations and cash flows of the insolvent German subsidiaries qualify as a discontinued operation. Accordingly, all amounts associated with these operations have been included in Discontinued Operations on the Consolidated Statements of Operations.

The gain from discontinued operations also includes changes in estimated reimbursements of environmental remediation and restoration costs as more fully discussed in Note 20.

The following table presents pretax income (loss) from discontinued operations by type of cost and total after-tax loss from discontinued operations for the years ended December 31, 2010, 2009 and 2008.

	Environmental Provisions(1)	Litigation Provisions, Legal and Other Costs(1)	Income (Loss) from Operations(2)	Impairments(3)	Total
			(Millions of dollars)		
Year ended December 31, 2010:					
Total pretax gain (loss)	$ 2.2	$ (1.1)	$ 0.1	$	$ 1.2
Tax benefit (provision)					
Total after tax gain (loss)					$ 1.2
Year ended December 31, 2009:					
Total pretax gain (loss)	$ 2.5	$ (2.2)	$ (9.8)	$	$ (9.5)
Tax benefit (provision)					(0.3)
Total after tax gain (loss)					$ (9.8)
Year ended December 31, 2008:					
Total pretax gain (loss)	$ (36.8)	$ (6.0)	$ (32.3)	$ (120.1)	$ (195.2)
Tax benefit (provision)					5.8
Total after tax gain (loss)					$ (189.4)

(1) Legal and environmental costs are allocated to discontinued operations on a specific identification basis. Other costs are primarily comprised of insurance and ad valorem taxes on properties of these former businesses under remediation.

(2) The Company s gain (losses) from operations related to its German operations.
(3) The Company s impairments related to its German operations include goodwill impairment of $13.5 million and long-lived asset impairments of $106.6 million.

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20. Contingencies

Contingencies Related to Ongoing Businesses of Tronox

The Company is subject to extensive regulation by federal, state, local and foreign governments. Governmental authorities regulate the generation and treatment of waste and air emissions at the Company s operations and facilities. At many of its operations, the Company also complies with worldwide, voluntary standards such as International Organization for Standardization (ISO) 9002 for quality management and ISO 14001 for environmental management. ISO 9000 and 14000 are standards developed by the ISO, a nongovernmental organization that promotes the development of standards and serves as a bridging organization for quality and environmental standards. The Company is also subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations.

The Company s reserves for environmental contingencies related to its ongoing businesses amounted to $0.8 million and $0.4 million at December 31, 2010 and 2009, respectively, of which $0.6 million at December 31, 2010 and $0.3 million at December 31, 2009 were classified in Other Non-current Liabilities on the Consolidated Balance Sheets.

The following table summarizes the contingency reserve balances, provisions, payments and settlements for 2010, 2009 and 2008, as well as balances, accruals and receipts of reimbursements of environmental costs from other parties.

	Reserves for Environmental Remediation(1) (Millions of dollars)
Balance at December 31, 2007	$ 1.1
Provisions/Accruals	0.1
Payments	(0.7)
Settlements	
Balance at December 31, 2008	$ 0.5
Provisions/Accruals	
Payments	(0.1)
Settlements	
Balance at December 31, 2009	$ 0.4
Provisions/Accruals	0.4
Payments	
Settlements	
Balance at December 31, 2010	$ 0.8

(1) Provisions for environmental remediation and restoration in 2010, 2009 and 2008 include $0.4 million, nil and $0.1 million, respectively, related to the Company s Oklahoma Tech Center. These charges are reflected in the Consolidated Statements of Operations as Provision for environmental remediation and restoration, net of reimbursements.

Management believes, after consultation with its internal legal counsel, that the Company is currently reserved adequately for the probable and reasonably estimable costs of known environmental matters and other contingencies. However, additions to the reserves may be required as additional information is obtained that enables the Company to better estimate its liabilities. At this time, however, the Company cannot reasonably estimate a range of future additions to the reserves for any individual site or for all sites collectively. Reserves for environmental sites are based, among other factors, on assumptions regarding the volumes of contaminated soils and groundwater involved, as well as associated excavation, transportation and disposal costs.

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Although actual costs may differ from current estimates reflected in the reserve balances, the amount of any further revisions in remediation costs cannot be reasonably estimated at this time.

Other Matters

From time to time, the Company may be party to a number of legal and administrative proceedings involving environmental and/or other matters in various courts or agencies. These proceedings, individually and in the aggregate, may have a material adverse effect on the Company. These proceedings may be associated with facilities currently or previously owned, operated or used by the Company and/or its predecessors, some of which may include claims for personal injuries, property damages, cleanup costs and other environmental matters. Current and former operations of the Company may also involve management of regulated materials, which and are subject to various environmental laws and regulations. These laws and regulations may obligate the Company to clean up various sites at which petroleum and other hydrocarbons, chemicals, low-level radioactive substances and/or other materials have been contained, disposed of or released. Some of these sites have been designated Superfund sites by the U.S. Environmental Protection Agency (the EPA) pursuant to the comprehensive environmental response compensation and liability act (CERCLA) or state equivalents. Similar environmental laws and regulations and other requirements exist in foreign countries in which the Company operates.

KM Legacy Liabilities

At the time of the Contribution and IPO, The Company became liable for the KM Legacy Liabilities, including the Legacy Environmental Liabilities. As further described in Note 2, the KM Legacy Liabilities primarily relate to businesses and operations of Kerr-McGee that were shut down or discontinued prior to the Contribution and IPO, and represent over 2,800 individual locations; such businesses involved the treatment of forest products, the production of rocket fuel, the refining and marketing of petroleum products, offshore contract drilling, coal mining, and the mining, milling and processing of nuclear materials. The KM Legacy Liabilities are described in more detail below. As discussed in Note 1 and Note 2, as part of the Plan, the Company reached the Settlement, which resolved its obligations for the KM Legacy Liabilities. As a result, the KM Legacy Liabilities are not included in the Company s financial statements after the Effective Date.

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The Company s reserves for the KM Legacy Liabilities amounted to $440.1 million and $518.3 million at December 31, 2010 and 2009, respectively, which were classified in Liabilities subject to compromise on the Consolidated Balance Sheets. The following table provides a reconciliation of the changes in the KM Legacy Liabilities during fiscal 2010, 2009, and 2008.

	Legacy Tort Liabilities(1)	Legacy Environmental Liabilities(1)	Reimbursements Receivables(5)
		(Millions of dollars)	
Balance at December 31, 2007	$ 9.5	$ 491.0	$ 67.5
Provisions/Accruals	6.5	125.7	16.1
Transfers		0.2	
Payments	(1.2)	(37.3)	(19.1)
Settlements			
Balance at December 31, 2008	$ 14.8	$ 579.6	$ 64.5
Provisions/Accruals			2.6
KM Legacy Liability Settlement(2)	(4.6)	(71.1)	
Transfers(4)	9.0	16.7	
Payments	(0.6)	(25.5)	(12.9)
Settlements			
Balance at December 31, 2009	$ 18.6	$ 499.7	$ 54.2
Provisions/Accruals(3)	(0.3)		31.6
Transfers			(36.4)
Payments	(0.4)	(77.5)	(12.7)
Settlements			
Balance at December 31, 2010	$ 17.9	$ 422.2	$ 36.7

(1) Reflected in Liabilities subject to compromise on the Consolidated Balance Sheets at December 31, 2010 and 2009.

(2) Provision for the Legacy Tort Liabilities and the Legacy Environmental Liabilities in 2009 represent the Settlement adjustment recorded in 2009 (see Note 2).

(3) The Reimbursement Receivables accrual includes $47.7 million related to the Henderson, Nevada facility and $1.7 million related to the West Chicago, Illinois facility, partially offset by a $17.8 million write-off related to the cancellation of the MSA, as discussed in Note 20.

(4) Includes reclassifications in from other accounts of asset retirement liabilities and general and auto reserves, which were included in the Settlement. Includes reclassifications out of indirect environmental claims classified separately in the Consolidated Balance Sheet.

(5) Reimbursement Receivables for environmental remediation and restoration in 2010, 2009 and 2008 include $36.7 million, $54.2 million and $64.5 million, respectively, related to insurance proceeds, as well as reimbursements from the U.S. Department of Energy (the DOE) and Anadarko under the MSA. In 2010, the Company rejected the MSA as part of the bankruptcy process and therefore reversed $17.8 million of unpaid receivables related thereto.

As discussed in Note 2, as part of the Plan, the Debtor s reached the Settlement that resolved its obligations for the KM Legacy Liabilities. The Settlement established certain environmental response and tort claims trusts in exchange for cash, certain non-monetary assets, and the rights to the proceeds of certain ongoing litigation and insurance and other third party reimbursement agreements. The amount of the Settlement was approximately $411.9 million, excluding any estimate of amounts for the rights to proceeds from ongoing litigation and insurance proceeds.

The Company has estimated the amount of probable insurance recoveries associated with the environmental reserve based on management s interpretations and estimates surrounding the available or applicable insurance coverage. At December 31, 2010, the Company recorded a receivable for these probable insurance recoveries of $33.1 million, which was recorded in Accounts Receivable on the Consolidated Balance Sheets. At December 31, 2009, the Company recorded a receivable for such probable insurance recoveries of $9.4 million, of which $8.8 million was recorded in Accounts Receivables and $0.6 was recorded in Other Long-Term Assets on the Consolidated Balance Sheets. Although the Henderson, Nevada liability for environmental remediation will be transferred to the trust upon emergence, the Company will retain the insurance receivable after emergence as this receivable is based upon reimbursable funds expended prior to emergence.

The locations that are significant to the Legacy Environmental Liabilities are described below, however, pursuant to the Plan, the Company has no ongoing liability for such locations after the Effective Date.

Henderson, Nevada

In 1998, Kerr-McGee decided to exit the ammonium perchlorate business and shut down the associated production facilities in Henderson, Nevada that produced ammonium perchlorate and other related products which were used primarily in federal government defense and space programs. Perchlorate that may have originated, at least in part, from the Henderson facility has been detected in nearby Lake Mead and the Colorado River, which contribute to municipal water supplies in Arizona, Southern California and Southern Nevada.

Kerr-McGee and the Company entered into consent orders with the Nevada Division of Environmental Protection (the NDEP) that required the Company to implement both interim and long-term remedial measures to capture and remove perchlorate from groundwater, capture and treat the groundwater and close a certain impoundment related to the past production of ammonium perchlorate, including treatment and disposal of solution and sediment contained in the impoundment. In addition, NDEP also required the Company to conduct an Environmental Conditions Assessment (ECA) to test for various potential contaminants at the site which resulted in additional remediation obligations. In 2010, work on the ECA remediation obligations commenced and was substantially completed by the time the Company exited bankruptcy at a cost of approximately $41.7 million. Remediation related to perchlorate in the groundwater is ongoing.

Litigation In 2000, The Company initiated litigation against the U.S. seeking contribution for its Henderson response costs. The suit was based on the fact that the government owned the plant in the early years of its operation, exercised significant control over production at the plant and the sale of products produced at the plant, even while not the owner, and was the largest consumer of products produced at the plant. Before trial, the parties agreed to a settlement of the claims against the U.S. The settlement was memorialized in a consent decree approved by the court on January 13, 2006 and the U.S. paid the Company $20.5 million in contribution for past costs. In addition, commencing January 1, 2011, the U.S. is obligated to pay 21% of the remaining response costs at Henderson, if any, related to perchlorate.

Insurance Reimbursement In 2001, Kerr-McGee purchased a 10-year, $100.0 million environmental cost cap insurance policy for groundwater and other remediation at Henderson. The insurance policy provides coverage after a self-insured retention of approximately $62.3 million is exhausted and covers only those costs incurred to achieve a cleanup level specified in the policy. As of December 31, 2010, the Company had received $64.6 million of cost reimbursement under the insurance policy and received additional reimbursements of $33.1 million in 2011, for which a receivable was established in the financial statements for that amount.

Pursuant to the Plan, the Company has no ongoing responsibilities for the Legacy Environmental Liabilities at this location after the Effective Date.

West Chicago, Illinois

In 1973, Kerr-McGee closed a facility in West Chicago, Illinois, that processed thorium ores for the federal government and commercial purposes. Historical operations resulted in low-level radioactive contamination at the facility and in surrounding areas. The original processing facility is regulated by the State of Illinois (the State), and four vicinity areas are designated as Superfund sites on the National Priorities List (the NPL).

Closed Facility Pursuant to agreements reached in 1994 and 1997 among the Company, the City of West Chicago and the State regarding the decommissioning of the closed West Chicago facility, the Company has substantially completed the excavation of contaminated soils and has shipped those soils to a licensed disposal facility. Groundwater remediation is expected to continue for several more years. Groundwater monitoring is expected to be ongoing.

Vicinity Areas The EPA has listed four areas in the vicinity of the closed West Chicago facility on the NPL and designated the Company as a potential responsible party (PRP) in these four areas. The Company received letters of completion from the EPA for Reed-Keppler Park and the Upland Sewage Treatment Plant. Remedial work was substantially complete for the residential areas. The Company was completing cleanup of one property under an approved EPA work plan. The EPA is in the process of verifying the work done on the remaining residential properties.

Work was continuing at the other NPL site known as Kress Creek. The work involved removal of low level insoluble thorium residues principally in streambanks and streambed sediments. The Company reached an agreement with the appropriate federal, state agencies and local communities and the cleanup work was expected to be completed in 2011 and required excavation of contaminated soils and stream sediments and shipment of excavated materials to a licensed disposal facility. Restoration of affected areas will continue into 2012. Monitoring of the restored areas will continue for three years after restoration is complete.

Grand Pier Litigation In 2000, the EPA discovered radioactive materials at the R.M. Chin & Associates property, known as the Grand Pier Development, as excavation was beginning for a major commercial and residential project. The EPA directed Kerr-McGee, property owner River East, and Grand Pier Development to characterize and remove the radioactive materials. This work was completed in 2001. Subsequently, Grand Pier experienced financial difficulty and its lender foreclosed on the property in 2003. In 2005, Grand Pier filed a lawsuit in the U.S. District Court, Northern District of Illinois, seeking damages, including economic losses, which was ultimately settled for approximately $2.0 million in November 2010.

Government Reimbursement Pursuant to Title X, the DOE was obligated to reimburse the Company for certain decommissioning and cleanup costs incurred in connection with the West Chicago sites in recognition of the fact that about 55% of the facility s production was dedicated to U.S. government contracts. The amount authorized for reimbursement under Title X is $365.0 million, plus inflation adjustments. That amount is expected to cover the government s full share of West Chicago cleanup costs. Through December 31, 2010, the Company had been reimbursed approximately $340.5 million under Title X.

As of December 31, 2010, the government s share of costs incurred by the Company but not yet reimbursed by the DOE totaled approximately $3.6 million, which is reflected on the Consolidated Balance Sheet in Accounts Receivable. The Company received $25.0 million during 2010 and $2.6 million during January 2011 from the government which was immediately segregated from Company funds and held in escrow as per the terms of the Settlement. The funds were being held in escrow to specifically fund remediation expenditures, which amounted to $23.0 million through January 2011. The remaining balance of the escrow account of $4.6 million was transferred to the environmental trust on the Effective Date of the Plan. All future reimbursements, including those related to the $3.6 million receivable on the Company s books at December 31, 2010, will be made directly to the environmental trust.

Pursuant to the Plan, the Company has no ongoing liabilities for these locations after the Effective Date.

Ambrosia Lake, New Mexico

From the late 1950s until 1988, Kerr-McGee operated a uranium mining and milling operation at Ambrosia Lake near Grants, New Mexico, pursuant to a license issued by the Atomic Energy Commission (the AEC), now the Nuclear Regulatory Commission (the NRC). When the operation was sold, the Company retained

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responsibility as part of the sales agreement for certain environmental conditions existing at the site, including mill tailings, selected ponds and groundwater contamination related to the mill tailings and unlined ponds. Since 1989, the current owner of the site, Rio Algom Mining LLC (Rio Algom), has been decommissioning the site pursuant to the license issued by the NRC. Mill tailings, certain impacted surface soils and selected pond sediments have been consolidated in an onsite containment unit. Under terms of the sales agreement, which included provisions capping the liability of Rio Algom, the Company became obligated to solely fund the remediation for the items described above when total expenditures exceeded $30.0 million. A decommissioning plan for the remaining impacted soil was submitted by Rio Algom to the NRC and was approved in July 2006.

Litigation On January 18, 2006, Rio Algom filed suit against the Company in the U.S. District Court for the District of New Mexico. The suit seeks a determination regarding responsibility for certain labor-related and environmental remediation costs. Although Rio Algom did not seek a specific amount in its complaint, they asserted that future groundwater remediation costs, for which it believes the Company had responsibility, could be as much as $128.0 million.

The litigation was stayed and subsequently dismissed as a result of the bankruptcy filing. Pursuant to the Plan, the Company has no ongoing liabilities for this location after the Effective Date.

Crescent, Oklahoma

Beginning in 1965, Cimarron Corporation (Cimarron) operated a facility near Crescent, Oklahoma, at which it produced uranium and mixed oxide nuclear fuels pursuant to licenses issued by the AEC (now the NRC). Operations at the facility ceased in 1975 and buildings and soils were decommissioned in accordance with the NRC licenses. In limited areas of the site, groundwater is contaminated with radionuclides. Cimarron submitted to the NRC and the Oklahoma Department of Environmental Quality (the ODEQ) a draft remediation work plan addressing the groundwater contamination, including a proposed remediation technology, which was under review by the NRC and ODEQ.

Pursuant to the Plan, the Company has no ongoing liabilities for this location after the Effective Date.

New Jersey Wood-Treatment Site

A former subsidiary of Kerr-McGee was named in 1999 as a PRP under CERCLA at a former wood-treatment site in New Jersey at which the EPA conducted the cleanup. On April 15, 2005, the Company received a letter from the EPA asserting it was liable under CERCLA as a former owner or operator of the site and demanding reimbursement of costs expended by the EPA at the site. The letter made demand for payment of past costs in the amount of approximately $179.0 million, plus interest. The EPA informed the Company that, as of December 5, 2006, project costs were approximately $244.0 million, and that it would consider resolving the matter for $239.0 million.

Following the conclusion of mediation discussions, the EPA and the DOJ filed a complaint in the U.S. District Court, District of New Jersey, on August 28, 2008. The EPA did not name other PRPs or Anadarko in the lawsuit. The Company intended to vigorously defend against the EPA s claims.

On June 25, 2007, the New Jersey Department of Environmental Protection (NJDEP) and the Administrator of the New Jersey Spill Compensation Fund sued the Company and unnamed others in Superior Court, Law Division, Somerset County, New Jersey.

The plaintiffs allege defendants are responsible for releases from the Federal Creosote Superfund Site that damaged the state s groundwater and seek natural resource damages and reimbursement of costs that the state expended at the site and other similar relief. The Company filed an answer in the matter and NJDEP agreed to dismiss the state court action and re-filled its case in the United States District Court, District of New Jersey. The two cases were consolidated.

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The litigation was stayed and subsequently dismissed as a result of the bankruptcy filing. Pursuant to the Plan, the Company has no ongoing liabilities for this location after the Effective Date.

Sauget, Illinois

From 1927 to 1969, Kerr-McGee operated a wood-treatment plant on a 60-acre site in the Village of Sauget (formerly known as Monsanto) in St. Clair County, Illinois. Operations on the property resulted in the contamination of soil, sediment, surface water and groundwater at the site with creosote and other substances used in wood treating. Final pond closure was completed in 2008. Impacted soils remaining at the site are required to be transported to an approved landfill.

Pursuant to the Plan, the Company has no ongoing liabilities for this location after the Effective Date.

Cleveland, Oklahoma

Triple S Refining Corporation (Triple S), formerly known as Kerr-McGee Refining Corporation, owned and operated a petroleum refinery near Cleveland, Oklahoma, until the facility was closed in 1972. In 1992, Triple S entered into a consent order with the Oklahoma Department of Health (later, the ODEQ), which addressed the remediation of air, soil, surface water and groundwater contaminated by hydrocarbons and other refinery related materials. Facility dismantling and several interim remedial measures were completed. In 2006, the ODEQ approved the remedial design for soil and waste remediation, which included construction of an on-site disposal cell. Triple S completed a reassessment of the expected soil volumes that will require placement in the previously approved disposal cell. This reassessment was required due to additional findings of asbestos impacted material. Duration of remedial activities currently cannot be estimated.

Pursuant to the Plan, the Company has no ongoing liabilities for this location after the Effective Date.

Cushing, Oklahoma

In 1972, Triple S closed a petroleum refinery it had operated near Cushing, Oklahoma. Prior to closing the refinery, Triple S also had produced uranium and thorium fuel and metal at the site pursuant to licenses issued by the AEC. In 1990, Triple S entered into a consent agreement with the State of Oklahoma to investigate the site and take appropriate remedial actions related to petroleum refining and uranium and thorium residuals. Investigation and remediation of hydrocarbon contamination is being performed under the oversight of the ODEQ.

Pursuant to the Plan, the Company has no ongoing liabilities for this location after the Effective Date.

Jacksonville, Florida

In 1970, Kerr-McGee purchased a facility in Jacksonville, Florida, that manufactured and processed fertilizers, pesticides and herbicides and then closed the facility in 1978 and, in 1988, all structures were removed. A feasibility study was submitted to the EPA in October 2006, which recommended site soil remediation and excavation, site capping and limited groundwater remediation. A sediment analysis plan was prepared at the EPA s request and sampling of most of the river sediments was completed in the first quarter of 2008.

The EPA published the proposed plan for remediation of the site, held a public meeting and is evaluating comments on the proposed plan and issued of a Record of Decision (ROD). The EPA s proposed alternative for remediation of the site adds a bulkhead structure to contain any impacted sediments in the river and includes a perimeter slurry wall. In 2009, the site was listed on the NPL. The State and EPA continue to review the proposed plan and ROD.

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Pursuant to the Plan, the Company has no ongoing liabilities for this location after the Effective Date.

Riley Pass, South Dakota

The site consists of a series of natural bluffs where Kerr-McGee conducted mining for uranium in the early to mid 1960s which are mostly contained on properties owned by the federal government and managed by the U.S. Forest Service. The Company prepared a work plan to assess the site soils, conduct vegetation studies, evaluate archeological sites, and to generate a preliminary pre-design report. This work plan and subsequent submittals were approved by the U.S. Forest Service. Data collected as part of the approved work plans identified areas where soils exceed a cleanup threshold, and will require the material to be excavated and placed into engineered disposal cells. It was anticipated that final design plans for the cells and the procedures for excavating and transporting the material to the cells would be proposed to the U.S. Forest Service in 2009.

In the fourth quarter of 2008, the Company notified the U.S. Forest Service of its inability to complete the scheduled work due to the refusal of one of its subcontractors to perform. The U.S. Forest Service notified the Company of its intent to seek stipulated penalties. During the pendency of the bankruptcy, the U.S. Forrest Service hired a contractor to begin the scheduled work.

Pursuant to the Plan, the Company has no ongoing liabilities for this location after the Effective Date.

Other Sites

In addition to the sites described above, the Company was responsible for environmental costs related to certain other sites. These sites relate primarily to wood treating, chemical production, landfills, mining, and oil and gas refining, distribution and marketing. Although actual costs may differ from current estimates, the amount of any revisions in remediation costs could not be reasonably estimated.

Pursuant to the Plan, the Company has no ongoing liabilities for these sites after the Effective Date.

Master Separation Agreement

Pursuant to the MSA (which recites that it binds successors), Kerr-McGee was to reimburse the Company for a portion of the environmental remediation costs it incurred and paid (net of any cost reimbursements it recovered or expected to recover from insurers, governmental authorities or other parties). The reimbursement obligation extended to costs incurred at any site associated with any of the Company s former businesses or operations.

With respect to any site for which the Company had established a reserve as of the Effective Date of the MSA, or alternatively for which no reserve had been established, 50% of the remediation costs the Company incurs in excess of the reserve amount (after meeting a $200,000 minimum threshold amount) would be reimbursable by Kerr-McGee, net of any amounts recovered or, in the Company s reasonable and good faith estimate, that would be recovered from third parties. At December 31, 2009, the Company had a receivable of $17.8 million, primarily representing 50% of the settlement offer it had made related to the New Jersey wood-treatment site, as described above, that Anadarko consented to contribute if the settlement were accepted.

Kerr-McGee s aggregate reimbursement obligation to the Company could not exceed $100.0 million and was subject to various other limitations and restrictions. For example, Kerr-McGee was not obligated to reimburse the Company for amounts paid to third parties in connection with tort claims or personal injury lawsuits, or for administrative fines or civil penalties that the Company was required to pay. Kerr-McGee s reimbursement obligation was also limited to costs that the Company actually incurred and paid within seven years following the completion of the IPO. In 2010, the Company rejected the MSA with Kerr-McGee as part of the bankruptcy process and reversed a total of $17.8 million in outstanding receivables.

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Legacy Tort Liabilities

Birmingham, Alabama

Until 1995, Triple S operated a petroleum terminal in Birmingham, Alabama. In late 2005, a local church, which is located on property adjacent to the site, demanded payment for damages of approximately $25.0 million. The church has moved to dismiss a lawsuit by the Company, which sought injunctive relief, and has also filed a countersuit in the circuit court for Jefferson County, Alabama, against the Company and third parties seeking property damages, injunctive relief and costs. Recent testing identified a Jefferson County sewer line as a source of contamination on plaintiff s property. During the pendency of the bankruptcy, the church dismissed its action against the Company and is now pursuing claims against other third parties.

The litigation was stayed and subsequently dismissed as a result of the bankruptcy filing. Pursuant to the Plan, the Company has no ongoing liabilities for this matter after the Effective Date.

Forest Products Litigation

The Company was defending a number of lawsuits related to three former wood-treatment plants in Columbus, Mississippi; Avoca, Pennsylvania; and Texarkana, Texas. All of these lawsuits sought recoveries under a variety of common law and statutory legal theories for personal injuries and/or property damages allegedly caused by exposure to and/or release of chemicals used in the wood-treatment process, primarily creosote.

At Columbus, Mississippi, on October 3, 2007, the judge entered an order dismissing the consolidated litigation without prejudice, limiting future litigation to individual cases that were not settled through mediation. The first mediation hearing for two plaintiffs was conducted on August 26, 2008, and resulted in settlements with both plaintiffs. The second hearing, for eleven plaintiffs who claim brain cancer, was conducted on October 7, 2008, and resulted in settlements with five plaintiffs. The amount of mediation settlements totaled less than $0.1 million.

At Avoca, Pennsylvania, 35 state court lawsuits were filed in 2005 by over 3,000 plaintiffs. The plaintiffs classified their claims into various alleged disease categories. In September 2005, the judge ordered that discovery and the first trial focus on plaintiffs who alleged pre-cancerous skin lesions. The first trial was scheduled for August 2007, but in May 2007 the parties agreed on arbitration as an alternative to this litigation. The judge approved arbitration and placed the lawsuits on an inactive docket. The first arbitration, to address plaintiffs who claim pre-cancerous skin lesions, was conducted from October 1-10, 2007, resulted in nine individual awards which together totaled $0.2 million. The second arbitration hearing for plaintiffs claiming skin cancer was conducted August 5-7, 2008 and resulted in eight individual awards totaling $1.0 million.

At Texarkana, Texas, the six plaintiffs and the insurer in Jeans v. Tronox reached a settlement in 2008 and the Company s insurance company has paid the settlement amounts and legal fees.

The lawsuits were stayed and subsequently dismissed as a result of the bankruptcy filing. Pursuant to the Plan, the Company has no ongoing liabilities for these matters after the Effective Date.

Savannah Plant

Since 2003 the Company was in negotiations with the State of Georgia and the EPA regarding numerous alleged environmental violations at the Savannah, GA facility. On December 19, 2008, the DOJ filed a complaint in the Southern District of Georgia alleging violations at the Savannah facility including violations of the Clean Air Act (CAA), Resource Conservation and Recovery Act (RCRA), CERCLA, and the Clean Water Act.

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The litigation was stayed and subsequently dismissed as a result of the bankruptcy filing. Pursuant to the Plan, the Company has no ongoing liabilities for this location after the Effective Date.

21. Commitments

Lease and Purchase Obligations

The Company has various commitments under noncancelable operating lease agreements, principally for railcars, office space and production equipment. The aggregate minimum annual rentals under all operating leases at December 31, 2010, are shown in the table below. Total rental expense related to operating leases was $14.6 million in 2010, $11.9 million in 2009, and $10.6 million in 2008.

Purchase obligations are agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions, and the approximate timing of the transaction. In the normal course of business, the Company enters into contractual agreements to purchase raw materials, process chemicals and utilities. Aggregate future payments under these contracts are shown in the table below.

	Payments Due by Year						
Type of Obligation	**2011**	**2012**	**2013**	**2014**	**2015**	**After 2015**	**Total**
	(Millions of dollars)						
Operating leases	$ 17.7	$ 14.0	$ 9.9	$ 9.9	$ 9.8	$ 85.2	$ 146.5
Purchase obligations:							
Ore contracts(1)	163.6	67.6	32.3	32.3			295.8
Other purchase obligations	64.8	49.3	43.3	20.9	9.1	41.4	228.8
Total	$ 246.1	$ 130.9	$ 85.5	$ 63.1	$ 18.9	$ 126.6	$ 671.1

(1) Approximately 43% of current annual usage acquired from one supplier.

Letters of Credit and Other

At December 31, 2010, the Company had outstanding letters of credit in the amount of approximately $78.2 million that were cash collateralized and shown on the Consolidated Balance Sheets in Prepaid and other assets. These letters of credit have been granted by financial institutions to support the Company s environmental clean-up costs and miscellaneous operational requirements in international locations. Of the $78.2 million, $50.6 million was related to environmental remediation sites, of which $45.0 million was transferred at the Effective Date and $5.6 will be transferred to the environmental remediation trusts after the Effective Date.

The Company had entered into certain agreements that required it to indemnify third parties for losses related to environmental matters, litigation and other claims. No material obligations are presently known and, thus, no reserve has been recorded in connection with such indemnification agreements.

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22. Comprehensive Loss

Comprehensive loss for the years ended December 31, 2010, 2009 and 2008 consisted of the following:

	2010	2009	2008
	(Millions of dollars)		
Net Income (Loss)	$ 5.8	$ (38.5)	$ (334.9)
Foreign currency translation adjustments	(10.0)	36.8	(3.3)
Unrealized gain (loss) on cash flow hedges, net of taxes of nil, nil and nil			1.7
Reclassification of realized (gain) loss on cash flow hedges to net income (loss), net of taxes of nil, $0.3 and $0.8		0.4	(1.3)
Activity related to the Company s retirement and postretirement plans:			
Actuarial loss during the period, net of taxes of nil, nil and nil	(18.7)	(11.3)	(105.5)
Amortization of actuarial gain, net of taxes of nil, nil and nil	3.1	4.3	2.3
Prior service credit during the period, net of taxes of nil, nil and nil	12.1		21.4
Amortization of prior service cost, net of taxes of nil, nil, and nil	(14.0)	(3.9)	(8.6)
Termination of nonqualified benefits restoration plan, net of taxes of nil, nil and nil(1)	4.4		
Deconsolidation of Germany pension plan, net of taxes of nil, nil and nil(2)		(0.3)	
Settlement losses, net of taxes of nil, nil and nil(3)			20.0
Total comprehensive loss	$ (17.3)	$ (12.5)	$ (408.2)

(1) The nonqualified benefits restoration plan was terminated as part of the Plan.
(2) The Company s German operations were declared insolvent on March 13, 2009, as discussed in Note 19.
(3) Settlement losses were recorded as a result of lump sum payments to retirees out of the U.S. qualified and non-qualified plans as discussed in Note 16.

Components of accumulated other comprehensive income at December 31, 2010 and 2009, net of applicable tax effects, were as follows:

	2010	2009
	(Millions of dollars)	
Foreign currency translation adjustments	$ 121.7	$ 131.8
Unrecognized actuarial loss	(178.4)	(166.1)
Unrecognized prior service credit	65.5	66.2
Total	$ 8.8	$ 31.9

23. Reporting by Business Segment and Geographic Locations

The Company has one reportable segment representing the Company s pigment business. The pigment segment primarily produces and markets TiO_2, and has production facilities in the U.S., Australia, and the Netherlands. The pigment segment also includes heavy minerals production operated through the Company s Tiwest Joint Venture. The heavy minerals production is integrated with the Company s Australian pigment plant, but also has third-party sales of minerals not utilized by the Company s pigment operations. The Company s Other Activities are comprised of electrolytic manufacturing and marketing operations and Corporate and Other. Corporate and Other is comprised of corporate activities and sites that have been transferred to the trust upon emergence from bankruptcy. Although the Company s Electrolytic and other chemical products business line and Corporate and Other activities do not constitute reportable segments under ASC 280, Segment Reporting, (ASC 280) they are disclosed separately as management believes that providing this information is useful to the readers of the financial statements. Segment performance is evaluated based on segment operating profit (loss) , which represents the results of segment operations before unallocated costs, such as general corporate expenses

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not identified to a specific segment, environmental provisions related to sites no longer in operation, gains on land sales from properties not used in current operations, income tax expense or benefit and other income (expense).

	Pigment Segment	Other Activities Electrolytic	Corporate and Other	Total
	(Millions of dollars)			
For the year Ended December 31, 2010				
Net Sales	$ 1,068.2	$ 128.3	$ 21.1	$ 1,217.6
Income (Loss) from operations	169.7	5.8	34.1	209.6
Interest and debt expense				(49.9)
Gain on liquidation of subsidiary				5.3
Other income (expense)				(13.6)
Reorganization expense				(144.8)
Income (Loss) from Continuing Operations before Income Taxes				$ 6.6
Total Assets	$ 716.2	$ 122.9	$ 258.8	$ 1,097.9
Depreciation, Depletion and Amortization	39.6	7.1	3.4	50.1
Capital Expenditures	36.6	6.1	2.3	45.0
For the year Ended December 31, 2009				
Net Sales	$ 924.4	$ 127.1	$ 18.6	$ 1,070.1
Income (Loss) from operations(1)	43.0	18.0	(35.5)	25.5
Interest and debt expense				(35.9)
Other income (expense)				(10.3)
Reorganization expense				(9.5)
Income (Loss) from Continuing Operations before Income Taxes				$ (30.2)
Total Assets	$ 700.5	$ 99.5	$ 317.8	$ 1,117.8
Depreciation, Depletion and Amortization	41.0	7.4	4.7	53.1
Capital Expenditures	19.1	4.7	0.2	24.0
For the year Ended December 31, 2008				
Net Sales	$ 1,067.5	$ 120.9	$ 57.4	$ 1,245.8
Income (Loss) from operations(2)	(10.0)	3.9	(77.8)	(83.9)
Interest and debt expense				(53.9)
Other income (expense)				(9.5)
Income (Loss) from Continuing Operations before Income Taxes				$ (147.3)
Total Assets	$ 780.7	$ 106.1	$ 157.7	$ 1,044.5
Depreciation, Depletion and Amortization	61.2	8.3	6.2	75.7
Capital Expenditures	28.5	4.5	1.3	34.3

(1) Pigment segment income (loss) from operations in 2009 includes $4.3 million of severance and special termination benefits associated with the Company s work force restructuring, $0.4 million related to the impairment of long-lived assets and $13.0 million related to the write off of materials and supplies associated with the closure of the Company s Savannah, Georgia facility.

(2) Pigment segment income (loss) from operations in 2008 segment includes $1.3 million of severance and special termination benefits associated with the Company s work force restructuring and $24.9 million related to the impairment of long-lived assets. Electrolytic income (loss) from operations in 2008 includes $0.8 million of severance and special termination benefits associated with the Company s work force restructuring. Corporate and Other income (loss) from operations in 2008 includes $7.6 million of severance and special termination benefits associated with the Company s work force restructuring and $0.1 million related to the impairment of long-lived assets.

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	2010	2009	2008
Net Sales(1)			
U.S. operations	$ 692.8	$ 619.8	$ 823.3
International operations			
The Netherlands	209.0	175.4	185.4
Australia	315.8	274.9	237.1
Total	$ 1,217.6	$ 1,070.1	$ 1,245.8
Net Property, Plant and Equipment			
U.S. operations	$ 164.9	$ 180.8	$ 212.0
International operations			
The Netherlands	45.6	35.1	35.0
Australia	105.0	97.7	100.3
Total	$ 315.5	$ 313.6	$ 347.3

(1) Based on country of production.

24. Related Party Transactions

Tronox conducts transactions with Basic Management, Inc. and its subsidiaries (BMI) in support of the Company s Henderson, Nevada facility. The Company had an approximate 30% ownership in BMI. The Company paid $0.5 million, $0.6 million and $0.7 million, respectively, in 2010, 2009 and 2008 for these services.

Tronox conducts transactions with Exxaro, the Company s 50% partner in the Tiwest Joint Venture. The Company purchased, at open market prices, raw materials used in its production of TiO_2 and Exxaro s share of TiO_2 produced by the Tiwest Joint Venture. The Company also provides administrative services and product research and development activities which were reimbursed by Exxaro. The Company made total net payments of $106.7 million, $112.0 million and $101.6 million, respectively, in 2010, 2009 and 2008 for these transactions.

25. Subsequent Events

Tronox has evaluated subsequent events through October 19, 2011, the date the financial statements were available to be issued.

Fresh-Start Accounting

As discussed in Note 1, the Company applied fresh-start accounting pursuant to ASC 852 as of February 1, 2011. ASC 852 provides for, among other things, a determination of the value to be assigned to the assets of the reorganized company as of the Fresh-Start Reporting Date. As of February 1, 2011, Tronox estimated that its enterprise value range was between $975.0 million and $1,150.0 million, as established in the Plan. Management used $1,150.0 million, which was considered to be the best estimate of the value.

Under fresh-start accounting, the enterprise value of $1,150.0 million was allocated among Tronox s assets in conformity with the purchase method of accounting guidance for business combinations included in ASC 805. All estimates, assumptions, valuations, appraisals and financial projections, including the fresh-start adjustments, the reorganization value and equity value projections, are inherently subject to significant uncertainties outside of management s control. Accordingly, there can be no assurance that the estimates, assumptions, valuations, appraisals and financial projections will be realized and actual results could vary materially.

The following unaudited Condensed Consolidated Balance Sheet information illustrates the financial effects from implementing the Plan and the adoption of fresh-start accounting as of February 1, 2011.

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Condensed Consolidated Balance Sheet as of February 1, 2011

	Predecessor January 31, 2011	Reorganization Adjustments	Fresh-Start Adjustments	Successor February 1, 2011
	(Millions of dollars)			
Current Assets				
Cash and cash equivalents	$ 117.4	$ (56.4) a	$	$ 61.0
Accounts receivable, net	256.7	(3.8) b		252.9
Inventories	213.7	(1.7) c	35.5 k	247.5
Prepaid and other assets	139.3	(88.7) d		50.6
Deferred income taxes	4.2		0.4 p	4.6
Total Current Assets	**731.3**	**(150.6)**	**35.9**	**616.6**
Property, Plant and Equipment, Net	**317.5**	**(21.0)** e	**143.7** l	**440.2**
Intangible Assets, Net			**377.1** m	**377.1**
Other Long-Term Assets	**41.7**	**(13.9)** f	**(13.6)** n	**14.2**
Total Assets	**$ 1,090.5**	**$ (185.5)**	**$ 543.1**	**$ 1,448.1**
Liabilities and Stockholders Equity				
Current Liabilities				
Accounts payable	$ 221.6	$ (0.3) g	$	$ 221.3
Accrued liabilities	44.5	(0.5) h		44.0
Short-term debt		25.0 i		25.0
Long-term debt due within one year	4.3			4.3
Income taxes payable	2.7			2.7
Total Current Liabilities	**273.1**	**24.2**		**297.3**
Noncurrent Liabilities				
Long-Term debt	420.7			420.7
Pension and other postretirement benefits	107.2		(10.8) o	96.4
Deferred income taxes			13.1 p	13.1
Other	47.0		9.4 q	56.4
Total Noncurrent Liabilities	**574.9**		**11.7**	**586.6**
Liabilities Subject to Compromise	**896.7**	**(896.7)** j		
Total Liabilities	**1,744.7**	**(872.5)**	**11.7**	**883.9**
Total Stockholders Equity	**(654.2)**	**687.0**	**531.4** r	**564.2**
Total Liabilities and Stockholders Equity	**$ 1,090.5**	**$ (185.5)**	**$ 543.1**	**$ 1,448.1**

Reorganization Adjustments

a.

Cash and cash equivalents The adjustments to cash and cash equivalents represent net cash outflows, after giving effect to transactions pursuant to the Plan, including borrowings under the Wells Revolver, receipt of proceeds from the Rights Offering; payments relating to the discharge of debts and other liabilities subject to compromise; and the funding of the environmental response and tort trusts.

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		(Millions of dollars)
Sources of funds:		
Wells Revolver	$	25.0
Rights Offering		185.0
Release of environmental settlement escrow		35.0
Transfer of environmental letters of credit		29.9
Transfer of surety bonds		15.0
5% cash premium on collateralized letters of credit		2.2
	$	292.1
Use of funds:		
Environmental letters of credit	$	(29.9)
Surety bonds		(15.0)
Cash settlement payments to environmental trusts		(270.0)
Cash settlement to tort trust		(16.5)
Admin., cure and 503(b)(9) claims		(3.7)
Settlement of secured and convenience claims		(0.9)
Professional and legal service fees		(12.0)
Prorated property taxes		(0.5)
	$	(348.5)
Net cash outflows from reorganization	$	(56.4)

b. *Accounts receivable, net* The adjustment represents the transfer of certain trade and miscellaneous receivables to the environmental trusts.

c. *Inventories* The adjustment represents the transfer of finished goods and materials and supplies held at legacy sites to the environmental trusts.

d. *Prepaid and other assets* The adjustments to prepaid and other assets represent the transfer and release of funds on deposit related to letters of credit, surety bonds and environmental settlement escrow accounts that have been reclassified to cash and cash equivalents and used as sources of funds along with the transfer of prepaid and other asset balances at legacy sites that have been transferred to the environmental trust.

		(Millions of dollars)
Change in prepaid and other assets:		
Transfer of environmental letters of credit	$	(29.9)
Release of environmental settlement escrow		(35.0)
Release of Kress Creek escrow account		(4.6)
Henderson prepaid land development costs		(2.0)
Transfer of surety bonds		(15.0)
5% cash premium on collateralized letters of credit		(2.2)
	$	(88.7)

e. *Property, plant and equipment, net* The adjustment represents the transfer of property, plant and equipment held at legacy sites to the environmental trust.

f. *Other long-term assets* The net adjustment represents the transfer of a $14.8 million investment in equity method investees to the Nevada Environmental Trust and $1.5 million in long-term receivables transferred to other environmental trusts, slightly offset by the recognition of $2.4 million in deferred financing fees related to the drawing on the Wells Revolver.

g. *Accounts payable* The net adjustment represents payments made at emergence offset by accruals recorded for payments that will need to be made post-emergence as a result of execution of the Plan.

h. *Accrued liabilities* The adjustment represents $0.5 million in pro-rated property taxes related to sites that have been transferred to the environmental trusts as part of the reorganization plan.

i. *Short-term debt* The change in the short-term debt balance represents the $25.0 million draw on the Wells Revolver that the company made on the Effective Date.

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j. *Liabilities subject to compromise* The adjustment to liabilities subject to compromise reflects the discharge of liabilities subject to compromise through a series of transactions involving cash and equity.

Fresh-Start Accounting

In applying fresh-start accounting at February 1, 2011, the company recorded assets and liabilities at estimated fair value, except for deferred income taxes and certain liabilities associated with employee benefits, which were recorded in accordance with ASC 852 and ASC 740, respectively. The significant assumptions related to the valuations of the company s assets and liabilities recorded in connection with fresh-start accounting are discussed herein. All valuation inputs, with the exception of the calculation of raw material inventories and long-term debt, are considered to be Level 3 inputs, as they are based on significant inputs that are not observable in the market.

k. *Inventories* The company recorded inventory at its fair value of $247.5 million, which was determined as follows:

Finished goods were valued based on the estimated selling price of finished goods on hand less costs to sell, including disposal and holding period costs, and a reasonable profit margin on the selling and disposal effort for each specific category of finished goods being evaluated;

Work in process was valued based on the estimated selling price once completed less total costs to complete the manufacturing process, costs to sell including disposal and holding period costs, a reasonable profit margin on the remaining manufacturing, selling, and disposal effort; and

Raw materials were valued based on current replacement cost, which approximates fair value.

l. *Property, plant, and equipment, net* The Company recorded a $143.7 million fair value step-up on its property, plant and equipment at the time of applying fresh-start accounting. The $143.7 million step-up was ascribed to the corresponding property, plant and equipment classes which include land, buildings, machinery and equipment and construction in progress, (collectively real and personal property). Fair value was based on the highest and best use of the assets. For the majority of assets, the indirect cost approach was utilized to value the assets.

m. *Intangible assets, net* The change in intangible assets is due to the recognition of $377.1 million in separately identifiable intangible assets at fair value as a result of the application of fresh-start accounting. The following is a summary of the approaches used to determine the fair value of the significant intangible assets:

The company recorded the fair value of trade names of $3.6 million using the income approach relief-from-royalty methodology. Significant assumptions used in the calculation include:

0.10% royalty rate based on qualitative factors and the market-derived royalty rates;

Discount rates of 20% based on Tronox s weighted average cost of capital (WACC), adjusted for risks commonly inherent in trade names; and

Remaining useful life of five years based upon the nature of the industry and the relative strength of names in the marketplace.

The company recorded the fair value of TiO_2 technology of $31.9 million using the income approach relief-from-royalty methodology. Significant assumptions used in the calculation include:

0.75% royalty rate based on qualitative factors and the market-derived royalty rates;

Discount rates of 22.7% based on Tronox s WACC, adjusted for risks inherent in TiO_2 technology; and

Remaining useful life of 20 years based on the nature of the industry, the length of time that the technology has been in use, and the relative strength of the technology in the marketplace.

The company recorded the fair value of $5.0 million for in-process-research and development based on a probability-weighted income approach. Significant assumptions used in the calculation include:

Discount rates of 14.2% based on Tronox s WACC, adjusted for risks inherent in intangible assets, specifically in-process R&D; and

Remaining useful life of five years.

The company recorded the fair value of customer relationships of $293.9 million using a form of the income approach typically referred to as the multi-period economic income method. Significant assumptions used in the calculation include:

Customer attrition rate of 7.4% based on historical data;

Discount rates of 19.7% based on Tronox s WACC, adjusted for risks inherent in intangible assets, specifically customer relationships; and

Remaining useful life of 15 years.

The company recorded the fair value of lease tenements of $42.0 million using a form of the income approach referred to as the multi-period economic income method. Significant assumptions used in the calculation include:

Discount rates of 19.1% based on Tronox s WACC, adjusted for risks inherent to lease tenements; and

Remaining useful life of 16 years, amortized on a unit of production basis.

The company also recognized the fair value of other intangibles of $0.7 million. Other intangibles consist of highly specialized proprietary software utilized for its Botlek pigment facility, which has an estimated remaining useful life of seven years.

n. *Other long-term assets* The change in other long-term assets is due to the write-off of $14.6 million of deferred financing fees related to the DIP financing facilities, which converted to the Exit Facility in February 2011. The $14.6 million was partially offset by $0.8 million in deferred taxes recognized and $0.2 million related to the write-off of the net pension asset. At that time, additional deferred financing costs were capitalized based on the application of accounting principles. As of the emergence date, the fair value of debt changed where the stated coupon of the debt became par. Therefore, all previous deferred financing costs were written-off.

o. *Pension and other postretirement benefits* The net adjustment reflects the fair value adjustments to pension obligations as a result of the application of fresh-start accounting.

p. *Deferred income taxes* The application of fresh-start accounting on February 1, 2011, resulted in the re-measurement of deferred income tax assets and liabilities associated with the revaluation of the Company s assets and liabilities pursuant to ASC 852. Deferred income taxes were recorded at amounts determined in accordance with ASC 740.

q. *Other noncurrent liabilities* The net adjustment reflects the fair value adjustments to asset retirement obligations as a result of the application of fresh-start accounting.

r. *Stockholders equity* The adjustments reflect net gains relating to executing the Plan, gains related to revaluation of assets and resetting retained earnings and accumulated other comprehensive income to zero.

Related activities at Emergence

Exit Financing

The Company obtained exit financing of $550.0 million, as previously described in Note 11, including an Exit Facility of $425.0 million, fully drawn, and the Wells Revolver of $125.0 million, of which $25.0 million was drawn on the Effective Date. Deferred financing fees of $2.4 million related to the Wells Revolver have been included in other long-term assets. Net cash raised from the exit financing was used to repay the Final DIP Facility, as well as to partially fund the environmental response trusts and the torts claim trust.

New Common Stock

Pursuant to the Plan, the Company authorized 100 million shares of New Common Stock and 25 million shares of New Preferred Stock, and issued 14,974,447 New Common shares to: (i) class 3 general unsecured creditors; ii) pursuant to the Rights Offering and iii) as consideration to the backstop parties of the Rights Offering.

Rights Offering

The Rights Offering consisted of an offering of New Common Stock for $185.0 million in cash, which was open to all eligible holders of claims (the Eligible Holders), largely class 3 general unsecured creditors. On the Effective Date, Eligible Holders were given Rights to purchase shares of New Common Stock on a pro rata basis, based on a 17.6% discount to the Plan total enterprise value of Tronox of $1,062.5 million, in exchange for an aggregate of up to 45.5% of the New Common Stock issued on the Effective Date, subject to dilution by shares issued in connection with a management equity plan and exercise of the Series A Warrants and the Series B Warrants, if any.

Backstop parties, certain holders of the Company s prepetition Senior Unsecured Notes, agreed to backstop the Rights Offering for consideration of 8% of the $185.0 million equity commitment, payable in the form of additional equity (approximately 3.6% of the New Common Stock issued on the Effective Date, subject to dilution by shares issued in connection with the management equity plan and any exercise of the Series A Warrants and the Series B Warrants).

New Warrants

On the Effective Date, Series A Warrants were issued to acquire, in the aggregate, 544,041 shares of New Common Stock with an expiration date of the seventh anniversary of the Effective Date, and an exercise price of $62.13 per share. Series B Warrants were also issued on the Effective Date to acquire, in the aggregate, 672,175 shares of New Common Stock, with an expiration date of the seventh anniversary of the Effective Date, and an exercise price of $68.56 per share.

The Series A and B Warrants and the shares of New Common Stock issued upon exercise thereof will be subject to dilution by any shares of New Common Stock issued after the Effective Date, including upon exercise of the Series B Warrants (in the case of Series A Warrants calculations) and shares issued under the management equity agreement.

Management Equity Incentive Plan

On the Effective Date, the Company adopted the management equity incentive plan (the MEIP), which is intended to further its growth and profitability by increasing incentives and encouraging share ownership on the part of its employees and Board members. The MEIP permits the grant of awards that constitute incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards, cash payments and such other forms as the compensation committee of the Board in its discretion deems appropriate, including any combination of the above. Subject to further adjustment, the number of shares available for delivery pursuant to the awards granted under the MEIP is 1.2 million shares. The shares awarded under the MEIP, may be; authorized but unissued shares; authorized and issued shares reacquired and held as treasury shares or a combination thereof. On the Effective Date, 219,250 shares of restricted stock were granted to employees that vest quarterly over a three-year period. In addition, 46,138 shares of restricted stock were also granted to members of the Board, which vest over varying periods depending upon the specific terms of each individual grant.

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Income Taxes

For U.S federal income tax purposes, typically the amount of cancellation of debt income (CODI) recognized, and accordingly the amount of tax attributes that may be reduced, depends in part on the fair market value of non-cash consideration given to creditors. On the Company s date of emergence, the fair market value of non-cash consideration given was such that the creditors received consideration in excess of their claims. For this reason, the Company has not recognize any CODI and was able to retain all of its U.S. tax attributes. In addition, the Company expected to receive a tax deduction for the premium paid to the creditors of approximately $1.1 billion, resulting in a potential federal tax benefit of $385.0 million. This deduction will increase the Company s net operating loss (NOL) in the U.S. The U.S. deferred tax asset will be offset by a valuation allowance in accordance with FASB ASC 740 after considering all available positive and negative evidence. Upon emergence from bankruptcy, the Company experienced an ownership change resulting in a limitation under IRC Section 382 and 383 related to its U.S. NOL s generated prior to emergence. The Company does not expect that the application of these limitations will have any material affect upon its U.S. federal income tax liabilities.

Tiwest Joint Venture Financing

In March 2011, the Tiwest Joint Venture, acquired a steam and electricity gas fired co-generation plant, adjacent to Kwinana Facility, through a five year finance lease arrangement. Tronox Western Australia Pty Ltd, the Company s wholly-owned subsidiary, owns a 50% undivided interest in the co-generation plant through the Tiwest Joint Venture. As a result, the Company incurred additional debt totaling $8.0 million as of March 31, 2011, in order to finance its share of the asset purchase. Under the finance lease arrangement, monthly payments are required and interest accrues on the remaining balance owed at the rate of 6.5% per annum.

Tiwest Joint Venture TiO_2 Plant Expansion

The expansion of the Tiwest Joint Venture TiO_2 plant in Western Australia was completed and commissioned at the end of the second quarter of 2010. While Tronox was in bankruptcy, Exxaro funded the majority of the expansion. In May 2011, Tronox provided notice to Exxaro that it will buy into its 50% share of the Tiwest expansion as of June 30, 2011 for $79.1 million. The expansion increased TiO_2 production capacity at the plant in Western Australia from 110,000 to 150,000 metric tonnes per annum.

RTI Hamilton Settlement

The outstanding legal disputes between Tronox and RTI Hamilton, Inc dating back to 2008 have come to a close with the parties reaching an agreement in principle during August 2011. The Settlement Agreement reflects a compromise and settlement of disputed claims in complete accord and satisfaction thereof. RTI Hamilton paid Tronox the sum of $10.5 million within five business days of receipt of the Bankruptcy Court Approval. Of the total payment, $0.7 million constitutes payment for capital costs incurred by Tronox in relation to the agreement, plus interest.

Exxaro Acquisition

In September 2011, the Company entered into a definitive agreement with Exxaro to acquire 74% of its South African mineral sands operations, including its Namakwa and KZN Sands mines, separation and slag furnaces, along with the remaining 50% of the Tiwest Joint Venture in Western Australia. The Company believes that the combination of Exxaro s world-class mineral sands operations, along with its leading proprietary chloride process technology will establish Tronox as the leading, highly efficient vertically integrated pigment company.

The acquisition will significantly expand the Company to over 3,500 employees at 16 facilities on four continents. As part of the transaction, Exxaro will retain a significant ownership stake in Tronox, which the Company views at a one of the benefits of this transaction. With a substantial investment in the business, Exxaro will continue to be a valuable global partner, as the Company will continue to rely on Exxaro for their mining

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expertise, technology and government affairs support. In addition, the Company will be assuming a number of Exxaro Mineral Sands key management personnel to head up Tronox s worldwide mineral sands operations from its office in South Africa.

Registration Rights Agreement

The Registration Rights Agreement included a clause that required the Company to file a registration statement with the SEC on or before September 30, 2011. The Company did not meet the September 30, 2011 deadline, and therefore, is expected to be subject to liquidation damages of approximately $2.0 million.

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Exxaro Mineral Sands Operations

Consolidated Financial Statements

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EXXARO MINERAL SANDS OPERATIONS

CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Six months ended June 30,	
	2011	**2010**
	R 000	**R 000**
Revenue	2,889,365	2,129,532
Raw materials and consumables	(612,816)	(552,547)
Staff costs	(463,356)	(417,399)
Depreciation and amortisation	(248,770)	(281,089)
Energy costs	(294,540)	(233,846)
Other operating expenses	(590,811)	(553,611)
Operating profit (note 4)	679,072	91,040
Interest income (note 5)	43,989	4,226
Interest expense (note 5)	(136,792)	(155,220)
Profit/(loss) before tax	586,269	(59,954)
Income tax (expense)/benefit	(163,738)	49,523
Profit/(loss) attributable to Exxaro group of companies	422,531	(10,431)
Other comprehensive income/(loss):		
Exchange differences on translating foreign operations	145,216	(38,620)
Cash flow hedges	41,202	(11,539)
Income tax relating to components of other comprehensive income	(8,880)	2,996
Net gain/(loss) recognised in other comprehensive income for the period, net of tax	177,538	(47,163)
Total comprehensive income/(loss) for the period attributable to Exxaro group of companies	600,069	(57,594)

The accompanying notes are an integral part of these condensed combined financial statements.

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EXXARO MINERAL SANDS OPERATIONS

CONDENSED COMBINED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

	At June 30, 2011 R 000	At December 31, 2010 R 000
ASSETS		
Non-current assets		
Property, plant and equipment	4,978,641	5,252,566
Intangible assets	76,704	72,799
Deferred tax	83,827	138,309
Financial assets	135,433	126,654
Total non-current assets	5,274,605	5,590,328
Current assets		
Inventories	1,923,464	1,911,909
Trade and other receivables	1,608,697	1,157,649
Derivatives	80,153	84,991
Amounts owing by related parties (note 10)	1,064,782	1,057,534
Cash and cash equivalents	1,098,088	418,879
Total current assets	5,775,184	4,630,962
Non-current assets classified as held for sale (note 6)	3,688	
Total assets	**11,053,477**	**10,221,290**
EQUITY AND LIABILITIES		
Capital and reserves		
Invested capital	2,476,900	2,476,900
Other reserves	674,149	498,281
Accumulated losses	(3,043,289)	(3,465,820)
Net investment by Exxaro Resources Limited	107,760	(490,639)
Non-current liabilities		
Interest-bearing borrowings	673,288	652,641
Amounts due to related parties (note 10)	2,218,186	2,346,568
Deferred tax	140,056	19,181
Post-retirement medical obligation	40,999	37,685
Non-current provisions	461,979	438,337
Total non-current liabilities	3,534,508	3,494,412
Current liabilities		
Trade and other payables	604,121	715,293
Derivatives	35,946	4,230
Amount due to related parties (note 10)	6,482,805	6,215,285
Interest-bearing borrowings	283,576	270,658
Provision for environmental restoration	4,761	12,051
Total current liabilities	7,411,209	7,217,517

Total equity and liabilities	**11,053,477**	**10,221,290**

The accompanying notes are an integral part of these condensed combined financial statements.

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EXXARO MINERAL SANDS OPERATIONS

CONDENSED COMBINED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30, 2011 R 000	Six months ended June 30, 2010 R 000
Cash flows from operating activities		
- cash generated by operations (note 7.1)	414,244	443,557
- net financing costs (note 7.2)	(79,393)	(136,675)
	334,851	306,882
Cash flows from investing activities		
- purchases of property, plant and equipment	(142,036)	(393,649)
- proceeds from Tronox buy-back arrangement (excluding interest income) (note 8)	427,151	
- decrease/(increase) in investments in other non-current assets	6,183	(2,515)
- decrease/(increase) in amounts owing by related parties	60,076	(17,619)
- other	596	602
	351,970	(413,181)
Cash flows from financing activities		
- interest-bearing borrowings raised		67,327
- interest-bearing borrowings repaid	(46,308)	(9,749)
- proceeds/(payment) on related party borrowings	26,732	(79,029)
	(19,576)	(21,451)
Net increase/(decrease) in cash and cash equivalents	667,245	(127,750)
Cash and cash equivalents at beginning of period	418,879	276,892
Translation differences on cash and cash equivalents	11,964	8,067
Total cash and cash equivalents at end of period	1,098,088	157,209

The accompanying notes are an integral part of these condensed combined financial statements.

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EXXARO MINERAL SANDS OPERATIONS

CONDENSED COMBINED STATEMENTS OF CHANGES IN EQUITY/(DEFICIT)

(Unaudited)

	Invested capital R 000	Foreign currency translations R 000	Other reserves Financial instruments revaluation R 000	Equity settled reserve R 000	Accumulated (loss)/profits R 000	Net investment by Exxaro R 000
Balance at January 1, 2010	**2,476,900**	**259,396**	**83,233**	**50,453**	**(3,474,305)**	**(604,323)**
Loss for the six months					(10,431)	(10,431)
Other comprehensive loss		(38,620)	(8,543)			(47,163)
Transactions with owners						
- Share-based payments				3,285		3,285
Balance at June 30, 2010	**2,476,900**	**220,776**	**74,690**	**53,738**	**(3,484,736)**	**(658,632)**
Balance at January 1, 2011	**2,476,900**	**283,603**	**146,256**	**68,422**	**(3,465,820)**	**(490,639)**
Profit for the six months					422,531	422,531
Other comprehensive income		145,216	32,322			177,538
Transactions with owners						
- Share-based payments				(1,670)		(1,670)
Balance at June 30, 2011	**2,476,900**	**428,819**	**178,578**	**66,752**	**(3,043,289)**	**107,760**

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities within the Exxaro Mineral Sands Operations.

Financial instruments revaluation reserve

The financial instruments revaluation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Equity-settled reserve

The equity-settled reserve represents the fair value of services received and settled by equity instruments of Exxaro.

The accompanying notes are an integral part of these condensed combined financial statements.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

(Unaudited)

1. BACKGROUND

On September 26, 2011, Exxaro Resources Limited (Exxaro) signed a Transaction Agreement to sell its mineral sands operations (the Exxaro Mineral Sands Operations) to Tronox Incorporated (the Acquirer or Tronox).

The Exxaro Mineral Sands Operations is comprised of the following wholly-owned subsidiaries of Exxaro in South Africa, Netherlands and Australia:

Exxaro TSA Sands (Pty) Ltd, Exxaro Sands (Pty) Ltd, Exxaro Australia Sands (Pty) Ltd, Exxaro Holdings Sands (Pty) Ltd, Exxaro Holdings (Aus) (Pty) Ltd, Exxaro Investments (Australia) (Pty) Ltd, Ticor Finance (A.C.T) (Pty) Ltd, Ticor Resources (Pty) Ltd, Ticor Chemical Company (Pty) Ltd, Omacor SAC, TIO2 Corporation (Pty) Ltd, Tific (Pty) Ltd, Yalgoo Minerals (Pty) Ltd, Senbar Holdings (Pty) Ltd, Pigment Holdings (Pty) Ltd, Synthetic Rutile Holdings (Pty) Ltd and Exxaro Sands Holdings BV.

The Exxaro Mineral Sands Operations conduct mining and smelting activities of titanium mineral ores to produce titanium slag and pig iron, in the Empangeni area of KwaZulu Natal, as well as the mining and smelting activities of mineral sands at Namakwa Sands in the Western Cape, of South Africa. The operations in Australia include a 50% interest in the Tiwest Joint Venture in Australia, which consists of the mining and concentration of titanium mineral ores, the operation of a synthetic rutile production facility as well as a titanium dioxide pigment plant operation (the Tiwest Joint Venture). The Tiwest Joint Venture is an unincorporated joint venture with Tronox.

The condensed combined interim financial statements were authorised for issue by the board of directors of Exxaro on December 29, 2011.

The basis of preparation, combination and presentation of the condensed combined interim financial statements of the Exxaro Mineral Sands Operations is more fully described below.

2. BASIS OF PREPARATION

The accompanying financial statements represent the condensed combined interim financial statements of the entities described in note 1 above, which are all wholly-owned subsidiaries of Exxaro. Such entities comprise the Exxaro Mineral Sands Operations and have historically been managed together, and have been under common control, during the reporting periods. The condensed combined interim financial information for the six months ended June 30, 2011 has been prepared in accordance with IAS 34, Interim financial reporting . The condensed combined interim financial information should be read in conjunction with the combined financial statements for the year ended December 31, 2010, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

(a) Going concern

The combined financial statements have been prepared on the going concern basis, which assumes that the Exxaro Mineral Sands Operations will continue to be able to meet its liabilities as they fall due for the foreseeable future. Management has performed additional steps to determine whether the Exxaro Mineral Sands Operations will continue as a going concern.

Management has assessed the expected cash flows for the group over the next 12 months following June 30, 2011. This assessment indicates that the Exxaro Mineral Sands Operations will generate sufficient cash flow to repay its current liabilities with the exception of the shareholders loans provided by Exxaro.

Exxaro has provided legally binding letters of support to the Exxaro Minerals Sands Operations, including an undertaking to provide the Exxaro Mineral Sands Operations with such additional facilities as may be required

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS (Continued)

(Unaudited)

to ensure that it remains as a going concern for so long it continues to be wholly-owned by Exxaro. The transaction agreement with Tronox includes an undertaking by Exxaro not to demand payment of shareholders loans prior to closing.

Based on the assessment of the cash flows and the letters of support provided by Exxaro, management have a reasonable expectation that the Exxaro Mineral Sands Operations has adequate resources to continue in operational existence for the foreseeable future. The Exxaro Mineral Sands Operations therefore continues to adopt the going concern basis in preparing its combined financial statements.

(b) Management fees

Exxaro uses a cost recovery mechanism to recover certain central management and other similar costs it incurs at a corporate level. The management fees reflected in the combined interim financial statements are based on the amounts historically recorded in the accounts of the individual entities within the Exxaro Mineral Sands Operations due to this cost recovery mechanism. An appropriate proportion of the remuneration of the senior management personnel for Exxaro including the Exxaro Mineral Sands Operations, including their salaries and pension costs, is included in these management fees. These management fees have either been directly attributed to individual operations of the Exxaro Mineral Sands Operations or, for costs incurred centrally, allocated between the relevant Exxaro businesses and the Exxaro Mineral Sands Operations. Costs have principally been allocated on the basis of actual services delivered. A complete discussion of the Exxaro Mineral Sands Operations relationship with Exxaro and other Exxaro companies, including a description of the costs that have historically been charged to the Exxaro Mineral Sands Operations, is included in Note 10 to these condensed combined interim financial statements.

(c) Interest

The interest charge reflected in the condensed combined interim financial statements is based on the interest charge historically incurred by the entities included in the Exxaro Mineral Sands Operations on specific external borrowings or financing provided by other Exxaro companies. Details of borrowings from other Exxaro companies are set out in note 10.

(d) Taxation

The entities that comprise the Exxaro Mineral Sands Operations have historically filed separate tax returns in South Africa, and a consolidated tax return in Australia.

Current and deferred income taxes for the Exxaro Mineral Sands South African operations are therefore based on the historical (separate) tax returns.

Current and deferred income taxes for the Exxaro Mineral Sands Australian operations are based on the consolidated tax return prepared for all Australian subsidiaries of Exxaro. The head entity within the tax-consolidated group for the Australian operations is Exxaro Australia Pty Ltd (which is a fellow-subsidiary of Exxaro engaged in Coal operations, and not part of the Exxaro Mineral Sands Operations). Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding agreement, each of the Exxaro Mineral Sands Operations entities and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the

EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS (Continued)

(Unaudited)

separate taxpayer within group approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by Exxaro Australia Pty Ltd (as head entity in the tax-consolidated group). Such amounts are reflected in amounts receivable from, or payable to, related parties (see note 10).

There is no difference between the tax expense recognised in each entity on a separate tax return basis to that recognised on a consolidated tax return basis.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payments of any amount under the tax sharing agreement are considered remote. Tax liabilities that may arise from any separation of the entities comprising the Exxaro Mineral Sands Australia operations from the tax consolidated group have not been reflected in the combined financial statements.

(e) Net investment by other Exxaro companies

The net investment by other Exxaro companies in the Exxaro Mineral Sands Operations businesses is shown in lieu of shareholder s equity in the combined balance sheets. Net investment by other Exxaro companies therefore includes aggregated combined share capital of the entities included within the combined financial statements, accumulated losses and other reserves (including share-based payment reserve, hedging reserve and cumulative translation adjustments).

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Adoption of new and revised standards and interpretations

During the first six months of 2011 the following accounting pronouncements became effective:

Amendment to IFRS 7 *Financial Instruments: Disclosures* this amendment clarifies certain of the disclosures relating to credit risk.

Amendment to IAS 1 *Presentation of Financial Statements* this amendment clarifies disclosures required for each component of equity.

Amendment to IAS 34 *Interim Financial Reporting* this amendment provides further information on the significant events and transactions requiring discussion in interim financial reports.

Amendment to IAS 24 *Related Party Disclosures* this amendment clarifies and simplifies the definition of a related party.

These pronouncements had no material impact on the accounting of transactions or the disclosure thereof.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS (Continued)

(Unaudited)

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

Amendments to IFRS 1 *First time adoption* this amendment replaces the fixed date of January 1, 2004 with the date of transition to IFRSs, eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment also provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation is provided. This amendment is effective July 1, 2011.

Amendment to IFRS 7 *Disclosures* This amendment provides additional disclosure requirements with respect to transfers of financial assets. This amendment is effective July 1, 2011.

Amendment to IAS 12 *Income taxes* this amendment introduces a rebuttable presumption that deferred tax assets or liabilities arising on investment property measured at fair value should be recognised based on recovery by sale. The amendment is effective on January 1, 2012.

IFRS 9 *Financial Instruments* this standard is part of the IASBs project to replace IAS 39. It addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The standard is effective January 1, 2013.

IFRS 10 *Consolidated financial statements* this standard clarifies the concept of control which is the determining factor in whether an entity should be included within the consolidated financial statements. Additional guidance is provided to assist in determining control where this is difficult to assess. The standard is effective January 1, 2013.

IFRS 11 *Joint arrangements* this standard provides guidance on the assessment of joint arrangements (as either joint ventures or joint arrangements) and the required accounting for these arrangements. Proportionate consolidation is no longer permitted. The standard is effective January 1, 2013.

IFRS 12 *Disclosures of interests in other entities* this standard describes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective January 1, 2013.

IFRS 13 *Fair value measurement* this standard provides a precise definition of fair value and represents a single source of fair value measurement and disclosure requirements for use across IFRS. The standard is effective January 1, 2013.

- IAS 27 (revised 2011) *Separate financial statements* this updated standard includes the provisions on separate financial statements which remain after the control provisions of IAS 27 have been included in the new IFRS 10. The standard is effective January 1, 2013.

- IAS 28 (revised 2011) *Associates and joint ventures* this updated standard requires equity accounting for investments in associates and joint ventures. The standard is effective January 1, 2013.

Management is continuing to assess the impact of these new and amended standards on the financial statements.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS (Continued)

(Unaudited)

Judgments made by management

In preparing these condensed combined interim financial statements, the significant judgments made by management in applying the Exxaro Mineral Sands Operations accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial statements for the year ended December 31, 2010, with the exception of changes in estimates that are required in determining the provisions for environmental rehabilitation and decommissioning, mineral reserves and resources, post-retirement obligations, fair value of derivatives, provision for income taxes, liabilities associated with finance leases and the recognition of deferred tax assets.

	Six months ended June 30, 2011 R 000	Six months ended June 30, 2010 R 000
4. Operating profit has been arrived at after charging/(crediting) the following gains and losses:		
Currency exchange differences		
- net realised foreign currency exchange losses	71,044	9,426
- net unrealised foreign exchange gains	(159,695)	(900)
Fair value gains on financial assets at fair value through profit or loss		
- designated upon initial recognition	(1,423)	(830)
- held for trading	(19,430)	(44,063)
Derivative instruments held for trading (gains)	(16,961)	(30,893)
Management fees paid	66,467	70,944
Royalties paid	46,483	11,440
Repairs and maintenance	198,025	163,939
Depreciation of property, plant and equipment	246,926	279,359
Net (surplus)/loss on disposal of property, plant and equipment	(17,755)	561
5. Net financing costs		
Interest income		
Interest income on cash and cash equivalents	(42,323)	(1,863)
Interest income on financial assets designated at fair value through profit or loss	(1,666)	(2,363)
	(43,989)	(4,226)
Interest expense		
Interest expense on interest-bearing borrowings (amortised cost)	27,822	17,023
Interest expense on obligations under finance leases (amortised cost)	15,293	12,109
Interest expense on non-current provisions	13,410	14,319
Fair value losses on derivative financial instruments	569	142
Interest expense on external liabilities	57,094	43,593
Interest expense on related party loans (note 10)	79,698	111,627
	136,792	155,220
Net financing costs	92,803	150,994

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS (Continued)

(Unaudited)

6. Non-current assets classified as held for sale

	At June 30, 2011 R 000	At December 31, 2010 R 000
The major classes of the assets classified as held for sale are as follows:		
Financial assets	3,688	
The investment in Ndzalama Game Reserve is classified as held for sale.		
Completion of the sale transactions is expected to take place within 12 months.		
A partial disposal took place during the six months ended June 30, 2011, the proceeds of which were R2.8 million.		

7. Notes to the Cash Flow statement

	Six months ended June 30, 2011 R 000	2010 R 000
7.1: Cash generated by operations		
Profit before tax	586,269	(59,954)
Net financing costs	92,803	150,994
- interest income	(43,989)	(4,226)
- interest expense	136,792	155,220
Operating profit	679,072	91,040
Adjusted for non-cash movements		
- Depreciation and amortisation	248,771	281,089
- Provisions	5,511	915
- Net loss/(profit) on disposal or scrapping of property, plant and equipment	(17,755)	561
- Foreign exchange revaluations and fair value adjustments	12,683	1,317
- Share-based payment expenses	8,485	9,597
- Other	121	168
	936,888	384,687
Working capital movements		
- Decrease in inventories	46,039	69,577
- Increase in trade and other receivables	(444,225)	(89,132)
- (Decrease)/increase in trade and other payables	(110,757)	83,956
- Utilisation of provisions	(13,701)	(5,531)
Cash generated by operations	414,244	443,557

7.2: Net financing costs		
Net financing costs (note 5)	(92,803)	(150,994)
Financing costs not involving cash flow	13,410	14,319
- Decommissioning and environmental rehabilitation provisions	11,667	13,017
- Post-retirement medical obligation	1,743	1,302
	(79,393)	(136,675)

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS (Continued)

(Unaudited)

8. Tronox buy-back arrangement

During 2008 to 2010, the Tiwest Joint Venture partners, Tronox Western Australia Pty Ltd (TWA) and Exxaro Australia Sands (EAS), expanded the Tiwest Kwinana titanium dioxide (Ti02) pigment plant at a cost of R862.0 million (AUD 118 million). The aim of the expansion was to increase the capacity of the plant s production of pigment from approximately 110ktpa to approximately 150ktpa.

TWA elected not to contribute to the expansion programme subsequent to the feasibility stage in accordance with its rights under the Development Agreement for the expansion of the plant. As a result, EAS funded the majority of the expansion (96.9%). The Development Agreement specified that rights to the pigment produced as a result of the expansion (Expanded Capacity Production) follow the levels of contribution for the expansion. At December 31, 2010, EAS was entitled to 96.9% of the Expanded Capacity Production.

The Development Agreement also included a clause the permitted TWA to reinstate its share of the Expanded Capacity Production to 50% by paying EAS an amount equal to 50% of the amounts expended for the expansion plus interest and a risk premium charge.

On May 31, 2011, TWA exercised its right to reinstate its share of the Expanded Capacity Production to 50%. The substance of this exercise, which became effective on June 30, 2011, is that EAS effectively sold 46.9% of the Expanded Capacity Production to TWA.

The results of the Tiwest Joint Venture are proportionally consolidated by EAS. The cash payment made by TWA to EAS totalling R467.5 million (AUD 64 million) had the following effect on the combined financial statements as at June 30, 2011 and for the six months ended June 30, 2011:

	R 000
Increase in cash and cash equivalents[1]	467,471
Decrease in trade and other payables[1]	75,691
Decrease in interest-bearing borrowings	9,360
Risk premium income[2]	(59,760)
Interest income[2]	(40,320)
Decrease in property, plant and equipment (net)[3]	(429,402)
Gain on sale of property, plant and equipment[3]	(23,040)

1 Net cash paid by TWA to EAS represents the total consideration offset by the amount owing to TWA by EAS in relation to certain feedstock required to process the additional pigment as a result of the expansion.

2 Calculated based on the terms of Development Agreement.

3 Derecognition of 46.9% of the property, plant and equipment related to the expansion and recognition of a gain on disposal.

9. Contingent liabilities

Contingent liabilities include operational guarantees in the amount of R222 million as at June 30, 2011 and December 31, 2010, in the normal course of business from which it is anticipated that no material liabilities will arise. The operational guarantees include the guarantees provided to the DMR (Department of Minerals and Resources) with regards to the Exxaro Mineral Sands Operations ability to immediately rehabilitate the mining operations should the need arise.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS (Continued)

(Unaudited)

10. Related party transactions

Exxaro Mineral Sands Operations, in the ordinary course of business, entered into various related party transactions.

	Six months ended June 30, 2011 R 000	Six months ended June 30, 2010 R 000
Transactions:		
Exxaro Resources Limited holding company		
- Corporate fees for essential services rendered	66,467	70,944
- Interest expense	79,698	111,627
Exxaro Coal (Pty) Ltd fellow subsidiary		
- Service costs		3
Exxaro Australia Pty Ltd fellow subsidiary		
General expenses/recharges	(657)	9,020
Ireland Finance fellow subsidiary		
Foreign exchange (gains)/losses	(10,249)	10,401
Exxaro International BV fellow subsidiary		
Foreign exchange (gains)/losses	(31,635)	27,812

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS (Continued)

(Unaudited)

AMOUNTS (DUE TO) / OWING BY RELATED PARTIES

		At June 30, 2011 R 000	At December 31, 2010 R 000
Amounts owing by related parties:			
Current			
Exxaro Australia Pty Ltd[1]	Fellow subsidiary	912,881	845,788
Exxaro Resources Limited[1]	Holding company	151,901	211,743
Exxaro Coal (Pty) Ltd[1]	Fellow subsidiary		3
		1,064,782	1,057,534
Amounts due to related parties:			
Current			
Exxaro Australia Pty Ltd[1]	Fellow subidiary	(726,788)	(694,172)
Exxaro Base Metals (Pty) Ltd	Fellow subidiary	(73)	
Exxaro Resources Limited[1]	Holding company	(2,526,469)	(2,308,505)
Exxaro Coal (Pty) Ltd[1]	Fellow subidiary	(177)	(148)
Ireland Finance[1]	Fellow subidiary	(184,820)	(180,731)
Exxaro International BV[1]	Fellow subidiary	(570,715)	(557,966)
Shareholder s loans			
Exxaro Resources Limited[2]	Holding company	(2,473,763)	(2,473,763)
Total amounts due to related parties (current)		(6,482,805)	(6,215,285)
Non-current			
Exxaro Resources Limited[3]	Holding company	(2,218,186)	(2,346,568)
Total amounts due to related parties		(8,700,991)	(8,561,853)

1 The loans to or from group companies are unsecured, interest free and with no fixed terms of repayment.

2 These loans are unsecured, bear no interest and have no fixed terms of repayment. Exxaro Resources Limited has confirmed its continued support of the company with regard to commitments at the year end, as well as to operational support to ensure that the company continues to trade in the foreseeable future without any disruption to its businesses.

3 These are loans advanced by the holding company on back to back terms with the external parties to finance the acquisition of Namakwa Sands. These loans are unsecured.

TAX

As discussed in Note 2(d), current and deferred income taxes for the Exxaro Mineral Sands Australian operations are based on the consolidated tax return prepared for all Australian subsidiaries of Exxaro Resources Limited.

The Australian Mineral Sands operations and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Exxaro Australia Pty Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the separate taxpayer within group approach.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS (Continued)

(Unaudited)

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by Exxaro Australia Pty Ltd (as head entity in the tax-consolidated group).

11. Events after the reporting period

Disposal of the Exxaro Mineral Sands Operations

As described in note 1, Exxaro signed a Transaction Agreement with Tronox on September 26, 2011, to sell its mineral sands operations.

Increase in invested capital

On December 20, 2011, Exxaro TSA Sands (Pty) Ltd, an entity included in the Exxaro Mineral Sands Operations, authorized the issue of an ordinary share to Exxaro for R1,800 million. The share issue was completed on December 30, 2011. In connection with the Transaction Agreement with Tronox described in note 1, Tronox Limited will undertake a corporate rationalization plan to revise its organizational structure. This share issuance is part of this plan to ensure that Tronox Limited and its subsidiaries are appropriately capitalized following completion of the Transaction. Exxaro determined the R1,800 million amount after analyzing and determining an appropriate mix of debt and equity for the South African operations of the Exxaro Mineral Sands Operations.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Exxaro Resources Limited and Shareholder of the Exxaro Mineral Sands Operations:

In our opinion, the accompanying combined statements of financial position and the related combined statements of comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of the Exxaro Mineral Sands Operations at December 31, 2010, 2009 and January 1, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These combined financial statements are the responsibility of management of the Exxaro Mineral Sands Operations. Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audit provides a reasonable basis for our opinion.

As described in note 2(g), the Exxaro Mineral Sands Operations restated their combined financial statements as of December 31, 2009, and for the years ended December 31, 2009 and 2008.

/s/ PricewaterhouseCoopers Inc

Johannesburg, Republic of South Africa

December 30, 2011

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EXXARO MINERAL SANDS OPERATIONS

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended December 31,

	Notes	2010 R 000	2009 R 000 (as restated - note 2(g))	2008 R 000 (as restated - note 2(g))
REVENUE		**4,639,972**	3,508,276	2,775,397
Raw materials and consumbles		**(1,078,851)**	(1,175,318)	(615,062)
Staff costs		**(918,177)**	(824,533)	(573,072)
Depreciation and amortisation		**(601,285)**	(479,078)	(369,389)
Impairment of property, plant and equipment			(1,435,000)	(52,020)
Energy costs		**(501,128)**	(433,969)	(234,335)
Other operating expenses		**(1,289,981)**	(565,458)	(1,015,433)
OPERATING PROFIT/(LOSS)	5	**250,550**	(1,405,080)	(83,914)
Interest income	6	**9,160**	10,790	43,882
Interest expense	6	**(299,417)**	(369,119)	(268,145)
LOSS BEFORE TAX		**(39,707)**	(1,763,409)	(308,177)
Income tax benefit/(expense)	7	**48,192**	(307,734)	129,235
PROFIT/(LOSS) FOR THE YEAR		**8,485**	(2,071,143)	(178,942)
Profit/(loss) attributable to Exxaro group of companies		**8,485**	(2,071,143)	(178,942)
PROFIT/(LOSS) FOR THE YEAR		**8,485**	(2,071,143)	(178,942)
OTHER COMPREHENSIVE INCOME/(LOSS):				
Exchange differences on translating foreign operations		**24,207**	38,749	121,374
Cash flow hedges		**88,655**	135,515	(146,413)
Income tax relating to components of other comprehensive income		**(25,632)**	(38,511)	59,996
Net gain/(loss) recognised in other comprehensive income for the year, net of tax	19	**87,230**	135,753	34,957
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**95,715**	(1,935,390)	(143,985)
Total comprehensive income/(loss) attributable to Exxaro group of companies		**95,715**	(1,935,390)	(143,985)

The accompanying notes are an integral part of these combined financial statements.

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EXXARO MINERAL SANDS OPERATIONS

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31, 2010 R 000	At December 31, 2009 R 000 (as restated - note 2(g))	At January 1, 2009 R 000 (as restated - note 2(g))
ASSETS				
Non-current assets				
Property, plant and equipment	8	**5,252,566**	5,114,362	6,207,519
Intangible assets	9	**72,799**	75,098	76,576
Deferred tax	10	**138,309**	114,582	627,798
Financial assets	11	**126,654**	89,090	65,884
Derivatives			774	1,285
Total non-current assets		**5,590,328**	5,393,906	6,979,062
Current assets				
Inventories	12	**1,911,909**	2,097,099	1,493,065
Trade and other receivables	13	**1,157,649**	1,133,514	1,147,760
Derivatives		**84,991**	12,611	6,699
Amounts owing by related parties	14	**1,057,534**	782,829	681,217
Cash and cash equivalents		**418,879**	276,892	731,060
Total current assets		**4,630,962**	4,302,945	4,059,801
TOTAL ASSETS		**10,221,290**	9,696,851	11,038,863
EQUITY AND LIABILITIES				
Capital and reserves				
Invested capital		**2,476,900**	2,476,900	2,476,900
Other reserves		**498,281**	393,082	245,103
Accumulated losses		**(3,465,820)**	(3,474,305)	(1,403,162)
Net investment by Exxaro Resources Limited		**(490,639)**	(604,323)	1,318,841
Non-current liabilities				
Interest-bearing borrowings	15	**652,641**	739,718	709,665
Amounts due to related parties	14	**2,346,568**	2,676,330	3,114,196
Post-retirement medical obligation	21	**37,685**	29,056	24,543
Non-current provisions	16	**438,337**	406,149	379,380
Derivatives				31,091
Deferred tax	10	**19,181**	5,104	109,841
Total non-current liabilities		**3,494,412**	3,856,357	4,368,716
Current liabilities				
Trade and other payables	17	**715,293**	608,798	680,450
Interest-bearing borrowings	15	**270,658**	16,306	4,255
Amounts due to related parties	14	**6,215,285**	5,778,171	4,625,765
Current provisions	16	**12,051**	8,644	5,769

Derivatives	**4,230**	32,898	35,067
Total current liabilities	**7,217,517**	6,444,817	5,351,306
TOTAL EQUITY AND LIABILITIES	**10,221,290**	9,696,851	11,038,863

The accompanying notes are an integral part of these combined financial statements.

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EXXARO MINERAL SANDS OPERATIONS

COMBINED STATEMENTS OF CASH FLOWS

for the years ended December 31,

	Notes	2010 R 000	2009 R 000 (as restated - note 2(g))	2008 R 000 (as restated - note 2(g))
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated by/(utilised in) operations	18.1	**973,441**	(110,546)	334,339
Net financing costs	18.2	**(270,538)**	(357,077)	(207,815)
		702,903	(467,623)	126,524
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		**(692,819)**	(825,807)	(623,310)
Investment in intangible assets				(229)
Proceeds from disposal of property, plant and equipment		**3,019**	4,643	497
Increase in investments in other non-current assets		**(34,818)**	(42,581)	(17,526)
Increase in amounts owing by related parties		**(266,316)**	(93,632)	(102,194)
Acquisition of subsidiary	18.3		(120,560)	(2,662,533)
		(990,934)	(1,077,937)	(3,405,295)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest-bearing borrowings raised		**348,012**	230,948	
Interest-bearing borrowings repaid		**(103,502)**	(65,985)	(3,775)
Proceeds from related party borrowings		**189,340**	923,143	3,665,721
		433,850	1,088,106	3,661,946
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**145,819**	(457,454)	383,175
Cash and cash equivalents at beginning of year		**276,892**	731,060	320,991
Translation differences on cash and cash equivalents		**(3,832)**	3,286	26,894
CASH AND CASH EQUIVALENTS AT END OF YEAR		**418,879**	276,892	731,060

The accompanying notes are an integral part of these combined financial statements.

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EXXARO MINERAL SANDS OPERATIONS

COMBINED STATEMENTS OF CHANGES IN EQUITY/(DEFICIT)

	Invested capital R 000	Foreign currency translations R 000	Other reserves Financial instruments revaluation R 000	Equity-settled reserve R 000	Accumulated loss R 000	Net investment by Exxaro R 000
AT JANUARY 1, 2008 AS PREVIOUSLY REPORTED	**2,476,900**	**99,273**	**72,646**	**29,755**	**(1,272,653)**	**1,405,921**
Restatement (refer to note 2(g))					48,433	48,433
AT JANUARY 1, 2008 AS RESTATED	**2,476,900**	**99,273**	**72,646**	**29,755**	**(1,224,220)**	**1,454,354**
Loss for the year (as restated, refer to note 2(g))					(178,942)	(178,942)
Other comprehensive income		121,374	(86,417)			34,957
Transactions with owners						
- Share-based payments				8,472		8,472
BALANCE AT DECEMBER 31, 2008	**2,476,900**	**220,647**	**(13,771)**	**38,227**	**(1,403,162)**	**1,318,841**
Loss for the year (as restated, refer to note 2(g))					(2,071,143)	(2,071,143)
Other comprehensive income		38,749	97,004			135,753
Transactions with owners						
- Share-based payments				12,226		12,226
BALANCE AT DECEMBER 31, 2009	2,476,900	259,396	83,233	50,453	(3,474,305)	(604,323)
Profit for the year					8,485	8,485
Other comprehensive income		24,207	63,023			87,230
Transactions with owners						
- Share-based payments				17,969		17,969
BALANCE AT DECEMBER 31, 2010	**2,476,900**	**283,603**	**146,256**	**68,422**	**(3,465,820)**	**(490,639)**

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities within the Exxaro Mineral Sands Operations.

Financial instruments revaluation reserve

The financial instruments revaluation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Equity-settled reserve

The equity-settled reserve represents the fair value of services received and settled by equity instruments of Exxaro.

The accompanying notes are an integral part of these combined financial statements.

EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. BACKGROUND

On September 26, 2011, Exxaro Resources Limited (Exxaro) signed a Transaction Agreement to sell its mineral sands operations (the Exxaro Mineral Sands Operations) to Tronox Incorporated (the Acquirer or Tronox).

The Exxaro Mineral Sands Operations is comprised of the following wholly-owned subsidiaries of Exxaro in South Africa, Netherlands and Australia:

Exxaro TSA Sands (Pty) Ltd, Exxaro Sands (Pty) Ltd, Exxaro Australia Sands (Pty) Ltd, Exxaro Holdings Sands (Pty) Ltd, Exxaro Holdings (Aus) (Pty) Ltd, Exxaro Investments (Australia) (Pty) Ltd, Ticor Finance (A.C.T) (Pty) Ltd, Ticor Resources (Pty) Ltd, Ticor Chemical Company (Pty) Ltd, Omacor SAC, TIO2 Corporation (Pty) Ltd, Tific (Pty) Ltd, Yalgoo Minerals (Pty) Ltd, Senbar Holdings (Pty) Ltd, Pigment Holdings (Pty) Ltd, Synthetic Rutile Holdings (Pty) Ltd and Exxaro Sands Holdings BV.

The Exxaro Mineral Sands Operations conducts mining and smelting activities of titanium mineral ores to produce titanium slag and pig iron, in the Empangeni area of KwaZulu Natal, as well as the mining and smelting activities of mineral sands at Namakwa Sands in the Western Cape, of South Africa. The operations in Australia include a 50% interest in the Tiwest Joint Venture in Australia, which consists of the mining and concentration of titanium mineral ores, the operation of a synthetic rutile production facility as well as a titanium dioxide pigment plant operation (the Tiwest Joint Venture). The Tiwest Joint Venture is an unincorporated joint venture with Tronox and is proportionately consolidated.

The combined financial statements were authorised for issue by the board of directors of Exxaro on December 29, 2011.

The basis of preparation, combination and presentation of the combined financial statements of the Exxaro Mineral Sands Operations is more fully described below.

2. BASIS OF PREPARATION

The accompanying financial statements represent the combined financial statements of the entities described in note 1 above, which are all wholly owned subsidiaries of Exxaro. Such entities comprise the Exxaro Mineral Sands Operations for purposes of the Proposed Transaction and have historically been managed together, and have been under common control, during the reporting periods. The accompanying combined financial statements are prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

The combined financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

The combined financial statements have been prepared for the purposes of presenting, as far as practical, the financial position, results of operations and cash flows of the Exxaro Mineral Sands Operations on a standalone basis. The combined financial statements of the Exxaro Mineral Sands Operations reflect assets, liabilities, revenues and expenses directly attributable to the Exxaro Mineral Sands Operations, including management fee allocations recognised on a historic basis in the accounting records of Exxaro on a legal entity basis. Although it is not possible to estimate the actual costs that would have been incurred if the services performed by Exxaro had been purchased from independent third parties, the allocations are considered to be reasonable by the directors of Exxaro and management of the Exxaro Mineral Sands Operations. However, the financial position, results of operations and cash flows of the Exxaro Mineral Sands Operations are not necessarily representative or indicative of those that would have been achieved had the Exxaro Mineral Sands Operations operated autonomously or as an entity independent from Exxaro.

EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

(a) Going concern

The combined financial statements have been prepared on the going concern basis, which assumes that the Exxaro Mineral Sands Operations will continue to be able to meet its liabilities as they fall due for the foreseeable future. Because the liabilities exceed the assets of the Mineral Sands Operations at December 31, 2010 and 2009 by R491 million and R604 million, respectively, management have performed additional steps to determine whether the Exxaro Mineral Sands Operations will continue as a going concern.

Management has assessed the expected cash flows for the group over the next 12 months following December 31, 2010. This assessment indicates that the Exxaro Mineral Sands Operations will generate sufficient cash flow to repay its current liabilities with the exception of the shareholders loans provided by Exxaro.

Exxaro has provided legally binding letters of support to the Exxaro Minerals Sands Operations, including an undertaking to provide the Exxaro Mineral Sands Operations with such additional facilities as may be required to ensure that it remains as a going concern for so long it continues to be wholly-owned by Exxaro. The transaction agreement with Tronox further includes an undertaking by Exxaro not to demand payment of shareholder s loans prior to closing.

Based on the assessment of the cash flows and the letters of support provided by Exxaro, management have a reasonable expectation that the Exxaro Mineral Sands Operations has adequate resources to continue in operational existence for the foreseeable future. The Exxaro Mineral Sands Operations therefore continues to adopt the going concern basis in preparing its combined financial statements.

(b) Management fees

Exxaro uses a cost recovery mechanism to recover certain central management and other similar costs it incurs at a corporate level. The management fees reflected in the combined financial statements are based on the amounts historically recorded in the accounts of the individual entities within the Exxaro Mineral Sands Operations due to this cost recovery mechanism. An appropriate proportion of the remuneration of the senior management personnel for Exxaro including the Exxaro Mineral Sands Operations, including their salaries and pension costs, is included in these management fees. These management fees have either been directly attributed to individual operations of the Exxaro Mineral Sands Operations or, for costs incurred centrally, allocated between the relevant Exxaro businesses and the Exxaro Mineral Sands Operations. Costs have principally been allocated on the basis of actual services delivered. A complete discussion of the Exxaro Mineral Sands Operations relationship with Exxaro and other Exxaro companies, including a description of the costs that have historically been charged to the Exxaro Mineral Sands Operations, is included in Note 14 to these combined financial statements.

(c) Interest

The interest charge reflected in the combined financial statements is based on the interest charge historically incurred by the entities included in the Exxaro Mineral Sands Operations on specific external borrowings or financing provided by other Exxaro companies. Details of specific external borrowings and borrowings from other Exxaro companies are set out in notes 14 and 15.

(d) Taxation

The entities that comprise the Exxaro Mineral Sands Operations have historically filed separate tax returns in South Africa, and a consolidated tax return in Australia.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Current and deferred income taxes for the Exxaro Mineral Sands South African operations are therefore based on the historical (separate) tax returns.

Current and deferred income taxes for the Exxaro Mineral Sands Australian operations are based on the consolidated tax return prepared for all Australian subsidiaries of Exxaro. The head entity within the tax-consolidated group for the Australian operations is Exxaro Australia Pty Ltd (which is a fellow-subsidiary of Exxaro engaged in coal operations, and not part of the Exxaro Mineral Sands Operations). Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding agreement, each of the Exxaro Mineral Sands Operations entities and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the separate taxpayer within group approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by Exxaro Australia Pty Ltd (as head entity in the tax-consolidated group). Such amounts are reflected in amounts receivable from, or payable to, related parties (see note 14). There is no difference between the tax expense recognised in each entity on a separate tax return basis to that recognised on a consolidated tax return basis.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payments of any amount under the tax sharing agreement are considered remote. Tax liabilities that may arise from any separation of the entities comprising the Exxaro Mineral Sands Australian operations from the tax consolidated group have not been reflected in the combined financial statements.

(e) Share-based payments

A number of Exxaro Mineral Sands Operations employees participate in Exxaro s performance share schemes and management option plan. For purposes of these combined financial statements, transfers of Exxaro s equity instruments to employees of the Exxaro Mineral Sands Operations have been reflected as equity settled share-based payment transactions. The share-based payment transactions have are classified as equity-settled share-based payments on the basis that the responsibility for settling the awards reside with Exxaro, and not the entities comprising the Exxaro Mineral Sands Operations.

(f) Net investment by other Exxaro companies

The net investment by other Exxaro companies in the Exxaro Mineral Sands Operations businesses is shown in lieu of shareholder s equity in the combined balance sheets. Net investment by other Exxaro companies therefore includes aggregated combined share capital of the entities included within the combined financial statements, accumulated losses and other reserves (including share-based payment reserve, hedging reserve and cumulative translation adjustments).

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

(g) Restatements

During the year it was established that contingent rental payments have been incorrectly included in the calculation of minimum lease payments required to be made for finance lease leases as at December 31, 2009 and prior years. The impact of this error on the combined financial statements was to overstate the lease liability, related asset and the related expenses. The impact of this restatement on the various financial statement line items is described in the table below:

	As at December 31, 2009 R 000			As at January 1, 2009 R 000		
	As previously reported	Change	Restated	As previously reported	Change	Restated
Property, plant and equipment	5,124,411	(10,049)	5,114,362	6,218,022	(10,503)	6,207,519
Interest-bearing borrowings (non-current)	852,530	(112,812)	739,718	807,957	(98,292)	709,665
Deferred tax asset*	114,582		114,582	655,320	(27,522)	627,798
Deferred tax liability*	5,104		5,104	108,737	1,104	109,841
Accumulated loss	(3,562,094)	87,789	(3,474,305)	(1,462,324)	59,162	(1,403,162)

	For the year ended December 31, 2009 R 000			For the year ended December 31, 2008 R 000		
	As previously reported	Change	Restated	As previously reported	Change	Restated
Accumulated loss at January 1, 2008				(1,272,653)	48,433	(1,224,220)
Depreciation	(476,144)	455	(475,689)	(366,275)	455	(365,820)
Other operating expenses	(542,658)	(22,800)	(565,458)	(997,189)	(18,245)	(1,015,434)
Interest expense	(406,438)	37,319	(369,119)	(300,838)	32,693	(268,145)
Income tax (benefit)/expense*	307,734		307,734	(125,062)	(4,173)	(129,235)

* *During the year ended December 31, 2009, the net deferred tax asset in respect of KZN Sands was derecognised as a result of impairment. See notes 7 and 10.*

The comparative year balances have been restated to correct this error. To this effect, the combined statements of comprehensive income, combined statements of financial position, the combined statements of changes in equity and the combined statements of cash flows and affected notes present restated comparative information as of December 31, 2009, and for the years ended December 31, 2009 and December 31, 2008. In addition, as required by IAS 1, *Presentation of Financial Statements*, the Exxaro Mineral Sands Operations has included a third statement of financial position at January 1, 2009 (the beginning of the period for which a comparative balance sheet is presented).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below. These policies have been consistently applied to all the periods presented.

(a) Basis of combination

The financial statements have been prepared by combining all individual subsidiaries into one reporting entity, the Exxaro Mineral Sands Operations. The list of individual legal entities included within these combined

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

financial statements, which together form the Exxaro Mineral Sands Operations of Exxaro, is provided in note 1.

All intra-Exxaro Mineral Sands Operations transactions, balances, income and expenses, including unrealised profits on such transactions, have been eliminated on combination. Unrealised losses have also been eliminated unless the transaction provided evidence of an impairment of the asset transferred.

Subsidiaries are all entities (including special purpose entities) over which the Exxaro Mineral Sands Operations has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Exxaro Mineral Sands Operations controls another entity.

A joint venture is a contractual arrangement whereby the Exxaro Mineral Sands Operations and one or more parties undertake an economic activity that is subject to joint control. Joint ventures in which the Exxaro Mineral Sands Operations participates with other parties are proportionately combined. In applying the proportionate combination method, the Exxaro Mineral Sands Operations percentage share of the balance sheet and income statement items are included in the Exxaro Mineral Sands Operations combined financial statements.

(b) Adoption of new and revised standards and interpretations

The effective date of each amendment is included in the list of the new and revised standards and interpretation list below.

The following amended and new Standards and Interpretations have been applied, where relevant, to the combined financial statements for the period ended 31 December 2010:

Amended IFRS 1 *First-time Adoption of International Financial Reporting*, effective for annual periods beginning on or after July 1, 2009.

Amended IFRS 2 *Share-based Payments* resulting from April 2009 Annual Improvements to IFRS, effective for annual periods beginning on or after July 1, 2009.

Amended IFRS 2 *Share-based Payment*, effective for annual periods on or after January 1, 2010.

Revised IFRS 3 *Business Combinations*, effective for annual periods beginning on or after July 1, 2009.

Amended IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, effective for annual periods beginning on or after July 1, 2009.

Amended IFRS 8 *Operating Segments,* effective for annual periods beginning on or after January 1, 2010.

Amended IAS 1 *Presentation of Financial Statements*, effective for annual periods beginning on or after January 1, 2010.

Amended IAS 7 *Statement of Cash Flows*, effective for annual periods beginning on or after January 1, 2010.

Amended IAS 17 *Leases*, effective for annual periods beginning on or after January 1, 2010.

Revised IAS 27 *Consolidated and Separate Financial Statements*, effective for annual periods beginning on or after July 1, 2009.

Revised IAS 28 *Investments in Associates*, effective for annual periods beginning on or after July 1, 2009.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Revised IAS 31 *Interests in Joint Ventures*, effective for annual periods beginning on or after July 1, 2009.

Amended IAS 32 *Financial Instruments: Presentation*, effective for annual periods beginning on or after February 1, 2010.

Amended IAS 36 *Impairment of Assets*, effective for annual periods beginning on or after January 1, 2010.

Amended IAS 38 *Intangible Assets*, effective for annual periods beginning on or after January 1, 2010.

Amended IAS 39 *Financial Instruments: Recognition and measurement*, effective from July 1, 2009.

Amended IAS 39 *Financial Instruments: Recognition and Measurement*, effective for annual periods ending on or after June 30, 2009.

Amended IAS 39 *Financial Instruments: Recognition and Measurement*, amendments resulting from April 2009 Annual Improvements to IFRSs, effective for annual periods beginning on or after January 1, 2010.

Amended IFRIC 9 *Reassessment of Embedded Derivatives*, effective for annual periods beginning on or after July 1, 2009.

IFRIC 17 *Distributions of Non-cash Assets to Owners*, effective for annual periods beginning on or after July 1, 2009.

IFRIC 18 *Transfers of Assets from Customers,* effective from July 1, 2009.

The adoption of the amended and revised standards did not have a significant impact on the measurement or disclosure and presentation of items included in the combined financial statements.

The following standards and amendments to standards are mandatory for the Exxaro Mineral Sands Operations accounting periods beginning on or after January 1, 2011, but the Exxaro Mineral Sands operations have not early adopted them.

Amendment to IAS 1 *Presentation of Financial Statements* this amendment clarifies disclosures required for each component of equity. This amendment is effective January 1, 2011.

Amendment to IAS 34 *Interim Financial Reporting* this amendment provides further information on the significant events and transactions requiring discussion in interim financial reports. This amendment is effective January 1, 2011.

Amendment to IAS 24 *Related Party Disclosures* this amendment clarifies and simplifies the definition of a related party. This amendment is effective January 1, 2011.

Amendments to IFRS 1 *First time adoption* this amendment replaces the fixed date of 1 January 2004 with the date of transition to IFRSs, eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment also provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation is provided. This amendment is effective July 1, 2011.

Amendment to IFRS 3 *Business combinations* this amendment clarifies the policy choice for valuing non-controlling interests and addresses the accounting for share-based payment awards of an acquiree. This amendment is effective January 1, 2011.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Amendment to IFRS 7 *Disclosures* there are two amendments to IFRS 7 which provide additional disclosure requirements with respect to transfers of financial assets and credit risk. The amendments are effective January 1, 2011 and July 1, 2011.

Amendment to IAS 12 *Income taxes* this amendment introduces a rebuttable presumption that deferred tax assets or liabilities arising on investment property measured at fair value should be recognised based on recovery by sale. The amendment is effective on January 1, 2012.

Amendment to IFRIC 13 *Customer loyalty programmes* this amendment addresses the fair value of award credits. The interpretation is effective on January 1, 2011.

IFRS 9 *Financial Instruments* this standard is part of the IASBs project to replace IAS 39. It addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The standard is effective January 1, 2013.

IFRS 10 *Consolidated financial statements* this standard clarifies the concept of control which is the determining factor in whether an entity should be included within the consolidated financial statements. Additional guidance is provided to assist in determining control where this is difficult to assess. The standard is effective January 1, 2013.

IFRS 11 *Joint arrangements* this standard provides guidance on the assessment of joint arrangements (as either joint ventures or joint arrangements) and the required accounting for these arrangements. Proportionate consolidation is no longer permitted. The standard is effective January 1, 2013.

IFRS 12 *Disclosures of interests in other entities* this standard describes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective January 1, 2013.

IFRS 13 *Fair value measurement* this standard provides a precise definition of fair value and represents a single source of fair value measurement and disclosure requirements for use across IFRS. The standard is effective January 1, 2013.

IAS 27 (revised 2011) *Separate financial statements* this updated standard includes the provisions on separate financial statements which remain after the control provisions of IAS 27 have been included in the new IFRS 10. The standard is effective January 1, 2013.

IAS 28 (revised 2011) *Associates and joint ventures* this updated standard requires equity accounting for investments in associates and joint ventures. The standard is effective January 1, 2013.

Management is continuing to assess the impact of these new and amended standards on the financial statements.

(c) Property, plant and equipment

Land and extensions under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual value of the assets. Useful life is the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset. The useful lives of mineral rights may change based on changes in geological assumptions.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

The estimated useful lives of assets and their residual values, are re-assessed periodically with any changes in such accounting estimates being adjusted in the financial year of re-assessment and applied prospectively.

The estimated useful lives of items of property, plant and equipment are:

Buildings and infrastructure (including residential buildings)	3	40 years
Mineral properties	3	29 years
Fixed plant and equipment	1	30 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	3	25 years
Loose tools and computer equipment	3	10 years
Development costs	10	20 years
Refractory relines	4	6 years
Site preparation, mining development and exploration	3	29 years

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are taken to profit or loss.

Direct attributable expenses relating to mining and other major capital projects, site preparations and exploration are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent that these are recognised as a provision.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of combined company borrowings was utilised. Capitalisation of borrowing costs ceases when the asset is ready for its intended use.

Gains and losses on the disposal of property, plant and equipment are taken to profit or loss.

(d) Leased assets

Leases involving plant and equipment whereby the lessor provides finance to the combined company with the asset as security and where the combined company obtains substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the useful life of the asset. The minimum lease payments exclude contingent rents. Contingent rents shall be charged as expenses in the periods in which they are incurred. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged against income over the lease period using the effective interest rate method.

For a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognised on the straight-line basis over the period of the lease.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Leases of assets to the combined company under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease.

Arrangements that contain the right to use an asset are evaluated for recognition, classification as a finance or operating lease, measured, and accounted for accordingly.

(e) Intangible assets

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise and the cost can be reliably measured. Amortisation is charged on a systematic basis over the estimated useful lives of the intangible assets.

Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

Intangible assets with finite useful lives are amortised on the straight-line basis over their estimated useful lives. The amortisation methods and estimated remaining useful lives are reviewed at least annually. The estimated maximum useful lives of intangible assets in respect of patents, licenses and franchises are 25 years.

The carrying amounts are reviewed at each financial year-end to determine whether there is any indication of impairment.

(f) Research, development and exploration costs

Research, development and exploration costs are charged against income until they result in projects that are evaluated as being technically or commercially feasible, the combined company has sufficient resources to complete development and can demonstrate how the asset will generate future economic benefits, in which event these costs are capitalised and amortised on the straight-line basis over the estimated useful life of the project or asset. The carrying amounts are reviewed at each financial year-end to determine whether there is any indication of impairment.

(g) Impairment of assets

The carrying amounts of assets are reviewed at each financial year-end to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of the fair value less cost to sell.

Assets that have an indefinite useful life for example, goodwill or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

(h) Financial Instruments

Recognition

A financial instrument is recognised when the Exxaro Mineral Sands Operations becomes a party to a contract which entitles it to receive contractually agreed cash flows on the instrument. All acquisitions of financial assets that require delivery within the time frame established by regulation or market convention (regular-way purchases) are recognised at trade date, which is the date on which the Exxaro Mineral Sands Operations commits to acquire the asset.

Derecognition

The Exxaro Mineral Sands Operations derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in financial assets transferred that is created or retained by the Exxaro Mineral Sands Operations is recognised as a separate asset or liability.

The Exxaro Mineral Sands Operations may enter into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all, or substantially all, risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

The rights and obligations retained in the transfer of financial instruments are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Exxaro Mineral Sands Operations continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt instruments, trade and other payables, cash and cash equivalents, loans and borrowings and trade and other receivables.

Non-derivative financial instruments are recognised initially at fair value plus, in the case where financial instruments are not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Exxaro Mineral Sands Operations cash management system and are included as a component of cash and cash equivalents for purposes of the cash flow statements. Cash and cash equivalents are measured at amortised cost.

Financial instruments at fair value through profit or loss

The Exxaro Mineral Sands Operations designates financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the assets or liabilities contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract and has to be separately disclosed and fair-valued through profit or loss.

The Exxaro Environmental Rehabilitation Trust financial instrument is designated as at fair value through profit or loss as it is believed that the designation significantly reduces an accounting mismatch which would otherwise arise. Changes in the fair value of the Exxaro Environmental Rehabilitation Trust are recognised in profit of loss which is consistent with the recognition of changes in the related environmental rehabilitation provision (relating to interest cost). Subsequent to initial recognition, financial instruments designated or classified as at fair value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss.

Financial instruments not at fair value through profit or loss, and not available-for-sale

-Receivables

Long-term receivables and trade and other receivables are measured at amortised cost using the effective interest rate method. Effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or Exxaro Mineral Sands Operations of financial assets or financial liabilities) and allocating the interest income or interest expense over the relevant period. Amortised cost is the amount at which the long-term receivables and trade and other receivables are measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment or uncollectibility.

-Loans and borrowings

Loans and borrowings are measured at amortised cost using the effective interest rate method.

-Payables

Trade and other payables are reported at amortised cost, namely original debt less principal repayments and any amortisation using the effective interest rate method.

-Investment in equity instruments

The fair value of investments is based on quoted bid prices for listed securities or valuations derived from discounted cash flow models for unlisted securities. Equity instruments for which fair values cannot be measured

EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

reliably are recognised at cost less impairment. When equity instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

Derivative financial instruments (foreign exchange contracts and interest rate swaps)

The Exxaro Mineral Sands Operations holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivative instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative instruments are measured at fair value, and changes in fair value are accounted for as described below.

Fair value hedges

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest rate method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedges

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged item s cash flows affect profit or loss under the same income statement line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Impairment of financial assets

The group first assesses whether objective evidence of impairment exists. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

For loans and receivables category, the amount of the loss is measured as the difference between the asset s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor s credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statement of comprehensive income.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets in the Exxaro Mineral Sands Operations which share similar credit risk character are assessed collectively.

Offset

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Exxaro Mineral Sands Operations has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Determining fair values

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using generally accepted valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Exxaro Mineral Sands Operations uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are available on the market.

The fair value of long and medium-term borrowings is calculated using quoted market prices, or where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the borrowing are used. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets, is determined with reference to quoted market prices. The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from widely available current market transactions. The fair value of derivative instruments is calculated using quoted prices. Where

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

such prices are not available, use is made of discounted cash flow analyses for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Interest income

Finance income comprises interest income on funds invested including available-for-sale financial assets and hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Interest expense

Finance expenses comprise interest expense on borrowings and agreements for the use of assets classified as finance leases in terms of IFRIC 4, Determining whether an Arrangement contains a Lease, unwinding of the discount on provisions, and dividends on preference shares classified as liabilities. All borrowing costs are recognised in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission expenses relate mainly to transaction and service fees and are expensed as the services are received.

(i) Inventories

Inventories are valued at the lower of cost, determined on the weighted average basis, and net realisable value. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Foreign currencies

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains or losses arising on translation are credited to or charged against income. These gains or losses may be deferred in other comprehensive income when the cash flow hedging criteria are met.

Foreign entities

The financial statements of foreign entities are translated into South African Rand as follows:

assets and liabilities at rates of exchange ruling at the reporting date.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

income, expenditure and cash flow items at weighted average rates.

goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at the reporting date.
All resulting exchange differences are reflected as part of shareholders equity. On disposal, such translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

(k) Revenue recognition

Revenue, which excludes value added tax, represents the gross value of goods invoiced. Export revenues are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred to the buyer.

(l) Interest income

Interest is recognised on the time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Exxaro Mineral Sands Operations.

(m) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years in determination of taxable profit (temporary differences), and it further excludes items that are never taxable or deductible (non-temporary differences). The Exxaro Mineral Sands Operations liability for tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

(n) Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for tax purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated using tax rates that have been enacted at the reporting date. The effect on deferred tax of any changes in taxation rates is charged or credited to the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Exxaro Mineral Sands Operations intends and has the ability to settle its current tax assets and liabilities on a net basis.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

(o) Provisions

Provisions are recognised when the Exxaro Mineral Sands Operations has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability.

Decommissioning and environmental rehabilitation

Provision is made for environmental rehabilitation and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Where a provision is made for dismantling and site restoration costs, an asset of similar initial value is raised and amortised in accordance with the Exxaro Mineral Sands Operations accounting policy for property, plant and equipment.

Annual contributions are made to the Exxaro Mineral Sands Operations Environmental Rehabilitation Fund, created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during, and at the end of the life of mines.

Expenditure on plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets whilst the cost of ongoing current programmes to prevent and control pollution and to rehabilitate the environment is charged against profit or loss as incurred.

(p) Employee benefits

Post-employment benefits

Defined contribution plan

The Exxaro Mineral Sands Operations provides defined contribution retirement funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by contributions from employees and the Exxaro Mineral Sands Operations, taking account of the recommendations of independent actuaries. The Exxaro Mineral Sands Operations contribution to the defined contribution fund is charged to the income statement in the year to which it relates.

Defined benefit obligation

A post-retirement medical contribution obligation exists for certain in-service and retired employees who are members of accredited medical aid funds. This benefit is no longer offered to new employees. The liability is determined using actuarial assumptions. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

Share based payments

The Exxaro Mineral Sands Operations operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of Exxaro Resources Limited. The fair value of the equity instruments issued is recognised as an expense.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, Exxaro Mineral Sands Operations revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions.

Equity compensation benefits

Senior management, including executive directors, and eligible employees participated in the share appreciation right scheme (SARs), long-term incentive plan (LTIP), deferred bonus plan (DBP), share option scheme and the employee empowerment participation scheme (MPower).

SARs, LTIP, DBP, share options and MPower are treated as equity-settled share-based payment schemes with the fair value being expensed over the vesting period of the instrument with a corresponding increase in equity. The fair value of these schemes are determined at grant date and subsequently reviewed at each reporting period only for changes in non-market performance conditions and employee attrition rates applicable to each scheme.

Termination benefits

Termination benefits are payable whenever an employee s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Exxaro Mineral Sands Operations recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits fall due more than 12 months after the reporting date, they are discounted to present value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Exxaro Mineral Sands Operations makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of property, plant and equipment

The Exxaro Mineral Sands Operations reviews the carrying amount of its property, plant and equipment at least annually at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as set out in the accounting policy in 3(g).

The recoverable amounts of cash generating units are generally determined based on value-in-use calculations. These calculations require the use of estimates. Should management s estimate of the future not reflect actual events, further impairments may be identified. Factors affecting the estimates include:

changes to estimates of mineral resources and ore reserves;

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

- economical recovery of resources;
- the grade of the ore reserves may vary significantly from time to time;
- review of strategy;
- unforeseen operational issues at operations;
- differences between actual commodity prices and commodity price assumptions;
- changes in the discount rates and foreign exchange rates; and
- changes in capital, operating mining, processing and reclamation costs.

Depressed market fundamentals for the mineral sands commodity during the 2008/2009 global recession had a negative effect on the carrying value of the KZN Sands operations at 31 December 2009.

An impairment charge of R1,435 million arose in KZN Sands Operations during the course of the 2009 year, resulting in the carrying amount of the cash generating unit being written down to its recoverable amount. Management s assumptions are set out in note 8.2. If the discount rate used in the value-in-use calculation was 1% higher at 31 December 2009 (9.4% instead of 8.4%), the Exxaro Mineral Sands Operations would have recognised a further impairment of property, plant and equipment of R14 million.

(b) Residual values and useful lives of plant, property and equipment

The charge in respect of periodic depreciation is derived after determining an estimate of an asset s expected useful life and the expected residual value at the end of its life. Increasing an asset s expected life or its residual value would result in a reduced depreciation charge in profit or loss.

The useful lives of the assets in the Exxaro Mineral Resources Operations are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Assessing the appropriateness of useful life and residual value estimates of the assets requires the Exxaro Mineral Resources Operations to consider a number of factors such as the physical condition of the asset, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset.

(c) Provisions for environmental rehabilitation and decommissioning

Estimated long-term environmental rehabilitation and decommissioning obligations, are based on the Exxaro Mineral Sands Operations environmental management plans in compliance with current technological, environmental and regulatory requirements.

Significant judgment is applied in estimating ultimate rehabilitation cost that will be required in future to rehabilitate the Exxaro Mineral Sands Operations mines.

Management used the following assumptions in determining the environmental and decommissioning provisions:

Exxaro Sands (Pty) Ltd

Inflation of 5% per annum (2009: 5% per annum)

Discount rate of 10% per annum (2009: 10% per annum)

Life of mine over 3 years (2009: 4 years)

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Exxaro TSA Sands (Pty) Ltd

- Inflation of 5% per annum (2009: 5% per annum)
- Discount rate of 10% per annum (2009: 10% per annum)
- Life of mine over 19 years (2009: 20 years)

Exxaro Australia Sands Pty Ltd

- Inflation of 2.5% per annum (2009: 2.5% per annum)
- Discount rate of 5.5% per annum (2009: 5.5% per annum)
- Life of mine over from 16 39 years (2009: 17 34 years)

The ultimate cost may significantly differ from current estimates.

(d) Mineral reserves and resources

Mineral reserves and resources are estimates of the amount of ounces that can be economically and legally extracted from the Exxaro Mineral Sands Operations properties.

In order to calculate the mineral reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, costs, commodity prices and exchange rates. Estimating the quantities and/or grade of the reserves and resources requires the size, shape and depth of the ore bodies to be determined by analyzing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

Because the economic assumptions used to estimate the mineral reserves and resources change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves and resources may change from year to year. Changes in the reserves and resources may affect the Exxaro Mineral Sands Operations financial results and financial position in a number of ways, including:

- asset carrying values may be affected due to changes in estimated cash flows;
- depreciation and amortization charged in the income statement may change as they are calculated on the units-of-production method; and

environmental provisions may change as the timing and/or cost of these activities may be affected by the change in mineral reserves and resources.

(e) Estimate of post-retirement obligations

For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of schemes assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Refer note 21.

(f) Fair value of derivatives

The fair value of derivatives that are not quoted in active markets is determined by using valuation techniques, which make use of observable market data. The Exxaro Mineral Sands Operations uses judgement to

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The total amount of the change in fair value of the derivatives, estimated using a discounted cash flow analysis, based on observable interest rate yield curves that was recognised in profit or loss for the year ended 31 December 2010 was a profit of R236.7 million (2009: R156.2 million profit, 2008: R 64.7 million loss). Refer to note 20.

(g) Income taxes

The Exxaro Mineral Sands Operations is subject to income taxes, principally in South Africa and Australia. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.2 Critical judgements in applying the Exxaro Mineral Sands Operations accounting policies

(a) Contractual arrangements containing leases

IFRIC 4, *Determining whether an arrangement contains a lease,* requires the Mineral Sands Operations to evaluate contractual arrangements that do not take the legal form of a lease, but which convey the right to use an asset in return for a payment or series of payments, as finance or operating leases in accordance with the accounting policy described in 2(d). This determination requires significant judgement. In making this judgement, the Exxaro Mineral Sands Operations evaluates whether the arrangements involve the use of a specific asset, and if so, whether the arrangement conveys the right to use the asset based on the Exxaro Mineral Sands Operations right to control the asset s use. These arrangements involve the lease of bulk terminals, and other assets relating to water and electricity supply. Refer to note 15.

(b) Deferred tax assets

Management has to exercise judgment with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognized. As of 31 December 2010, the Exxaro Mineral Sands Operations recognised deferred taxes relating to tax losses at its mining and smelter operations. Unrecognised tax losses amounting to R2 954 million relate principally to KZN Sands Operations. Refer to note 10.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

5. OPERATING PROFIT/(LOSS)

	Notes	2010 R 000	2009 R 000 (as restated - note 2(g))	2008 R 000 (as restated - note 2(g))
		Year ended December 31,		
Operating profit/(loss) has been arrived at after charging/(crediting) the following gains and losses:				
Staff costs				
- salaries and wages		**872,047**	788,414	547,725
- share-based payments		**18,218**	10,104	8,426
- pension and medical costs		**27,912**	26,015	16,921
Currency exchange differences				
- net realised losses/(gains) on currency exchange differences		**128,971**	334,091	(169,495)
- net unrealised (gains)/losses on currency exchange differences		**(97,931)**	(138,539)	137,229
Fair value (gains)/losses on financial assets at fair value through profit or loss:				
- designated upon initial recognition		**(2,745)**	(2,403)	631
- held for trading		**(236,725)**	(156,203)	64,723
Operating lease rentals expenses		**4,652**	631	3,663
Contingent rent expense in terms of finance leases		**12,917**	11,581	28,632
Inventories write down to net realisable value		**7,498**	1,734	2,392
Repairs and maintenance		**386,363**	311,366	275,850
Impairment of KZN Sands property, plant and equipment	8.1		1,435,000	
Impairment of KZN Sands Furnace 2				52,020
Insurance claim for KZN Sands Furnace 2		**(98,044)**	(23,317)	(9,411)
Impairment charges and write-offs of trade and other receivables		**42**	(625)	793
Depreciation of property, plant and equipment	8	**597,825**	475,689	365,820
Amortisation of intangible assets	9	**3,460**	3,389	3,570

6. NET FINANCING COSTS

Interest income			
Interest income on cash and cash equivalents	**(4,271)**	(6,586)	(22,900)
Interest income on financial assets designated at fair value through profit or loss	**(4,889)**	(4,204)	(20,982)
	(9,160)	(10,790)	(43,882)
Interest expense			
Interest expense on interest-bearing borrowings (amortised cost)	**43,304**	31,267	66,074
Interest expense on obligations under finance leases (amortised cost)	**27,984**	28,932	29,831
Interest expense on non-current provisions	**19,719**	1,252	16,447
Interest expense on external liabilities	**91,007**	61,451	112,352
Interest expense on related party borrowings (amortised cost) (note 14)	**208,410**	307,668	155,793

	299,417	369,119	268,145
Net financing costs	**290,257**	358,329	224,263

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

7. INCOME TAX EXPENSE

	Year ended December 31,		
	2010 R 000	2009 R 000 (as restated - note 2(g))	2008 R 000 (as restated - note 2(g))
Current tax			27,105
Current tax on profit for the year			32,908
Adjustment in respect of prior year			(5,803)
Deferred tax (refer to note 10)	**48,192**	(307,734)	102,130
Current year origination and reversal of temporary differences	**48,646**	(295,692)	117,960
Impact of rate change[1]			(16,026)
Adjustment in respect of prior year	**(454)**	(12,042)	196
Total tax benefit/(expense)	**48,192**	(307,734)	129,235

[1] The rates of normal tax for companies in South Africa is 28% (reduced from 29% in 2008).

	Year ended December 31,		
	2010 R 000	2009 R 000 (as restated - note 2(g))	2008 R 000 (as restated - note 2(g))
Reconciliation of tax rates	%	%	%
Tax as a percentage of profit before tax	**121.4**	(17.5)	41.6
Tax effect of			
- capital profits/(losses)		0.8	(8.4)
- disallowable expenditure	**84.9**	0.7	2.2
- exempt income	**(81.3)**	(1.8)	(10.8)
- special tax allowances	**(112.7)**		
- unrealised foreign exchange translation differences	**1.1**	0.2	(0.4)
- prior year tax	**1.1**	0.7	1.8
- derecognition of deferred tax asset	**17.4**	45.0	
- tax rate differences	**(3.9)**	(0.1)	(3.1)
- rate change on deferred tax balance brought forward			5.1
Standard tax rate	**28.0**	28.0	28.0

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

8. PROPERTY, PLANT AND EQUIPMENT

	Land R 000	Mineral Properties R 000	Residential buildings R 000	Infra-structure R 000	Machinery, plant and equipment R 000	Site preparation, mining develop-ment, exploration and rehabilitation R 000	Extensions under construction R 000	Total R 000
December 31, 2010								
Gross carrying amount								
At beginning of year (as restated note 2(g))	79,759	737,831	54,847	1,650,682	6,444,834	660,318	819,894	**10,448,164**
Additions	5,947			12,773	293,343	735	387,188	**699,986**
Changes in decommissioning assets				9,239	15,404	(3,077)		**21,566**
Disposals of items of property, plant and equipment				(25,807)	(127,423)			**(153,230)**
Exchange differences on translation	230	6,396		4,848	34,652	6,644	9,722	**62,498**
Transfers between categories	60,482			4,238	843,496	7,700	(915,916)	
At end of year	146,418	744,227	54,847	1,655,973	7,504,306	672,320	300,894	**11,078,990**
Accumulated depreciation								
At beginning of year (as restated note 2(g))		203,674	597	507,220	2,136,569	266,343		**3,114,403**
Depreciation charges	17,080	37,200	2,915	76,610	447,203	16,817		**597,825**
Accumulated depreciation on disposals of items of property, plant and equipment				(6,284)	(50,817)			**(57,101)**
Exchange differences on translation		2,702		3,229	20,200	3,321		**29,452**
Transfers between categories			138	13	(2,340)	2,189		
At end of year	17,080	243,576	3,650	580,789	2,550,815	288,669		**3,684,579**
Impairment of assets								
At beginning of year				671,283	1,406,400	141,716		**2,219,400**
Disposals of items of property, plant and equipment				(17,361)	(60,200)			**(77,561)**
At end of year				653,922	1,346,200	141,716		**2,141,839**
Net carrying amount at end of year	129,337	500,651	51,197	421,262	3,607,290	241,934	300,894	**5,252,566**

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

	Land R 000	Mineral properties R 000	Residential buildings R 000	Infra-structure R 000	Machinery, plant and equipment R 000	Site preparation, mining develop-ment, exploration and rehabilitation R 000	Extensions under construction R 000	Total R 000
December 31, 2009								
Gross carrying amount								
At beginning of year (as restated note 2(g))	87,710	445,246	28,339	1,495,488	6,192,139	561,057	804,313	**9,614,291**
Additions	70,481		26,508	75,359	428,600	674	221,696	**823,318**
Changes in decommissioning assets				5,041	10,126	14,557		**29,724**
Disposals of items of property, plant and equipment					(105,303)			**(105,303)**
Exchange differences on translation	364	10,147		7,620	52,311	10,540	5,152	**86,134**
Transfers between categories	(78,796)	282,438		67,174	(133,039)	73,490	(211,267)	
At end of year	79,759	737,831	54,847	1,650,682	6,444,834	660,318	819,894	**10,448,164**
Accumulated depreciation								
At beginning of year (as restated note 2(g))		169,652	396	438,994	1,767,811	245,522		**2,622,375**
Depreciation charges		29,978	2,556	63,274	364,097	15,784		**475,689**
Other movements			(2,353)		(136)			**(2,489)**
Accumulated depreciation on disposals of items of property, plant and equipment					(24,652)			**(24,652)**
Exchange differences on translation		4,044		4,943	29,456	5,037		**43,480**
Transfers between categories			(2)	9	(7)			
At end of year		203,674	597	507,220	2,136,569	266,343		**3,114,402**
Impairment of assets								
At beginning of year				226,676	494,765	62,958		**784,400**
Impairment charges				444,607	911,635	78,758		**1,435,000**
At end of year				671,283	1,406,400	141,716		**2,219,400**
Net carrying amount at end of year	79,758	534,157	54,250	472,179	2,901,864	252,259	819,894	**5,114,362**

8.1 Impairment of property, plant and equipment

KZN Sands has been assessing the carrying values of its property, plant and equipment, as required, since commissioning.

During 2006 the carrying value of the assets of KZN Sands was reduced to its recoverable amount through recognition of a pre-taxation impairment loss of R784.4 million. During 2009 the carrying value of the assets of Exxaro TSA Sands (Proprietary) Limited was further reduced to its recoverable amount through recognition of a pre-taxation impairment loss of R1,435 million.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

The carrying amounts for the KZN Sands operations were R 522 million in 2010, (2009: R707 million, 2008: R2 212 million). No deferred tax asset was recognised for the year ended December 31, 2010 (2009: RNil) on the impairment. This was due to the fact that the recoverability of such an asset is considered doubtful.

This calculation was prepared on a discounted cash flow basis. The following parameters and assumptions were used in the impairment assessment as at 30 October 2010:

A long-term inflation rate of 5.0% (2009: 5%) was used for rand based amounts and 2.0% (2009: 2%) for dollar based amounts;

A risk free discount rate of 7.02% (2009: 8.4%) based on the RSA 157 bond expiring in 2015 was used;

An adjustment to the production plan to reflect the current remaining life of mine plans ending after Hillendale is mined out in the last quarter of 2012 compared to June 2006 business plan ending after Fairbreeze was mined out in 2028;

The latest approved smelter production plan numbers aligned with the available feedstock from Hillendale mine were incorporated in the assessment; and

The latest approved budget numbers were used in the impairment assessment.

The short-term USA and RSA inflation rates were based on the average of the latest consensus forecast published by Reuters whilst the medium to long-term rates were based on an analysis of the forecasts of internationally authoritative economic research institutions and consultants such as Global Insight, and local and international financial institutions.

The medium to long-term commodity price forecasts were based on forecasts produced by TZMI, an internationally authoritative mineral economic consultancy specialising in heavy minerals, as well as Exxaro cost curve and incentive pricing analyses.

9. INTANGIBLE ASSETS

	Year ended December 31,		
	2010	**2009**	**2008**
	R 000	**R 000**	**R 000**
Patents, licences and franchises			
Cost			
At beginning of year	**117,708**	114,811	106,149
Additions			229
Exchange differences	**1,826**	2,897	8,433
At end of year	**119,534**	117,708	114,811
Accumulated amortisation			

At beginning of year	**42,611**	38,235	32,332
Amortisation charge	**3,460**	3,389	3,570
Exchange differences	**664**	986	2,333
At end of year	**46,735**	42,610	38,235
Net carrying amount at end of year	**72,799**	75,098	76,576

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

The Exxaro Mineral Sands Operations capitalised technology licence fees payable to its joint venture partner in the Tiwest Joint Venture, Tronox. These fees represent a payment for the production expertise, rights and patents held by Tronox. These fees will be fully amortised over 25 years.

10. DEFERRED TAX

	Year ended December 31,		
	2010	**2009**	**2008**
	R 000	**R 000**	**R 000**
The movement on the deferred tax account is as follows:			
At beginning of year	**109,478**	517,957	370,062
Foreign currency translation	**6,039**	690	11,908
Credited/(charged) to equity	**(25,632)**	(38,511)	59,996
Losses transferred under tax funding and tax sharing agreements in Australia	**(18,949)**	(62,924)	(26,139)
Income statement charge (refer note 7)	**48,192**	(307,734)	102,130
- current	**48,646**	(295,691)	117,960
- prior	**(454)**	(12,043)	196
- Rate change			(16,026)
At end of year	**119,128**	109,478	517,957
Presented as follows in the combined statements of financial position:			
- Deferred tax asset	**138,309**	114,582	627,798
- Deferred tax liability	**(19,181)**	(5,104)	(109,841)
	119,128	109,478	517,957

	At December 31,		At January 1,
			2009
	2010	**2009**	
	R 000	**R 000**	**R 000**
Comprising:			
Deferred tax balances			
Taxation losses carried forward	**971,433**	836,530	727,983
Financial instruments	**99,597**	89,040	117,927
Share based payments	**7,698**	1,781	
Leave pay accrual	**3,939**	4,261	3,170
IFRIC 4: lease liability	**37,657**	39,629	41,348
Provisions	**100,570**	93,454	85,841
Other	**(195)**	(193)	(480)
Environmental rehabilitation	**(28,625)**	(18,107)	(11,520)
Unrealised foreign exchange gains	**(67,394)**	(48,054)	(68,651)
Derecognition of deferred tax assets	**(796,126)**	(789,188)	
Prepayments	**(19,036)**	(13,107)	(4,490)
Property, plant and equipment	**(190,390)**	(86,568)	(373,171)

Per statement of financial position	**119,128**	109,478	517,957
The total deferred tax assets with regards to assessed losses	**971,433**	836,530	727,983
The total deferred tax assets not recognised[1]	**833,028**	817,814	

[1] Mainly relates to KZN Sands operations.

Refer to note 19 which shows the amount of tax relating to each component of other comprehensive income.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

CALCULATED TAX LOSSES

	December 31, 2010 R 000	December 31, 2009 R 000	January 1, 2009 R 000
Tax losses available for set off against future South African taxable income (tax losses have no expiry dates)	**3,469,405**	2,987,609	2,599,941

11. FINANCIAL ASSETS

	December 31, 2010 R 000	December 31, 2009 R 000	January 1, 2009 R 000
Environmental Rehabilitation Trust	**120,111**	82,522	58,998
Long-term receivables			452
Unlisted investment	**6,543**	6,568	6,434
	126,654	**89,090**	**65,884**

The Environmental Rehabilitation Fund investment relates to funds invested in the Exxaro Environmental Rehabilitation Trust Fund, which have been designated at fair value through profit and loss. These funds are used to make financial provision for environmental obligation upon the ceasing of mining operations and obtaining closure certification for all mining operations within the Exxaro Mineral Sands operations. Quarterly contributions are made to this fund in accordance with annually reviewed life of mine closure estimates. The contributions determined are submitted to the Department of Minerals and Resources and the South African Revenue Services for notification.

The unlisted investment relates to a 20% partnership interest held in Ndzalama Game Reserve. The carrying amount of the investment approximates fair value.

For details refer to note 20 on financial instruments.

12. INVENTORIES

	December 31, 2010 R 000	December 31, 2009 R 000	January 1, 2009 R 000
Finished products	**763,357**	1,067,541	647,567
Work-in-progress	**566,056**	538,831	358,806
Raw materials	**304,032**	203,433	186,452
Plant spares and stores	**278,464**	287,294	300,240
	1,911,909	2,097,099	1,493,065

Inventories are carried at the lower cost and net realisable value. The cost of inventories recognised as an expense during the year was R7.5 million (2009: R1. 7 million).

No inventories were pledged as security for liabilities.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

13. TRADE AND OTHER RECEIVABLES

	December 31,		January 1,
	2010 R 000	2009 R 000	2009 R 000
Trade receivables	**985,585**	977,325	1,011,052
Other receivables	**35,880**	22,792	20,458
Non-financial Instruments (e.g. VAT refundable, insurance prepayments, employee advances, etc.)	**136,394**	133,565	117,043
Specific allowances for impairment	**(210)**	(168)	(793)
	1,157,649	1,133,514	1,147,760

Trade receivables are stated after the following allowances for impairment:

Specific allowances for impairment			
At beginning of year	**(168)**	(793)	
Impairment loss recognised	**(42)**	625	(793)
At end of year	**(210)**	(168)	(793)
Of which relates to:			
Trade receivables	**(168)**	(168)	(793)
Other receivables	**(42)**		
	(210)	(168)	(793)

For a detailed analyis of the trade and other receivables refer to note 20 on financial instruments.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

14. RELATED PARTY TRANSACTIONS

During the year the Exxaro Mineral Sands Operations, in the ordinary course of business, entered into various related party transactions.

	Year ended December 31,		
	2010	**2009**	**2008**
	R 000	**R 000**	**R 000**
Transactions:			
Exxaro Resources Limited holding company			
- Corporate fees for essential services rendered	**152,766**	151,178	159,675
- Interest paid	**208,410**	307,668	155,792
- Administration services	**3,855**	17,241	63,836
(Included in corporate fees are expenses for facilities management, human resources, information technology, supply chain management and logistics, safety and sustainable development , growth and technology and other general corporate services supplied by the corporate centre)			
Exxaro Coal (Pty) Ltd fellow subsidiary			
- Service Costs	**3**	11	141
Ferroland (Pty) Ltd fellow subsidiary			
- Service Costs	**175**	175	10
Exxaro Australia Pty Ltd fellow subsidiary			
- General expenses/recharges	**6,838**	16,173	(541)
- Tax	**146,145**	112,009	102,923
Ireland Finance fellow subsidiary			
- Foreign exchange (gains)/losses	**(24,140)**	2,146	
- General expenses/recharges	**16**		
Exxaro International BV fellow subsidiary			
- Foreign exchange (gains)/losses	**(73,442)**	(169,986)	151,133
- General expenses/recharges	**63**	164	51

JOINT VENTURES

Details of investments in joint ventures and related income are disclosed in note 24. There were no finance costs or expenses in respect of bad debts or doubtful debts incurred with regard to the joint venture during the financial years ended 31 December 2010, 2009 or 2008.

	Year ended December 31,		
	2010	**2009**	**2008**
	R 000	**R 000**	**R 000**
Items of income and expense incurred during the year are as follows:			
- Sales of goods/services to	**2,090**	1,173	
The outstanding balances at year-end are as follows:			
- included in trade and other receivables (refer note 13)	**1,692**	351	

During the periods presented, there was no provision raised for doubtful debts related to the outstanding balances above.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

AMOUNTS (DUE TO)/OWING BY RELATED PARTIES

		At December 31,		At January 1,
		2010 R 000	2009 R 000	2009 R 000
Balances at year end:				
Amounts owing by related parties:				
Current				
Exxaro Australia Pty Ltd[1]	Fellow subsidiary	**845,788**	643,967	451,793
Exxaro Resources Limited[1]	Holding company	**211,743**	138,850	229,340
Exxaro Coal (Pty) Ltd[1]	Fellow subsidiary	**3**	12	
Exxaro International BV[1]	Fellow subsidiary			84
		1,057,534	782,829	681,217
Amounts due to related parties:				
Current				
Exxaro Australia Pty Ltd[1]	Fellow subidiary	**(694,172)**	(439,792)	(317,620)
Exxaro Resources Limited[1]	Holding company	**(2,308,505)**	(2,117,558)	(1,116,545)
Exxaro Coal (Pty) Ltd[1]	Fellow subidiary	**(148)**	(150)	(139)
Ireland Finance[1]	Fellow subidiary	**(180,731)**	(134,948)	
Ferroland (Pty) Ltd[1]	Fellow subidiary		(200)	
Exxaro International BV[1]	Fellow subidiary	**(557,966)**	(611,760)	(717,698)
		(3,741,522)	(3,304,408)	(2,152,002)
Shareholder s loans				
Exxaro Resources Limited[2]	Holding company	**(2,473,763)**	(2,473,763)	(2,473,763)
Total amounts due to related parties (current)		**(6,215,285)**	(5,778,171)	(4,625,765)
Non-current				
Exxaro Resources Limited[3]	Holding company	**(2,346,568)**	(2,676,330)	(3,114,196)
Total amounts due to related parties		**(8,561,853)**	(8,454,501)	(7,739,961)

1 The loans to or from group companies are unsecured, interest free and with no fixed terms of repayment.

2 These loans are unsecured, bear no interest and have no fixed terms of repayment. Exxaro has confirmed its continued support of the Exxaro Mineral Sands operations with regard to commitments at the year end, as well as to operational support to ensure that the Exxaro Mineral Sands operations continues to trade in the foreseeable future without any disruption to its businesses.

3 These are loans advanced by Exxaro (the holding company) on back-to-back terms with external parties to finance the acquisition of Namakwa Sands operations. These loans are unsecured.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

REPAYMENT TERMS OF BACK TO BACK LOANS WITH EXXARO RESOURCES LIMITED

	Final repayment date	Rate of Interest 2010 Floating %	Rate of Interest 2009 Floating %	2010 R 000	2009 R 000
FirstRand Bank Limited, acting through its Rand Merchant Bank division	2013	**6.81**	8.51	**150,000**	150,000
FirstRand Bank Limited, acting through its Rand Merchant Bank division	2013	**6.81**	8.51	**342,000**	415,000
FirstRand Bank Limited, acting through its Rand Merchant Bank division	2013	**6.81**	8.51	**405,000**	540,000
FirstRand Bank Limited, acting through its Rand Merchant Bank division	2013	**6.91**	8.61	**675,000**	675,000
Anglo American SA Finance Limited	2013	**6.81**	8.51	**75,000**	100,000
Anglo American SA Finance Limited	2013	**6.91**	8.61	**125,000**	125,000
Anglo American SA Finance Limited	2013	**6.81**	8.51	**134,400**	179,200
Anglo American SA Finance Limited	2013	**6.91**	8.61	**224,000**	224,000
Anglo American SA Finance Limited	2013	**6.81**	8.51	**36,168**	48,224
Anglo American SA Finance Limited	2013	**6.91**	8.61	**60,280**	60,280
Anglo American SA Finance Limited	2013	**6.81**	8.51	**119,720**	159,626
				2,346,568	2,676,330

TAX

As discussed in Note 2(d), the Australian Mineral Sands operations and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Exxaro Australia Pty Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the separate taxpayer within group approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by Exxaro Australia Pty Ltd (as head entity in the tax-consolidated group).

There is no difference between the tax expense recognised in each entity on a separate tax return basis to that recognised on a consolidated tax return basis. The amounts owing from Exxaro Australia Pty Ltd with respect to current tax liability or current tax asset of the related entity were R18.9 million at 31 December 2010 (2009: R62.9 million).

KEY MANAGEMENT PERSONNEL

For the group, for 2010, 2009 and 2008, the executive committee has been identified as being key management personnel.

	2010 R 000	2009 R 000	2008 R 000
Short term employee benefits including other long term benefits	14,403	10,762	13,971

Share-based payments	3,646	1,313	1,343
Total compensation paid to key management personnel	18,049	12,075	15,314

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

15. INTEREST-BEARING BORROWINGS

	December 31, 2010 R 000	December 31, 2009 R 000 (as restated - note 2(g))	January 1, 2009 R 000 (as restated - note 2(g))
Non-Current Borrowings			
South Africa			
Finance lease liabilities	**139,342**	146,166	152,520
Australia			
ANZ Limited	**235,957**	166,002	
US$ 60 million senior notes	**387,000**	443,856	561,400
Investec Limited	**161,000**		
Total non-current borrowings	**923,299**	756,024	713,920
Current portion included in current liabilities	**(270,658)**	(16,306)	(4,255)
Total	**652,641**	739,718	709,665

Details of interest rates payable on borrowings are shown below.

Included in the above interest-bearing borrowings are obligations relating to finance leases.
Details are:

Minimum lease payments:			
- less than one year	**33,971**	34,807	34,807
- more than one year and less than five years	**119,698**	128,302	134,173
- more than five years	**360,092**	385,460	414,830
Total	**513,761**	548,569	583,810
L*ess*: Future finance charges	**(374,419)**	(402,403)	(431,290)
Present value of lease liabilities	**139,342**	146,166	152,520
Representing lease liabilities:			
- current	**4,152**	4,471	4,010
- non-current (more than one year and less than five years)	**9,950**	12,456	15,855
- non-current (more than five years)	**125,240**	129,239	132,655
Total	**139,342**	146,166	152,520

Exxaro Mineral Sands entered into numerous operating and finance lease arrangements. All major lease arrangements are renewable if there is mutual agreement between the parties to the arrangements with some contracts specifying extension periods. Arrangements containing escalation clauses are usually based on CPI or PPI indexes. None of the lease arrangements contain restrictive clauses that are unusual to the particular type of lease.

There were no defaults or breaches in terms of interest-bearing borrowings during both reporting periods.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

NON-CURRENT INTEREST-BEARING BORROWINGS

	Final repayment date	Rate of interest per year (payable half-yearly) 2010 Floating %	2009 Floating %	2010 R 000	2009 R 000
SOUTH AFRICA					
		Fixed %	**Fixed %**		
SECURED LOANS					
Mhlathuze Water[1]	2011	**12.13**	12.13	**535**	1,545
Eskom[2]	2012	**11.42**	11.42	**569**	947
Air Products[3]	2013	**13.54**	13.54	**6,046**	7,833
Mhlathuze Water[4]	2025	**8.33**	8.33	**22,791**	23,565
Eskom[5]	2026	**10.71**	10.71	**12,218**	12,504
Kusasa Bulk Terminals[6]	2031	**22.20**	22.20	**48,203**	49,350
Kusasa Bulk Terminals[7]	2032	**20.54**	20.54	**48,980**	50,186
Other					236
				139,342	146,166
		Floating %	**Floating %**		
AUSTRALIA					
UNSECURED LOANS (US$)					
ANZ Limited[8]	2011	**8.05**	5.62	**235,957**	166,002
		Fixed %	**Fixed %**		
US$ 60 million senior notes[9]	2016	**7.66**	6.64	**387,000**	443,856
				622,957	609,858
SECURED LOANS (US$)					
Investec Limited[10]	2012	**3.79**		**161,000**	
				161,000	
TOTAL INTEREST-BEARING BORROWINGS				**923,299**	756,024

Finance leases recognised due to IFRIC4 (Determining whether an Agreement contains a Lease):

1 Finance lease agreement between Exxaro Sands (Pty) Ltd and Mhlathuze Water in respect of a plant with a book value of R0 million (2009: R1 million).

2 Finance lease agreement between Exxaro Sands (Pty) Ltd and Eskom in respect of buildings with a book value of R0 million (2009: R1 million).

3 Finance lease agreement between Exxaro TSA Sands (Pty) Ltd and Air Products in respect of a plant with a book value of R3 million (2009: R4 million).

4 Finance lease agreement between Exxaro TSA Sands (Pty) Ltd and Mhlathuze Water in respect of a plant with a book value of R19 million (2009: R20 million).

5 Finance lease agreement between Exxaro TSA Sands (Pty) Ltd and Eskom in respect of buildings with a book value of R12 million (2009: R13 million).

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

6 Finance lease agreement between Exxaro Sands (Pty) Ltd and Kusasa Bulk Terminals (Phase 1) in respect of a plant with a book value of R37 million (2009: R39 million).

7 Finance lease agreement between Exxaro Sands (Pty) Ltd and Kusasa Bulk Terminals (Phase 2) in respect of a plant with a book value of R39 million (2009: R40 million).

8 A syndicated loan facility of US$45 million (variable interest rate), of which US$34 million was drawn on 31 December 2010 (US$21 million December 31, 2009).

9 US$60 million senior notes (fixed interest rate) issued by Ticor Finance (A.C.T.) Pty Ltd, an entity controlled by Exxaro Australia Sands (Pty) Ltd.

10 A trade receivable facility from Investec Limited that is secured for the outstanding amount of US$24,250,000 and against pigment receivables for that amount.

16. PROVISIONS

	Environmental rehabilitation R 000	Decommissioning R 000	Total R 000
Year ended December 31, 2010			
At beginning of year	120,023	294,771	**414,793**
Additional provision	68		**68**
Interest adjustment	1,738	15,378	**17,116**
Provisions capitalised to property, plant and equipment		21,566	**21,566**
Utilised during year	(6,613)		**(6,613)**
Exchange differences	1,174	2,284	**3,458**
At end of year	116,390	333,999	**450,388**
Current portion included in current liabilities	(12,051)		**(12,051)**
Total non-current provisions	104,339	333,999	**438,337**
Year ended December 31, 2009			
At beginning of year	120,557	264,592	**385,148**
Additional provision/(unused amounts reversed)	4,175	(4,766)	**(591)**
Interest adjustment	(2,067)	1,584	**(483)**
Provisions capitalised to property, plant and equipment		29,724	**29,724**
Utilised during year	(4,110)		**(4,110)**
Exchange differences	1,468	3,637	**5,105**
At end of year	120,023	294,771	**414,793**
Current portion included in current liabilities	(8,644)		**(8,644)**

Total non-current provisions	111,379	294,771	**406,149**

Environmental rehabilitation

Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

The carrying amount of the environmental provision is based on discounted values.

The assumptions are set out in note 4.1(c).

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Decommissioning

The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

The carrying amount of the decommissioning provision is based on discounted values.

The assumptions are set out in note 4.1(c).

Funding of environmental and decommissioning rehabilitation

Contributions towards the cost of the mine closure are also made to the Exxaro Environmental Rehabilitation Fund.

Of this amount R120 million (2009: R83 million) is included in financial assets (refer note 11).

Cash flows will take place when the plants are decommissioned and the mines are rehabilitated.

17. TRADE AND OTHER PAYABLES

	December 31,		January 1,
	2010 R 000	2009 R 000	2009 R 000
Trade payables	**443,250**	412,169	344,819
Other payables	**75,605**	54,252	254,001
Non-financial (e.g. Input VAT, Bonus accruals)	**110,845**	61,210	10,815
Leave pay accrual	**85,593**	81,167	70,815
	715,293	608,798	680,450

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

18. NOTES TO THE COMBINED CASH FLOW STATEMENTS

18.1 CASH GENERATED BY/(UTILISED IN) OPERATIONS

	Year ended December 31,		
	2010 R 000	2009 R 000 (as restated - note 2(g))	2008 R 000 (as restated - note 2(g))
Loss before tax	**(39,707)**	(1,763,409)	(308,177)
Net financing costs (refer to note 6)	**290,257**	358,329	224,263
Interest income	**(9,160)**	(10,790)	(43,882)
Interest expense	**299,417**	369,119	268,145
Operating profit/(loss)	**250,550**	(1,405,080)	(83,914)
Adjusted for non-cash movements			
- depreciation and amortisation	**601,285**	479,078	369,389
- impairment charges of non-current assets		1,435,000	52,020
- impairment charges and write-offs of trade and other receivables	**77**	13	
- provisions	**6,094**	2,187	22,861
- foreign exchange revaluations and fair value adjustments	**(122,601)**	(101,541)	80,447
- net (profit)/loss on disposal or scrapping of property, plant and equipment	**15,381**	75,273	64,021
- share-based payment expenses	**17,969**	12,226	8,475
- other	**(13,961)**	(13,783)	(14,378)
	754,794	483,373	498,921
Working capital movements			
- increase in inventories	**185,933**	(592,320)	(309,120)
- (increase)/decrease in trade and other receivables	**(57,021)**	(41,038)	5,512
- increase in trade and other payables	**96,348**	43,549	140,192
- utilisation of provisions (refer note 16)	**(6,613)**	(4,110)	(1,166)
Cash generated by/(utilised in) operations	**973,441**	(110,546)	334,339

18.2 NET FINANCING COSTS

	Year ended December 31,		
	2010 R 000	2009 R 000 (as restated - note 2(g))	2008 R 000 (as restated - note 2(g))
Net financing costs (refer to note 6)	**(290,257)**	(358,329)	(224,263)
Financing costs not involving cash flow	**19,719**	1,252	16,448

- Decommissioning provision (refer to note 16)	**15,378**	1,584	9,660
- Environmental rehabilitation (refer to note 16)	**1,738**	(2,067)	6,137
- Post-retirement medical obligation (refer to note 21)	**2,603**	1,735	651
	(270,538)	(357,077)	(207,815)

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

18.3 ACQUISITION OF SUBSIDIARY

On 1 October 2008, the Exxaro Mineral Sands Operations acquired the assets and liabilities of Namakwa Sands operations from Anglo American plc. The acquired business contributed R491 million in revenue and R155 million in operating profits to the Exxaro Mineral Sands Operations for the period from 1 October 2008 to 31 December 2008.

	2008 R 000
The assets and liabilities arising from the acquisition are as follows:	
- property, plant and equipment	(2,206,896)
- financial assets	(15,969)
- inventories	(398,839)
- trade and other receivables	(371,396)
- trade and other payables	147,537
- non-current provisions	62,470
- deferred consideration included in accounts payable at end of 2008 and paid in 2009	120,560
Cash outflow on acquisition of subsidiary in 2008	(2,662,533)
Total purchase consideration	(2,783,093)
Deferred consideration included in accounts payable at end of 2008 and paid in 2009	120,560
	(2,662,533)

19. OTHER COMPREHENSIVE INCOME/(LOSS)

	2010			2009			2008		
	Before-tax amount R 000	Tax R 000	Net-of-tax amount R 000	Before-tax amount R 000	Tax R 000	Net-of-tax amount R 000	Before-tax amount R 000	Tax R 000	Net-of-tax amount R 000
Exchange differences on translating foreign operations									
Currency translation differences	**24,207**		**24,207**	38,749		38,749	121,374		121,374
Financial instruments fair value gains/(losses) recognised in equity on cash flow hedges	**88,655**	**(25,632)**	**63,023**	135,515	(38,511)	97,004	(146,413)	59,996	(86,417)
	112,862	**(25,632)**	**87,230**	174,264	(38,511)	135,753	(25,039)	59,996	34,957

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

20. FINANCIAL INSTRUMENTS

20.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS

The tables below set out the Exxaro Mineral Sands Operations classification of each class of financial assets and liabilities, as well as their fair values

	At fair value through profit or loss					
	Held for trading R 000	**At fair value designated R 000**	**Loans and receivables at amortised cost R 000**	**Financial liabilities at amortised cost R 000**	**Fair value of financial instruments R 000**	**Maximum exposure of carrying amount to credit risk R 000**
December 31, 2010						
Financial assets, consisting of:						
- Rehabilitation Trust asset		**120,111**			**120,111**	**120,111**
- Ndzalama game reserve		**6,543**			**6,543**	**6,543**
Trade and other receivables			**1,021,255**		**1,021,255**	**1,021,255**
Amounts due from related parties			**1,057,534**		**1,057,534**	**1,057,534**
Derivative financial instruments	**84,991**				**84,991**	**84,991**
Cash and cash equivalents			**418,879**		**418,879**	**418,879**
Financial liabilities, consisting of:						
Interest-bearing borrowings				**783,957**	**783,957**	
Trade and other payables				**518,855**	**518,855**	
Derivative financial instruments	**4,230**				**4,230**	
Amounts due to related parties				**8,585,021**	**8,585,021**	
December 31, 2009						
Financial assets, consisting of:						
- Rehabilitation Trust asset		82,522			82,522	82,522
- Ndzalama game reserve		6,568			6,568	6,568
Trade and other receivables			999,949		999,949	999,949
Amounts due from related parties			782,829		782,829	782,829
Derivative financial instruments	13,385				13,385	13,385
Cash and cash equivalents			276,892		276,892	276,892
Financial liabilities, consisting of:						
Interest-bearing borrowings				609,859	609,859	
Amounts due to related parties				8,477,669	8,477,669	
Trade and other payables				466,421	466,421	
Derivative financial instruments	32,898				32,898	

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

	At fair value through profit or loss					
	Held for trading R 000	**At fair value designated R 000**	**Loans and receivables at amortised cost R 000**	**Financial liabilities at amortised cost R 000**	**Fair value of financial instruments R 000**	**Maximum exposure of carrying amount to credit risk R 000**
January 1, 2009						
Financial assets, consisting of:						
- Rehabilitation Trust asset		58,998			58,998	58,998
- Ndzalama game reserve		6,434			6,434	6,434
Trade and other receivables			1,030,717		1,030,717	1,030,717
Amounts due from related parties			681,217		681,217	681,217
Derivative financial instruments	7,984				7,984	7,984
Cash and cash equivalents			731,060		731,060	731,060
Financial liabilities, consisting of:						
Interest-bearing borrowings				709,665	709,665	
Trade and other payables				598,820	598,820	
Derivative financial instruments	66,158				66,158	
Interest-bearing borrowings				561,401	561,401	
Amounts due to related parties				7,763,127	7,763,127	

FAIR VALUES

Fair value hierarchy level

Financial assets and liabilities at fair value have been categorised in the following hierarchy structure:

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset/liability

Level 3 Inputs for the asset/liability that are not based on observable market data (unobservable inputs)

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

The following table presents the Exxaro Mineral Sands Operations financial assets and financial liabilities that are measured at fair value:

December 31, 2010

Description	Fair value R 000	Level 2 R 000	Level 3 R 000
Financial assets held for trading at fair value through profit or loss			
- Derivative financial instruments	**84,991**	**84,991**	
Financial assets designated as at fair value through profit or loss			
- Rehabilitation Trust	**120,111**	**120,111**	
- Ndzalama game reserve	**6,543**		**6,543**
Financial liabilities held for trading at fair value through profit or loss			
- Derivative financial instruments	**4,230**	**4,230**	
Total	**215,875**	**209,332**	**6,543**

December 31, 2009

Description	Fair value R 000	Level 2 R 000	Level 3 R 000
Financial assets held for trading at fair value through profit or loss			
- Derivatives	13,385	13,385	
Financial assets designated as at fair value through profit or loss			
- Exxaro Environmental Rehabilitation Trust	82,522	82,522	
- Ndzalama game reserve	6,568		6,568
Financial liabilities held for trading at fair value through profit or loss			
- Derivatives	32,898	32,898	
Total	**135,373**	**128,805**	**6,568**

January 1, 2009

Description	Fair value R 000	Level 2 R 000	Level 3 R 000
Financial assets held for trading at fair value through profit or loss			
- Derivatives	7,984	7,984	
Financial assets designated as at fair value through profit or loss			
- Exxaro Environmental Rehabilitation Trust	58,998	58,998	
- Ndzalama game reserve	6,434		6,434
Financial liabilities held for trading at fair value through profit or loss			
- Derivatives	66,158	66,158	
Total	**139,574**	**133,140**	**6,434**

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Reconciliation of level 3 hierarchy ***Ndzalama game reserve***

	2010 R 000	2009 R 000	2008 R 000
Opening balance	**6,568**	6,434	6,447
Movement during the year			
Total gains or losses for the period recognised in profit or loss	**(26)**	135	(13)
Closing balance	**6,543**	6,568	6,434

Rehabilitation Trust asset

The EERF is classified within Level 2 of the fair value hierarchy. The EERF receives, holds and invests funds contributed by the Exxaro mining operations, which contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

The funds are invested by Exxaro s in-house treasury department on the JSE as well as with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and real growth. R106 million (2009: R67 million) of the EERF was invested in a diverse portfolio of equities on the JSE and fair value of these investments was calculated based on the Top40 ALSI as at December 31, 2010. At December 31, 2010, the carrying amounts of cash and cash equivalents approximate the fair value due to the short-term maturity of the asset.

Derivative financial instruments

Current derivative financial instruments are classified within Level 2 of the fair value hierarchy because the fair values are calculated as the present value of the estimated future cash flows based on observable interest rate yield curves.

Ndzalama game reserve

The Ndzalama game reserve is classified within Level 3 as there is no quoted market price or other observable price available for this investments. This unlisted investment is valued as the present value of the estimated future cash flows based on unobservable inputs.

20.2 RECLASSIFICATION OF FINANCIAL ASSETS

No reclassification of financial assets occurred during the period.

20.3 STATEMENT OF CHANGES IN EQUITY/(DEFICIT)

Included in the statement of other comprehensive income are the following pre-tax adjustments relating to financial instruments:

	2010 R 000	2009 R 000	2008 R 000
Effective portion of change in fair value of cash flow hedge	**88,655**	135,515	(146,413)

The above amounts are all included in the financial instruments revaluation reserve.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

20.4 RISK MANAGEMENT

20.4.1 Financial risk management

The Exxaro Mineral Sands Operations corporate treasury function (other than Exxaro Australia Sands (Pty) Limited which operates on a decentralised basis but within the approved group policies), provides financial risk management services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The Exxaro Mineral Sands Operations objectives, policies and processes for measuring and managing these risks are detailed below.

The Exxaro Mineral Sands Operations seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of derivative financial instruments is governed by the group s policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis and results are reported to the board audit committee.

The Exxaro Mineral Sands Operations does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Exxaro Mineral Sands Operations enters into financial instruments to manage and reduce the possible adverse impact on earnings and cash flows of changes in interest rates, foreign currency exchange rates and commodity prices. Compliance with policies and exposure limits is reviewed by the internal auditors annually, with the results being reported to the audit committee.

20.4.2 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the group s income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Exxaro Mineral Sands Operations activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 20.4.2.1 below) and interest rates (see 20.4.2.2 below). The Exxaro Mineral Sands Operations enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign currency risks and commodity price risks, including:

- forward foreign exchange contracts (FECs) and currency options to hedge the exchange rate risk arising on the export of coal, base metal and mineral sands products as well as imported capital expenditure;
- forward interest rate contracts to manage interest rate risk;
- interest rate swaps to manage the risk of rising interest rates;
- forward exchange contracts to hedge the commodity prices arising on the export of zinc and lead.

EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

20.4.2.1 Foreign currency risk management

The Exxaro Mineral Sands Operations undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The currency in which transactions are entered into is mainly denominated in US Dollars (USD) and Australian Dollars (AUD). Exchange rate exposures are managed within approved policy parameters utilising FEC s, currency options and currency swap agreements.

The Exxaro Mineral Sands Operations maintains a fully covered exchange rate position in respect of foreign currency borrowings and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through the use of economic hedges arising from export revenue as well as through FECs. Trade-related export exposures are hedged using FEC s and options with specific focus on short-term receivables.

Uncovered foreign debtors at December 31, 2010 amount to US$75 million (2009: US$62 million), whereas uncovered cash and cash equivalents amount to US$48 million (2009: $40 million) and AUD$11 million (2009: AUD$nil million). There were no imports that were not fully hedged during both 2010 and 2009. Monetary items have been translated at the closing rate at the last day of the reporting period.

The FECs which are used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FEC s are rolled over at maturity.

The following significant exchange rates applied for both Exxaro Mineral Sands Operations and Exxaro Mineral Sands Operations during the year:

	Average spot rate	Average achieved rate	Closing spot rate
2010			
USD	7.30	7.72	6.60
Euro	9.68	9.94	8.83
Australian Dollar	6.71	6.80	6.75
2009			
USD	8.39	7.48	7.40
Euro	11.63	10.90	10.64
Australian Dollar	6.60	6.77	6.64
2008			
USD	8.25	8.10	9.36
Euro	12.04	11.90	13.18
Australian Dollar	6.93	7.07	6.48

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Foreign currency

Material FEC s and currency options, which relate to specific balance sheet items, that do not form part of a hedging relationship or for which hedge accounting was not applied at December 31, 2010 and December 31, 2009, are summarised as follows:

	Market related value R 000	Foreign amount 000	Contract value R 000	Recognised fair value profits/(losses) R 000
2010				
Exports (Buy)				
United States Dollar FEC s	670,796	95,000	647,508	46,410
Imports (Sell)				
United States Dollar FEC s	7,761	1,167	8,196	(435)
Euro FEC s	5,490	622	5,852	(362)
Australian Dollar FEC s				
2009				
Exports (Buy)				
United States Dollar FEC s				
Imports (Sell)				
United States Dollar FEC s	11,915	2,641	10,463	1,453
Euro FEC s	6,828	532	5,997	831

Fair value gains and losses on these FEC s are recognised in other operating expenses on the face of the combined statement of comprehensive income.

Cash flow hedges foreign currency risk

The Exxaro Mineral Sands Operations has entered into certain forward exchange contracts, which relate to specific foreign commitments not yet due and export earnings for which the proceeds are not yet receivable. Details of the contracts at December 31, 2010 and December 31, 2009 were as follows:

2010		Foreign currency 000	Contract value R 000	Recognised fair value in equity R 000
Exports (Buy)				
United States Dollar FEC s				
	Less than 3 months	27,000	213,929	(34,926)
	3 Months	16,000	126,099	(20,023)
	6 months	9,000	64,150	(4,482)
United States Dollar Note-holders loan				
	1 year	4,600	30,497	
	> 3 year	61,250	517,451	(111,379)
	Total	**117,850**	**952,125**	**(170,811)**

Note: In respect of a US$83 million (2009: US$60 million) loan liability of Exxaro Australia Sands Pty Limited, an economic hedge exists between US$ revenue and US$ borrowings. Accordingly, future sales proceeds to be applied to the repayment of US$ borrowings are recorded at the historical exchange rate effective at the date of loan draw down.

EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2011 R 000	2012 R 000	>2012 R 000	Total R 000
Expected future cash flows				
- United States Dollar FECs	404,177			404,177
- United States Dollar Note-holders loan		30,497	406,071	436,568
Expected gain/(loss) in profit or loss (at maturity)				
- United States Dollar FECs	(59,431)			(59,431)
- United States Dollar Note-holders loan			(111,379)	(111,379)

2009		Foreign currency 000	Contract value R 000	Recognised fair value in equity R 000
Imports (Sell)				
Euro FECs				
	Less than 3 months	125	1,481	(155)
	3 Months			
	Total	125	1,481	(155)
Exports (Buy)				
United States Dollar Note-holders loan				
	Less than 3 months	18	135	(2)
	1 year	1,600	14,562	(2,725)
	> 3 year	58,400	551,713	(119,693)
	Total	60,000	566,275	(122,418)

Note: In respect of a US$ 60 million (2008: US$60 million) loan liability of Exxaro Australia Sands Pty Limited, an economic hedge exists between US$ revenue and US$ borrowings. Accordingly, future sales proceeds to be applied to the repayment of US$ borrowings are recorded at the historical exchange rate effective at the date of loan draw down.

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2010 R 000	2011 R 000	> 2011 R 000	Total R 000
Expected future cash flows				
- United States Dollar FECs				
- Euro FECs	1,481			1,481

- United States Dollar	Note holders loan		14,562	551,713	566,275
Expected gain/(loss) in profit or loss (at maturity)					
- United States Dollar	FECs	(155)			(155)
- United States Dollar	Note holders loan				

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Foreign currency sensitivity

The following table summarises the impact a 10% increase in foreign currency rates would have on the combined financial statements relating to outstanding foreign currency denominated monetary items (cash balances, trade receivables, trade payables and loans). A positive number represents a gain whilst a negative number represents a loss.

	Profit or (loss)			Equity	
	2010	2009	2008	2010	2009
	R 000	R 000	R 000	R 000	R 000
US$	21,274	15,785	78,476	(34,869)	(28,245)
Euro	2,425	286	(287)		

A 10% decrease in the rand against each foreign exchange rate would have an equal but opposite effect on the above, on the basis that all other variables remain constant.

For exports (US$), an increase/(decrease) in the exchange rate of the rand (ZAR) against the dollar (US$) (e.g. FEC taken out on exports at R7.94 : US$1, with actual rate coming out at R8.73 : US$1) represents a weakening/(strengthening) of the Rand against the US dollar, which results in a gain/(loss) incurred of R0,79. The opposite applies for a decrease in the exchange rate.

For imports (Euro), an increase/(decrease) in the exchange rate of the Rand (ZAR) against the Euro (e.g., FEC taken out on exports at R10,00 : 1, with actual rate coming out at R11,00 : 1) represents a weakening/(strengthening) of the Rand against the Euro, which results in a loss/(gain) incurred of R1,00. The opposite applies for a decrease in the exchange rate.

20.4.2.2 Interest rate risk management

The Exxaro Mineral Sands Operations is exposed to interest rate risk as it borrows and deposits funds at both fixed and floating interest rates on the money market. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings taking into account future interest rate expectations. The financial institutions chosen are subject to compliance with the relevant regulatory bodies.

The Exxaro Mineral Sands Operations interest rate risk arises from long-term borrowings. Borrowings issued at variable rates result in exposure to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates result in exposure to fair value interest rate risk.

The interest rate repricing profile is summarised below:

	1 - 6 months	7 - 12 months	Beyond 1 year	Total borrowings
	R 000	R 000	R 000	R 000
At December 31, 2010:				
Term borrowings (under the IFRS 7 scope)	117,979	117,979	2,894,568	3,130,525
% of total borrowings	4%	4%	92%	100
	R 000	R 000	R 000	R 000
At December 31, 2009:				
Term borrowings (under the IFRS 7 scope)	83,001	83,001	3,120,187	3,286,189
% of total borrowings	3%	3%	94%	100

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

The Exxaro Mineral Sands Operations makes use of interest rate derivatives to hedge specific exposures in the interest rate repricing profile of existing borrowings. The value of borrowings hedged by interest rate derivatives, the instruments used and the respective rates applicable to these contracts are as follows:

At 31 December 2009[1]	Borrowings hedged R 000	Floating interest receivable %	Fixed interest payable %
Local			
Interest rate derivatives beyond 1 year:			
- Interest rate swaps	675	3m Jibar	11,1

[1] The interest rate swap ceased at the end of November 2010.

The following table reflects the potential impact on earnings, given a movement in interest rates of 50 basis points:

	Interest rate		Interest rate	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
Profit/(loss)	(18)	(18)	18	18

20.4.2.3 Price Risk

The Exxaro Mineral Sands Operations is exposed to equity securities price risk because of investments held by the Exxaro Rehabilitation Trust. The investment in the Exxaro Rehabilitation Trust is designated at fair value through profit and loss on the combined statement of financial position.

20.4.3 Liquidity Risk Management

Liquidity risk is the risk that the Exxaro Mineral Sands Operations will not be able to meet its financial obligations as they fall due. The Exxaro Mineral Sands Operations approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Exxaro Mineral Sands Operations reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Exxaro Mineral Sands Operations short, medium and long-term funding and liquidity management requirements.

The Exxaro Mineral Sands Operations manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained. The Exxaro Mineral Sands Operations aims to cover at least its net debt requirements through long-term borrowing facilities.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment if a payment under the guarantee has become probable.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Financial guarantees are included within other liabilities.

The Exxaro Mineral Sands Operations capital base, the borrowing powers of the Exxaro Mineral Sands Operations and the Exxaro Mineral Sands Operations were set at 125% of shareholders funds for both the 2010 and 2009 financial years.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are performed.

A number of trade payables do however have shorter contracted payment periods.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

Maturity profile of financial instruments

The following table details the Exxaro Mineral Sands Operations contractual maturities of financial liabilities:

				Maturity	
	Carrying amount R 000	Contractual cash flows R 000	0-12 months R 000	1-2 years R 000	2-5 years R 000
2010					
Financial liabilities					
Interest-bearing borrowings	**783,957**	**1,161,014**	**324,919**	**269,164**	**566,931**
Amounts due to related parties	**8,585,021**	**8,585,021**	**6,238,453**	**2,346,568**	
Trade and other payables	**604,448**	**604,448**	**604,448**		
	9,973,426	**10,350,483**	**7,167,820**	**2,615,732**	**566,931**
Derivative financial liabilities (included in the above)					
Foreign exchange forward contracts used for hedging					
- Sell (Rands inflow)	510,000				
Other forward exchange contracts					
- Buy (Rands outflow)	15,000				

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

				Maturity	
	Carrying amount R 000	Contractual cash flows R 000	0-12 months R 000	1-2 years R 000	2-5 years R 000
2009					
Financial liabilities					
Interest-bearing borrowings	609,858	1,183,328	394,284	173,244	615,800
Trade and other payables	575,900	575,900	575,900		
Amounts due to related parties	8,477,669	8,477,669	5,801,339		2,676,330
	9,663,428	10,236,897	6,771,523	173,244	3,292,130
Derivative financial liabilities (Included in the above)					
Other forward exchange contracts					
- Buy (Rands outflow)	16,000				

20.4.4 Credit Risk Management

Credit risk relates to potential default by counterparties on cash and cash equivalents, investments, trade receivables and hedged positions. The Exxaro Mineral Sands Operations limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The Exxaro Mineral Sands Operations exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

Trade receivables consist of a number of customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exists with such clients resulting in limited credit exposure which exposure, where dictated by customer credit worthiness or country risk assessment, is further mitigated through a combination of confirmed letters of credit and credit risk insurance.

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Exxaro Mineral Sands Operations of similar assets in respect of losses that have historical data of payment statistics for similar financial assets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. None of the financial instruments below was held as collateral for any security provided.

The maximum exposure to credit risk at both reporting dates was equal to the carrying value of financial assets for the Exxaro Mineral Sands Operations.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Detail of the trade receivables credit risk exposure:

	2010 %	2009 %
By industry		
Manufacturing (including structural metal and steel)	**24**	14
Merchants	**9**	10
Pigment, ceramics, chemicals	**4**	7
Paint	**23**	19
Plastic	**11**	9
Paper	**4**	3
Other	**25**	38
	100	100
By geographical area		
South Africa	**3**	2
Europe	**21**	29
Asia	**23**	23
USA	**50**	36
Australia	**1**	
Other	**2**	10
	100	100

The Exxaro Mineral Sands Operations does not have any significant credit risk exposure to any single counterparty or any Exxaro Mineral Sands Operations of counterparties having similar characteristics.

Financial guarantees are contracts that require the Exxaro Mineral Sands Operations to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The carrying amount of the financial assets at reporting date was:

	2010 R 000	2009 R 000
Neither past due nor impaired	**1,645,236**	1,372,748
- trade and other receivables	**1,021,255**	999,949
- other financial assets	**120,111**	82,522
- derivative financial instruments	**84,991**	13,385
- cash and cash equivalents	**418,879**	276,892
Past due or impaired		
- trade and other receivables	**210**	168
Total financial assets	**1,645,446**	1,372,916

The Exxaro Mineral Sands Operations strives to enter into sales contracts with clients which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

applicable new payment terms may be arranged to ensure that the debt is fully recovered. Therefore the credit quality of the above assets deemed to be neither past due nor impaired is considered to be within industry norm.

There were no financial assets with renegotiated terms during the 2010 or 2009 reporting periods.

Trade and other receivables age analysis

	2010 R 000	2009 R 000
Past due and impaired		
>180 days overdue	**210**	168
Total carrying amount of financial instruments past due or impaired	**210**	168

Before the financial instruments can be impaired, they are evaluated for the possibility of any recovery as well as the length of time at which the debt has been long outstanding.

No collateral was held by the Exxaro Exxaro Mineral Sands Operations as security and other enhancement over the financial assets during the years ended December 31, 2010 or 2009.

Loans and receivables designated at fair value through profit or loss

The Exxaro Mineral Sands Operations had no loans and receivables designated as at fair value through profit or loss during the period.

Collateral

No collateral was held or pledged by the Exxaro Mineral Sands Operations as security over its financial assets during the years ended December 31, 2010 or 2009.

Guarantees

The Exxaro Mineral Sands Operations did not during the period obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees.

There were no guarantees provided by banks to secure financing during the financial years ended December 31, 2010 or 2009.

For all other guarantees, refer to note 22 on contingent liabilities.

Capital management

The Exxaro Mineral Sands Operations policy is to ensure that the Exxaro Mineral Sands Operations maintains a robust capital structure with strong financial metrics which can withstand a significant downturn in commodity cycles. Growth opportunities, debt levels and dividend distributions to shareholders are considered against this backdrop.

The capital base consists of net investment by Exxaro companies as disclosed, as well as shareholder s loans and interest bearing borrowings. The board of directors is ultimately responsible for monitoring debt levels, return on capital as well as compliance with contractually agreed loan covenants.

EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

During the year under review the Exxaro Mineral Sands Operations complied with all its contractually agreed loan covenants and there were no changes in the Exxaro Mineral Sands Operations approach to capital management during the year.

The Exxaro Mineral Sands Operations is not subject to externally imposed regulatory capital requirements.

21. EMPLOYEE BENEFITS

Retirement Funds

Independent funds provide retirement and other benefits for all permanent employees, retired employees, and their dependants. At the end of the financial year, the main defined contribution retirement funds to which Exxaro Mineral Sands Operations was a participating employer, were as follows:

Exxaro Selector Funds;

Chamber of Mines, operating as a defined contribution fund;

Namakwa Sands Employees Provident Fund;

Sentinel Mining Industry Retirement Fund.

Members pay a contribution of 7%, with the employer s contribution of 10% to the above funds, being expensed as incurred.

All funds registered in the Republic of South Africa are governed by the South African Pension Funds Act of 1956 (the Act).

Defined contribution funds

Membership of each fund at December 31, 2010 and December 31, 2009 and employer contributions to each fund were as follows:

	Working members 2010 Number	Working members 2009 Number	Working members 2008 Number	Employer Contributions 2010 R m	Employer Contributions 2009 R m	Employer Contributions 2008 R m
- Exxaro Selector Funds	**662**	689	678	88	87	69
- Chamber of Mines, operating as a defined contribution fund	**1**	1	1			
- Namakwa Sands Employees Provident Fund	**986**	893	870	14	12	2
- Sentinel Mining Industry Retirement Fund.	**87**	88	88	5	5	1
	1,736	1,671	1,637	107	104	72

Due to the nature of these funds the accrued liabilities by definition equate to the total assets under control of these funds.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Medical Funds

The combined company contributes to medical aid schemes for the benefit of permanent employees and their dependants who choose to belong to one of a number of employer accredited schemes. The contributions charged against income amounted to R11 million (2009: R10.1 million) (2008: R13.7 million).

Defined benefit fund

The combined mineral sands operations have defined benefit obligations for the provision of post retirement medical benefits.

As part of the business combination with Namakwa Sands on October 1, 2008 a post-retirement medical obligation was acquired. The post-retirement liability is of a defined benefit nature, and consists of an implicit promise to pay a portion of members post-retirement medical aid contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical aid on the death of the primary member, either pre- or post- retirement. This benefit, which is no longer offered, applied to employees employed prior to 2001 by Namakwa Sands. Contributions, if any, will be offset against the liability.

No contribution was made for the period ended December 31, 2010 (2009: Rnil).

The obligation represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the income statement. The provision is expected to be utilised over the expected lives of the participants of scheme.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out in September 2010 by NMG Consultants and actuaries. The present value of the defined obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2010	**2009**	**2008**
	%	%	%
Discount rate	**8.25**	9.00	7.25
Inflation rate	**5.50**	5.75	4.00
Salary increase rate	**6.75**	6.75	7.00

Amounts recognised in profit or loss in respect of the defined benefit plan were as follows:

	2010	**2009**	**2008**
	R 000	**R 000**	**R 000**
Current service cost	**1,669**	919	1,709
Actuarial gains	**4,637**	2,079	
Interest on obligation	**2,603**	1,735	651
	8,909	4,733	2,360

The expense for the year is included in the employee benefits expense in the income statement.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Reconciliation of the opening and closing balances of the present value of the defined obligation:

	2010 R 000	2009 R 000
Defined benefit obligation at beginning of year	**29,056**	24,543
Acquisition Namakwa Sands		
Plus: current service cost	**1,669**	919
Plus: interest cost	**2,603**	1,735
Plus: actuarial gains	**4,637**	2,079
Less: benefits paid	**280**	220
Defined benefit obligation at end of year	**37,685**	29,056

Determination of estimated post-retirement expense for the next financial year:

	2011 R 000	2010 R 000	2009 R 000
Interest cost	**3,095**	1,669	1,735
Unrecognised actual (gains)/losses in the year	**2,350**	2,883	
Expense	**5,445**	4,552	1,735

Equity compensation benefits

The Exxaro Management Share Option Scheme has the following schemes included in the equity compensation benefits of its employees:

Long-term Incentive Plan (LTIP)

Share Appreciation Right scheme (SARs)

Empowerment Participation scheme (MPower)

Deferred Bonus Plan (DBP)

Awards made by Exxaro Company to its own employees are accounted for as equity-settled in the company s individual financial statements as it is providing its own equity instruments as settlement of the schemes, as well as in the consolidated group financial statements. In the subsidiary accounts such as the combined Exxaro Mineral Sands Operations, the schemes are also accounted for as equity settled.

The DBP entitles executive directors and certain senior employees to a right to obtain pledged shares on the open market for 50% of the after-tax component of their annual short-term incentives.

The pledged shares are held by a Trust for the absolute benefit of the participant for the duration of the pledge period, which is three years. A participant may at his/her election dispose of and withdraw the pledged shares from the Trust at any stage. If however, the pledged shares are withdrawn from the Trust before the expiry of the pledge period, the participant forfeits the matching awards. The participants must still be employed at the end of the pledge period. They will subsequently be entitled to obtain a matching award , which entitles the participant to a number of shares equal in value to the pledged shares. Upon vesting, the pledged shares and the

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

matching award are transferred and released to the participant and rank pari-passu in all respects with the existing issued shares of Exxaro.

The DBP has been accounted for as an equity-settled share-based payment in the combined financial statements of the Exxaro Mineral Sands Operations

The options not exercised lapse by the seventh anniversary of the offer date.

According to the rules of the ***Long-term Incentive Plan (LTIP)*** executive directors and senior and its subsidiaries are awarded rights to a number of ordinary Exxaro shares. The vesting of the LTIP awards are conditional upon the achievement of group performance levels (established by the transformation, remuneration, human resources and nominations committee of the board) over a performance period of three years, as well as the participant remaining in the employment of the company.

The extent to which the performance conditions are met governs the number of shares that vest. The performance conditions set for the initial grant were as follows:

- the total shareholder return (TSR) condition: the Exxaro TSR will be compared to the TSR of a peer group over the three-year performance period, averaged over a six-month period. The peer group comprises of at least 16 members.

- the return on capital employed (ROCE) condition: the ROCE measure is a return on capital employed measure with a number of adjustments.

Targets are set by the committee based on existing ROCE performance in the base year of an LTIP and planned ROCE performance in the final year of the LTIP performance period.

A participant may at its election dispose of and withdraw the pledged shares from escrow at any stage. However, if the pledged shares are withdrawn from escrow, before the expiry of the pledge period, the participant forfeits the matching award.

The participant will qualify for a matching award at the end of the pledge period on condition that the participant is still employed and the pledged shares are still in escrow. The matching award entitles a participant to a number of shares equal in value to the pledged shares. Upon vesting, the pledged shares and the matching award are transferred and released to the participant and rank pari passu in all respects with the existing issued shares of Exxaro.

The company may settle the matching award by issuing new shares or alternatively, instruct any third party to acquire and deliver the shares to the participant. The arrangement has been accounted for as an equity settled share base payment in the combined financial statements.

Exxaro made the first annual grant in the ***share appreciation right scheme (SARS)*** to participants in 2007, as well as new appointments. Under the rules of the scheme, participants obtain the right to receive a number of Exxaro shares to the value of the difference between the exercise price and the grant (or offer) price.

The performance period s first review is on March 1, 2010 when the rights will vest if Exxaro s headline earnings per share (HEPS) increased by a minimum of Consumer Price Index (CPI) plus six percent in the three years. In 2011 and 2012 the minimum increase in HEPS to achieve is CPI plus eight percent and CPI plus 10%, respectively.

EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

The Committee has the discretion to determine the settlement method, being shares or cash. The arrangement has been accounted for as an equity settled share base payment in the combined financial statements.

Exxaro also created an ***employee empowerment participation scheme (MPower)*** whereby employees in junior levels are given the opportunity to share in the growth of the company. Employees are awarded share units which entitles them to dividends of Exxaro in the five-year period ending November 2011. By the end of the five-year period or capital appreciation period, the units that employee beneficiaries hold in the Trust, will be sold. The capital distribution is the profit that is made on the share units after it is sold and the outstanding loan (used to buy the shares) to Exxaro is settled. The arrangement has been accounted for as an equity settled share base payment in the combined financial statements.

Exxaro will be limited to issuing a maximum of 30 million shares, which amounts to approximately 10% of the number of issued shares as at the date of the general meeting where approval was given. Notwithstanding the foregoing, Exxaro may on instruction of the Exxaro board and the transformation, remuneration, human resources and nomination committee, and as a fallback provision only, pay an Exxaro employee participating in the share incentive plans an equivalent amount in cash in lieu of any Exxaro shares. The maximum number of Exxaro shares to which any one eligible participant is entitled in total in respect of all schemes albeit by the way of an allotment and issue of Exxaro shares and/or the grant of options shall not exceed one percent of the shares then in issue in the share capital of Exxaro.

As at December 31, 2010 the maximum number of shares approved and allocated by shareholders for the purposes of the schemes, 30 million (2009: 30 million) represent 8,4% (2009: 8,4%) of the issued shares. Of the total of 30 million shares, 20,0 million (2009: 19.9 million) shares are available in the share scheme for future offers to participants, while 10,0 million (2009: 10.1 million) shares (2,8% of the issued shares) are allocated as options, LTIP, or SARS to participants.

Of the 30 million the participants in the Exxaro Mineral Sands Operations hold 1.2 million which represents 0.04% of the shares approved and allocated for the purposes of the schemes. Details are as follows:

	2010 Million	2009 Million	2008 Million
Number of shares approved by shareholders for the Exxaro Group	30.0	30.0	30.0
Options, LTIP and SARS held by employees / participants	(1.0)	(9.8)	(7.6)
	29.0	20.2	22.4

	Deferred Bonus Plan			Long-term Incentive Plan[1]		
	Dec 2010 000	Dec 2009 000	Dec 2008 000	Dec 2010 000	Dec 2009 000	Dec 2008 000
Outstanding at beginning of year	**7**	4		**180**	120	49
Issued	**3**	13	3	**55**	85	79
Transferred		(10)		**(1)**	(25)	(8)
Exercised				**(36)**		
Lapsed/cancelled				**(5)**		
Outstanding at end of year	**10**	7	3	**193**	180	120

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

	SARS		
	Dec 2010 000	Dec 2009 000	Dec 2008 000
Outstanding at beginning of year	**694**	371	150
Issued	**318**	392	286
Transferred		(48)	(28)
Exercised	**(35)**		
Lapsed/cancelled	**(14)**	(21)	(37)
Outstanding at end of year	**963**	694	371

1 There is no amount payable by participants on vesting. They will be awarded rights to ordinary shares in the company.

	Deferred Bonus Plan			Long-term Incentive Plan		
	Dec 2010	Dec 2009	Dec 2008	Dec 2010	Dec 2009	Dec 2008
Details of issues during the period are as follows:						
Expiry date	**2013**	2012/2013	2011/2012	**2013**	2012/2013	2011/2012
Exercise price (Share price range) (R)	**66.38 - 125.41**	65.85 - 91.08	89.60 - 111.88	**126.77**	67.07	85.00 - 112.35
Total proceeds if options are exercised at reporting period/deferred purchase shares at reporting date paid (R million)	**0.6**	0.8	0.4	**7.0**	4.6	8.2

	SARS		
	Dec 2010	Dec 2009	Dec 2008
Expiry date	**2016/2017**	2015/2016	2014/2015
Exercise price per share (Share price range) (R)	**126.77**	67.07-89.33	62.83-139.24
Total proceeds if rights are immediately exercised/deferred purchase shares immediately paid (R million)	**30.0**	25.5	32.2

Details of options shares exercised during the year are as follows:

	Deferred Bonus Plan			Long-term Incentive Plan		
	Dec 2010	Dec 2009	Dec 2008	Dec 2010	Dec 2009	Dec 2008
Exercise price per share (Share price range) (R)	**140**			**113.50 - 131.90**		
Total proceeds if shares are issued (R million)	**0.0**			**3.0**		

	SARS		
	Dec 2010	**Dec 2009**	**Dec 2008**
Exercise price per share (Share price range) (R)	**113.72 - 134.78**		
Total proceeds if shares are issued (R million)	**2**		

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Terms of the options shares outstanding at December 31, 2010 are as follows:

Share options held:

	Long-term Incentive Plan		
	Expiry date	Exercise price R	Outstanding 000
	2011	**85.00 - 112.45**	**52**
	2012	**67.07**	**86**
	2013	**126.77**	**55**
TOTAL			**193**
Total proceeds if shares are issued (R million)			**26.3**

	Deferred Bonus Plan		
	Expiry date	Exercise price R	Outstanding 000
	2011	101.88 - 112.45	1
	2012	66.38 - 88.95	6
	2013	88.95 - 125.41	3
TOTAL			10
Total proceeds if shares are issued (R million)			1.3

	SARS		
	Expiry date[1]	Exercise price R	Outstanding 000
	2014	**59.42 - 67.46**	**73**
	2015	**62.83 - 139.24**	**244**
	2016	**63.45 - 89.33**	**408**
	2017	**126.77**	**236**
TOTAL			**961**
Total proceeds if shares are issued (R million)			**131.3**

1 Exxaro made the first annual grant in the share appreciation rights scheme (SARS) to participants in 2007. The lapse date is regarded as the seventh anniversary of the grant.

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

Terms of the options shares outstanding at December 31, 2009 are as follows:

Share options held:

	Long-term Incentive Plan		
	Expiry date	Exercise price R	Outstanding
	2011	85.00 - 112.45	94,136
	2012	67.07	86,232
	2013		
TOTAL			180,368
Total proceeds if shares are issued (R million)			18.7

	Deferred Bonus Plan		
	Expiry date	Exercise price R	Outstanding 000
	2011	101.88 - 112.45	1,189
	2012	66.38 - 88.95	5,730
TOTAL			6,919
Total proceeds if shares are issued (R million)			0.7

	SARS		
	Expiry date	Exercise price R	Outstanding 000
	2014	59.42 - 67.46	123,875
	2015	62.83 - 139.24	243,996
	2016	63.45 - 89.33	326,278
TOTAL			694,149
Total proceeds if shares are issued (R million)			71.9

	Long-term Incentive Plan 000	Deferred Bonus Plan 000	SARS 000
Exxaro shares/options			
Number of shares vesting at beginning of year	180	7	694
Net change during the year	12	3	268
Number of shares vesting at end of year	192	10	962

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

FAIR VALUE OF EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS WITH EMPLOYEES

	2010	**2009**	**2008**
The Black-Scholes methodology is used to calculate the fair value of options granted to employees.			
The inputs to the model are as follows:			
Share price (R)	**49,00**	49,00	49,00
Weighted average exercise price range original strike price (R)	**34,76**	34,76	34,76
Weighted average exercise price range repriced strike price (R)	**13,12**	13,12	13,12
Annualised expected volatility (%)	**37,90**	37,90	37,90
Option life (years) (weighted average)	**3,11**	3,11	3,11
Dividend yield (%)	**4**	4	4
Risk-free interest rate (%) (weighted average)	**8,26**	8,26	8,26
Expected employee attrition (%)	**4.00**	10,0	9,26
The Black-Scholes methodology is used to calculate the fair value of Share Appreciation Rights (SARs) granted to employees.			

	SARs vesting in 3 years	**SARs vesting in 4 years**	**SARs vesting in 5 years**
The inputs to the model as at December 31, 2010 are as follows:			
Share price (R)	**126.84**	**126.84**	**126.84**
Weighted average exercise price range	**126.77**	**126.77**	**126.77**
Annualised expected volatility (%)	**45.13**	**44.14**	**43.15**
Option life (years) (weighted average)	**5.00**	**5.50**	**6.00**
Dividend yield (%)	**4.52**	**4.66**	**4.72**
Risk-free interest rate (%) (weighted average)	**8.01**	**7.85**	**7.77**
Expected employee attrition (%)	**4.0**	**4.0**	**4.0**

	SARs vesting in 3 years	**SARs vesting in 4 years**	**SARs vesting in 5 years**
The inputs to the model as at December 31, 2009 were as follows:			
Share price (R)	74,20	74,20	74,20
Weighted average exercise price range	67,70	67,70	67,70
Annualised expected volatility (%)	44,20	43,19	42,19
Option life (years) (weighted average)	5,00	5,50	6,00
Dividend yield (%)	8,52	8,68	8,96
Risk-free interest rate (%) (weighted average)	8,58	8,65	8,72
Expected employee attrition (%)	10,0	10,0	10,0

	SARs vesting in 3 years	**SARs vesting in 4 years**	**SARs vesting in 5 years**
The inputs to the model as at December 31, 2008 were as follows:			
Share price (R)	86,25	86,25	86,25
Weighted average exercise price range	85,00	85,00	85,00
Annualised expected volatility (%)	40,4	40,4	40,4
Option life (years) (weighted average)	5,0	5,50	6,00

Dividend yield (%)	9,20	9,59	9,48
Risk-free interest rate (%) (weighted average)	8,89	8,94	8,94
Expected employee attrition (%)	10,0	10,0	10,0

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

The Monte Carlo valuation methodology is used to calculate the fair value of long-term incentive plan, deferred bonus plan and MPower grants to employees.

The inputs to the LTIP model are as follows:

Date of grant	**1/4/2010**	**1/4/2009**	**1/4/2008**	**28/2/2007**
Share price at grant date (R)	126.84	74,20	110,35	61,24
Risk-free rate (%)	7.53	7,85	8,88	7,70
Dividend yield (%)	3.89	6,39	2,81	4,08
Expected volatility (%)	N/A	N/A	N/A	36,80
Time to vesting	three years from	three years from	three years from	three years from
Expected employee attrition (%)	2.90	2.90	2.90	2.90

The inputs to the MPower model are as follows:

Date of grant	1/31/2007
Share price at grant date (R)	71,00
Risk-free rate (%)	8,20
Dividend yield (%)	3,00
Expected volatility (%)	37,00
Vest date	28/11/2011
Vesting probability (%)	100

22. CONTINGENT ASSETS AND LIABILITIES

	December 31, 2010 R 000	**December 31, 2009 R 000**	**January 1, 2009 R 000**
Contingent assets			
An outstanding insurance claim for the Furnace 2 incident at Exxaro TSA Sands (Pty) Limited for which settlement was received in the first half of 2010.		98,637	135,000
Contingent liabilities			
Contingent liabilities at balance sheet date, not otherwise provided for in these annual financial statements, arising from:			
- guarantees in the normal course of business from which it is anticipated that no material liabilities will arise[1]:	**222,297**	121,510	125,730
- other[2]		58,875	42,053

The increase in 2009 and 2010 is mainly attributable to guarantees to the Department of Mineral and Resources (DMR) in respect of environmental liabilities on immediate closure of mining operations.

1 *The operational guarantees include the guarantees provided to the DMR with regards the operations ability to immediately rehabilitate the mining operations should the need arise.*

2 *The Exxaro Mineral Sands Operations share of contingent liabilities of joint ventures.*

In December 2010 the Exxaro Mineral Sands Operations received a claim from a contractor providing services on the pigment plant expansion for amounts in excess of the contracted amount. The contractor provided structural, mechanical and piping work for the pigment plant expansion and was several months late in completing construction activities. Management have commenced their review of the full claim and *their initial assessment, including preliminary advice from its legal and external experts, indicates that the*

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

claim is not valid within the scope to the contractual agreement. Accordingly, the Exxaro Mineral Sands Operations has strongly rejected the claim and believe it is highly improbable that they will be required to pay any amounts under the claim to the contractor and as such the Exxaro Mineral Sands Operations has not recognised a liability of the full claim in the financial statements. However, until such time as management have finalised their assessment of the claim they believe it prudent to include disclosure of the open matter in these financial statements. The Combined Mineral Sands operations are jointly and severally exposed to its share of the joint venture contingent liabilities.

The timing and occurrence of any possible outflows are uncertain.

23. COMMITMENTS

	December 31, 2010 R 000	December 31, 2009 R 000	January 1, 2009 R 000
Capital expenditure contracted for plant and equipment	**203,604**	221,646	256,445
Capital expenditure authorised for plant and equipment but not contracted	**79,708**	105,257	353,901
Capital commitments other			
The above includes the group s share of capital commitments of joint ventures .	**14,323**	86,758	38,174
Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.			
Operating lease commitments			
The future minimum lease payments under non-cancellable operating leases are as follows:			
- less than one year	**21,487**	23,096	13,306
- more than one year and less than five years	**20,297**	28,825	21,562
- more than five years	**11**		
Total	**41,795**	51,921	34,868
Operating sublease receivable			
Non-cancellable operating lease rentals are receivable as follows:			
- less than one year	**1,732**	1,086	1,556
- more than one year and less than five years	**3,052**	2,983	5,835
Total	**4,784**	4,069	7,391

24. INVESTMENTS IN JOINT VENTURES

	2010 R 000	2009 R 000	2008 R 000
In Australia, the combined company s interests are housed in Australia Sands, whose principle asset is the 50% Tiwest joint venture (with Tronox).			
Aggregate post -acquisition reserves:			
- joint ventures	**2,809,951**	2,849,181	2,514,393

Total	**2,809,951**	2,849,181	2,514,393

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

INVESTMENTS IN JOINT VENTURES AND OTHER INVESTMENTS

	Nature of business	Percentage holding		
		2010 %	2009 %	2008 %
JOINT VENTURES				
	Titanium			
Unincorporated	Minerals and			
Tiwest	pigment production	**50.00**	50.00	50.00

The combined company s effective share of balance sheet, income statement and cash flow items in respect of the Tiwest joint venture is as follows:

	Joint ventures		
	2010 R 000	2009 R 000	2008 R 000
INCOME STATEMENTS			
Revenue	**1,550,000**	1,473,000	1,313,287
Operating expenses	**(1,376,000)**	(1,435,000)	(1,356,998)
NET OPERATING PROFIT/(LOSS)	**174,000**	38,000	(43,711)
Net financing costs	**(11,000)**	(5,000)	(20,736)
PROFIT/(LOSS) BEFORE TAX	**163,000**	33,000	(64,447)
Tax*			
PROFIT/(LOSS) FOR THE YEAR	**163,000**	33,000	(64,447)
Profit/(loss) for the year attributable to owners of the parent	**163,000**	33,000	(64,447)
STATEMENT OF FINANCIAL POSITION			
Non-current assets	**2,505,000**	2,237,000	1,803,530
Current assets	**1,439,000**	1,164,000	1,146,699
TOTAL ASSETS	**3,944,000**	3,401,000	2,950,229
Equity and liabilities			
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**2,810,000**	2,849,000	2,514,393
Non-current liabilities			
Interest-bearing borrowings	**141,000**		289
Non-current provisions	**225,000**	218,000	206,878
Deferred tax and other	**408,000**		
Current liabilities			

Interest-bearing borrowings	**20,000**		616
Other	**340,000**	334,000	228,053
TOTAL EQUITY AND LIABILITIES	**3,944,000**	3,401,000	2,950,229
STATEMENT OF CASH FLOWS			
Net cash flows from operating activities	**118**	282	111
Net cash flows from investing activities	**(422)**	(546)	(187)
Net cash flows from financing activities	**304**	178	(84)
Foreign currency translations		(1)	38
Net decrease in cash and cash equivalents		(87)	(122)

* *Unincorporated joint venture.*

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EXXARO MINERAL SANDS OPERATIONS

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)

25. SUBSEQUENT EVENTS

Disposal of the Exxaro Mineral Sands Operations

As described in note 1, Exxaro signed a Transaction Agreement with Tronox on September 26, 2011 to sell its mineral sands operations.

Tronox buy-back arrangement

During 2008 to 2010, the Tiwest Joint Venture partners, Tronox Western Australia Pty Ltd (TWA) and Exxaro Australia Sands (EAS), expanded the Tiwest Kwinana titanium dioxide (TiO_2) pigment plant at a cost of R862.0 million (AUD 118 million). The aim of the expansion was to increase the capacity of the plant s production of pigment from approximately 110ktpa to approximately 150ktpa.

TWA elected not to contribute to the expansion programme subsequent to the feasibility stage in accordance with its rights under the Development Agreement for the expansion of the plant. As a result, EAS funded the majority of the expansion (96.9%). The Development Agreement specified that rights to the pigment produced as a result of the expansion (Expanded Capacity Production) follow the levels of contribution for the expansion. At December 31, 2010, EAS was entitled to 96.9% of the Expanded Capacity Production.

The Development Agreement also included a clause the permitted TWA to reinstate its share of the Expanded Capacity Production to 50% by paying EAS an amount equal to 50% of the amounts expended for the expansion plus interest and a risk premium charge.

On May 31, 2011, TWA exercised its right to reinstate its share of the Expanded Capacity Production to 50%. The substance of this exercise, which became effective on June 30, 2011, is that EAS effectively sold 46.9% of the Expanded Capacity Production to TWA.

Increase in invested capital

On December 20, 2011, Exxaro TSA Sands (Pty) Ltd, an entity included in the Exxaro Mineral Sands Operations, issued an ordinary share to Exxaro for R1,800 million.

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[BACK COVER]

Until , all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers.
Tronox Limited

Except as set forth below, there is no provision in any contract, arrangement or statute under which any director, secretary or other officer of Tronox Limited is insured or indemnified in any manner against any liability which he/she may incur in his/her capacity as such.

The Constitution of Tronox Limited requires Tronox Limited to, subject to and so far as is permitted by the Australian Corporations Act and the Australian Competition and Consumer Act 2010, indemnify every director, secretary or other officer of Tronox Limited and its related bodies corporate against a liability incurred as such a director, secretary or other officer to a person (other than to Tronox Limited or a related body corporate of Tronox Limited), unless the liability arises out of conduct involving a lack of good faith. This is a continuing indemnity and will apply in respect of all acts done while a director, secretary or other officer of Tronox Limited (or one of its wholly-owned subsidiaries) even if that person is not a director, secretary or other officer at the time the claim is made. The Constitution of Tronox Limited permits Tronox Limited to make a payment in respect of legal costs incurred by a director, secretary, officer or employee in defending an action for a liability incurred as such a director, secretary, officer or employee or in resisting or responding to actions taken by a government agency or a liquidator.

Tronox Limited will enter into Deeds of Access, Indemnity and Insurance (Deeds of Indemnity) with each of its respective directors to, among other things, give effect to these rights.

Prior to completion of the Transaction, Tronox Limited s directors and officers are covered by the policies and procedures of Tronox Incorporated as a wholly-owned subsidiary including directors and officers insurance policies. Following completion of the Transaction, we expect directors and officers of Tronox Limited and Tronox Incorporated to be covered by an insurance policy which Tronox Limited will acquire.

Prior to completion of the Transaction, Tronox Limited will insure against amounts that it may be liable to pay to directors, secretaries, officers or certain employees pursuant to the Constitution of Tronox Limited, the Deeds of Indemnity or that Tronox Limited otherwise agrees to pay by way of indemnity. Tronox Limited will pay premiums for this Directors and Officers insurance (D&O Insurance). The insurance policy also will insure directors, secretaries, officers and some employees against certain liabilities (including legal costs) they may incur as officers or employees of Tronox Limited. The Deeds of Indemnity will provide that, subject to the Australian Corporations Act, during the director s term of office as an officer of Tronox Limited (or as an officer or trustee of a corporation or trust of which the director is appointed or nominated an officer or trustee by Tronox Limited or a wholly-owned subsidiary of Tronox Limited) and for seven years after the director ceases to hold such office, Tronox Limited must use its best efforts to effect and maintain D&O Insurance covering the director.

There are certain provisions of the Australian Corporations Act that restrict Tronox Limited from indemnifying directors, secretaries and other officers in certain circumstances. These are described below.

Australian Law

Australian Corporations Act

Section 199A(1) of the Australian Corporations Act provides that a company or a related body corporate must not exempt a person from a liability to the company incurred as a director, secretary or other officer of the company.

Section 199A(2) of the Australian Corporations Act provides that a company or a related body corporate must not indemnify a person against any of the following liabilities incurred as a director, secretary or other officer of the company:

a liability owed to the company or a related body corporate;

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- a liability for a pecuniary penalty order or compensation order under specified provisions of the Australian Corporations Act or the Australian Competition and Consumer Act 2010; or
- a liability that is owed to someone other than the company or a related body corporate and did not arise out of conduct in good faith.

Section 199A(2) of the Australian Corporations Act does not apply to a liability for legal costs.

Section 199A(3) of the Australian Corporations Act provides that a company or a related body corporate must not indemnify a person against legal costs incurred in defending an action for a liability incurred as a director, secretary or other officer of the company if the costs are incurred:

- in defending or resisting proceedings in which the person is found to have a liability for which they could not be indemnified under section 199A(2); or
- in defending or resisting criminal proceedings in which the person is found guilty; or
- in defending or resisting proceedings brought by the Australian Securities and Investments Commission (ASIC) or a liquidator for a court order if the grounds for making the order are found by the court to have been established (this does not apply to costs incurred in responding to actions taken by ASIC or a liquidator as part of an investigation before commencing proceedings for the court order); or
- in connection with proceedings for relief to the person under the Australian Corporations Act in which the court denies the relief.

Section 199B of the Australian Corporations Act provides that a company or a related body corporate must not pay, or agree to pay, a premium for a contract insuring a person who is or has been a director, secretary or other officer of the company against a liability (other than one for legal costs) arising out of:

- conduct involving a willful breach of duty in relation to the company; or
- a contravention of the director, secretary or officer s duties under the Australian Corporations Act not to improperly use their position or make improper use of information obtained as a director, secretary or officer.

For the purpose of Sections 199A and 199B, an officer of a company includes:

- a director or secretary;
- a person who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the company;
- a person who has the capacity to significantly affect the company s financial standing; and
- a person in accordance with whose instructions or wishes the directors of the company are accustomed to act.

Insurance

The directors and officers of Tronox Limited and the duly authorized United States representative of each are insured against certain liabilities, including certain insured liabilities under United States securities laws, which they may incur in their capacity as such under a liability insurance policy carried by the Tronox Limited.

Tronox Incorporated

Tronox Incorporated s amended and restated certificate of incorporation allows it to indemnify its officers and directors to the fullest extent permitted by the DGCL or other applicable law. In addition, Tronox Incorporated s amended and restated bylaws provide that it must indemnify its directors and officers to the fullest

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extent permitted by the DGCL. The Tronox Incorporated amended and restated certificate of incorporation includes a provision that eliminates the personal liability of directors to Tronox Incorporated or its stockholders for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or hereafter may be amended.

Tronox Incorporated has director and officer liability insurance, if available on reasonable terms. Prior to completion of the Transaction, this insurance covers the directors and officers of Tronox Limited. Following completion of the Transaction, we expect the officers and directors of Tronox Incorporated to be covered by the directors and officer insurance policy of Tronox Limited. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling Tronox Incorporated under the foregoing provisions, Tronox Incorporated has been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Tronox Incorporated is organized under the laws of the State of Delaware. Section 145 of the DGCL, provides that a corporation may indemnify any person, including an officer or director, who was or is, or is threatened to be made, a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of such corporation, and, with respect to any criminal actions and proceedings, had no reasonable cause to believe that his conduct was unlawful. A Delaware corporation may indemnify any person, including an officer or director, who was or is, or is threatened to be made, a party to any threatened, pending or contemplated action or suit by or in the right of such corporation, under the same conditions, except that such indemnification is limited to expenses (including attorneys fees) actually and reasonably incurred by such person, and except that no indemnification is permitted without judicial approval if such person is adjudged to be liable to such corporation. Where an officer or director of a corporation is successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to above, or any claim, issue or matter therein, the corporation must indemnify that person against the expenses (including attorneys fees) which such officer or director actually and reasonably incurred in connection therewith.

Tronox Incorporated has entered into indemnification agreements that require it to indemnify each of our directors and officers to the fullest extent permitted by law for any claims made against each of these persons because he or she is, was or may be deemed to be a stockholder, director, officer, employee, controlling person, agent or fiduciary of Tronox Incorporated or any of its subsidiaries. Tronox Incorporated is obligated to pay the expenses of these persons in connection with any claims that are subject to the agreement.

Section 145 of the DGCL authorizes a corporation, subject to the procedures and limitations stated therein, to indemnify directors, officers, employees and agents against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. In the case of proceedings brought by or on behalf of the corporation, indemnification is limited to expenses (including attorneys fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification is permitted if the individual is adjudged liable to the corporation, unless the court determines otherwise. The statute provides that indemnification pursuant to its provisions is not exclusive of other indemnification that may be granted by a corporation s by-laws, agreement, vote of stockholders or disinterested directors or otherwise.

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Tronox Incorporated s amended and restated certificate of incorporation provides that none of our directors shall be liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of this provision is to eliminate Tronox Incorporated s rights, and its stockholders rights, to recover monetary damages against a director for breach of a fiduciary duty of care as a director. This provision does not limit or eliminate Tronox Incorporated s right, or the right of any stockholder, to seek non-monetary relief, such as an injunction or rescission in the event of a breach of a director s duty of care. These provisions will not alter the liability of directors under federal or state securities laws. Tronox Incorporated s bylaws also include provisions for the indemnification of its directors and officers to the fullest extent permitted by Section 145 of the DGCL. In addition, Tronox Incorporated may maintain insurance on our behalf and on behalf of any director, officer, employee, fiduciary or agent of Tronox Incorporated, whether or not Tronox Incorporated would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Tronox Incorporated recently entered into indemnification agreements with certain of its directors which require Tronox Incorporated, among other things, to indemnify them against certain liabilities and advance certain expenses which may arise by reason of the directors status or service as a director, so long as the indemnitee acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of Tronox Incorporated, and with respect to any criminal proceeding, had no reasonable cause to believe this conduct was unlawful. Tronox Incorporated believes that these indemnification agreements are necessary to attract and retain qualified individuals to serve as its directors. Until completion of the Transaction, Tronox Incorporated also intends to maintain director and officer liability insurance, if available on reasonable terms. Following completion of the Transaction, we expect directors and officers of Tronox Incorporated to be covered by directors and officers insurance policies acquired by Tronox Limited.

* * *

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Item 21. Exhibits and Financial Statement Schedules

(a) Exhibits

(1) The exhibit index attached hereto is incorporated herein by reference.

(b) Financial Statement Schedules

Item 22. Undertakings.

(a) The undersigned registrants hereby undertake:

(1) That prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form

with respect

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to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) That every prospectus (i) that is filed pursuant to paragraph (1) above, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to this registration statement and will not be used until such amendment has become effective, and that for the purpose of determining liabilities under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(4) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement on Form S-4 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, State of Oklahoma, on this 7th day of February 2012.

TRONOX LIMITED
(Registrant)

By: /s/ Daniel D. Greenwell
Name: Daniel D. Greenwell
Title: Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas Casey* Thomas Casey	Chief Executive Officer (Principal Executive Officer)	February 7, 2012
/s/ Edward G. Ritter* Edward G. Ritter	Principal Accounting Officer	February 7, 2012
/s/ Michael J. Foster Michael J. Foster	(Director)	February 7, 2012
/s/ Anthony M. Orrell* Anthony M. Orrell	(Director)	February 7, 2012

* As Attorney-in-fact

By: /s/ Michael J. Foster
Michael J. Foster

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Thomas Casey and Michael J. Foster, and each of them singly, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all (i) amendments (including post-effective amendments) and additions to this registration statement and (ii) any and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agents full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ Daniel D. Greenwell Daniel D. Greenwell	Chief Financial Officer (Principal Financial Officer)	February 7, 2012

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement on Form S-4 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, State of Oklahoma, on this 7th day of February 2012.

TRONOX INCORPORATED
(Registrant)

By: /s/ Daniel D. Greenwell
Name: Daniel D. Greenwell
Title: Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas Casey* Thomas Casey	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 7, 2012
/s/ Edward G. Ritter* Edward G. Ritter	Controller and Chief Accounting Officer (Principal Accounting Officer)	February 7, 2012
/s/ Robert M. Gervis* Robert M. Gervis	(Director)	February 7, 2012
/s/ Andrew P. Hines* Andrew P. Hines	(Director)	February 7, 2012
/s/ Wayne A. Hinman* Wayne A. Hinman	(Director)	February 7, 2012
/s/ Ilan Kaufthal* Ilan Kaufthal	(Director)	February 7, 2012
/s/ Jeffry N. Quinn*	(Director)	February 7, 2012

Jeffry N. Quinn

* As Attorney-in-fact

By: /s/ Michael J. Foster
Michael J. Foster

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POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Thomas Casey and Michael J. Foster, and each of them singly, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all (i) amendments (including post-effective amendments) and additions to this registration statement and (ii) any and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agents full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ Daniel D. Greenwell Daniel D. Greenwell	Chief Financial Officer (Principal Financial Officer)	February 7, 2012

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Transaction Agreement by and among Tronox Incorporated, Tronox Limited, Concordia Acquisition Corporation, Exxaro Resources Limited, Exxaro Holdings Sands Proprietary Limited and Exxaro International BV dated as of September 25, 2011 (included as Annex A to the proxy statement/prospectus which forms a part of this registration statement).
3.1*	Constitution of Tronox Limited.
3.2*	Amended and Restated Certificate of Incorporation of Tronox Incorporated.
3.3*	Amended and Restated Bylaws of Tronox Incorporated.
5.1*	Opinion of Blake Dawson regarding legality of securities being registered by Tronox Limited.
5.2*	Opinion of Kirkland & Ellis LLP regarding legality of securities being registered by Tronox Incorporated.
8.1*	Opinion of Kirkland & Ellis LLP regarding certain U.S. federal income tax matters.
10.1	Warrant Agreement, dated as of February 14, 2011, by and between Tronox Incorporated, Computershare Inc. and its wholly-owned subsidiary, Computershare Trust Company, N.A. (Incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed by Tronox Incorporated with the SEC on February 14, 2011).
10.2	Tronox Incorporated 2010 Management Equity Incentive Plan. (Incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K filed by Tronox Incorporated with the SEC on February 14, 2011).
10.3	Tronox LLC 2010 Cash Incentive Plan. (Incorporated by reference to Exhibit 10.5 of the Current Report on Form 8-K filed by Tronox Incorporated with the SEC on February 14, 2011).
10.4**	Employment Agreement entered into as of February 14, 2011 by and between Tronox LLC and Dennis L. Wanlass.
10.5**	Employment Agreement entered into as of February 14, 2011 by and between Tronox LLC and John D. Romano.
10.6**	Employment Agreement entered into as of February 14, 2011 by and between Tronox LLC and Michael J. Foster.
10.7**	Employment Agreement entered into as of February 14, 2011 by and between Tronox LLC and Robert C. Gibney.
10.8**	Separation Agreement entered into as of December 21, 2011 by and between Tronox LLC and Dennis L. Wanlass.
10.9*	Form of Exchangeable Share Support Agreement by and between Tronox Limited and Tronox Incorporated.
10.10*	Form of Services Agreement by and between Exxaro, Tronox Limited and certain of their respective affiliates.
10.11	Form of South African Shareholders Agreement by and between Tronox Limited, Exxaro, Exxaro Sands and Exxaro TSA Sands (included as Exhibit III to the Transaction Agreement filed as Exhibit 2.1).
10.12	Form of Shareholder s Deed by and between Tronox Limited, Exxaro, a holder of Class A Shares and a subsidiary of Exxaro (included as Exhibit IV to the Transaction Agreement filed as Exhibit 2.1).

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Exhibit Number	Description
10.13*	Form of Transition Services Agreement by and between Exxaro, Tronox Limited and certain of their respective affiliates.
21.1*	Subsidiaries of Tronox Limited.
23.1	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm for Tronox Incorporated.
23.2	Consent of PricewaterhouseCoopers Inc., Independent Auditors for Exxaro Mineral Sands.
23.3*	Consent of Blake Dawson (to be included in Exhibit 5.1).
23.4*	Consent of Kirkland & Ellis LLP (to be included in Exhibit 8.1).
23.5*	Consent of the Titanium Dioxide Manufacturers Association.
23.6*	Consent of TZMI Minerals International Pty Ltd.
24.1	Power of Attorney (included in signature pages).
99.1*	Form of Proxy for Tronox Incorporated.
99.2	Opinion of Moelis & Company LLC (included as Annex C to the proxy statement/prospectus which forms a part of this registration statement).
99.3	Opinion of Goldman, Sachs & Co. (included as Annex B to the proxy statement/prospectus which forms a part of this registration statement).
99.4	Consent of Moelis & Company LLC.
99.5	Consent of Goldman, Sachs & Co.

Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the Securities and Exchange Commission upon request.

* To be filed by amendment.

** Previously filed.