Tronox Ltd
Form 10-Q
August 05, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from __________ to __________

1-35573
(Commission file number)

TRONOX LIMITED
(ACN 153 348 111)
(Exact Name of Registrant as Specified in its Charter)

Western Australia, Australia (State or Other Jurisdiction of Incorporation or Organization)	98-1026700 (I.R.S. Employer Identification Number)
263 Tresser Boulevard, Suite 1100 Stamford, Connecticut 06901	1 Brodie Hall Drive Technology Park Bentley, Australia 6102

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

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

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

As of July 31, 2015, the Registrant had 65,523,352 Class A ordinary shares and 51,154,280 Class B ordinary shares outstanding.

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Item 1. Financial Statements (Unaudited)

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TRONOX LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Millions of U.S. dollars, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	$617	$490	$1,002	$908
Cost of goods sold	593	430	943	823
Gross profit	24	60	59	85
Selling, general and administrative expenses	(72)	(45)	(116)	(91)
Restructuring expenses	(2)	—	(2)	—
Income (loss) from operations	(50)	15	(59)	(6)
Interest and debt expense, net	(52)	(33)	(86)	(67)
Loss on extinguishment of debt	—	(8)	—	(8)
Other income (expense), net	(5)	3	(1)	3
Loss before income taxes	(107)	(23)	(146)	(78)
Income tax benefit (provision)	(11)	25	(18)	26
Net income (loss)	(118)	2	(164)	(52)
Net income attributable to noncontrolling interest	1	2	4	6
Net loss attributable to Tronox Limited	$(119)	$—	$(168)	$(58)
Loss per share, basic and diluted	$(1.03)	$—	$(1.45)	$(0.51)
Weighted average shares outstanding, basic and diluted (in thousands)	115,569	113,962	115,472	113,770

See notes to unaudited condensed consolidated financial statements.

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TRONOX LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(Millions of U.S. dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	$(118)	$2	$(164)	$(52)
Other comprehensive income (loss):				
Foreign currency translation adjustments	11	(13)	(52)	(21)
Retirement and postretirement plans, net of taxes of less than $1 million in each of the three and six months ended June 30, 2015 and 2014	1	—	2	3
Other comprehensive income (loss)	12	(13)	(50)	(18)
Total comprehensive loss	(106)	(11)	(214)	(70)
Comprehensive income (loss) attributable to noncontrolling interest:				
Net income	1	2	4	6
Foreign currency translation adjustments	1	(3)	(14)	(6)
Comprehensive income (loss) attributable to noncontrolling interest	2	(1)	(10)	—
Comprehensive loss attributable to Tronox Limited	$(108)	$(10)	$(204)	$(70)

See notes to unaudited condensed consolidated financial statements.

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TRONOX LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Millions of U.S. dollars, except share and per share data)

	June 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$205	$ 1,276
Restricted cash	5	3
Accounts receivable, net of allowance for doubtful accounts	472	277
Inventories, net	780	770
Prepaid and other assets	60	42
Deferred tax assets	10	13
Total current assets	1,532	2,381
Noncurrent Assets		
Property, plant and equipment, net	1,967	1,227
Mineral leaseholds, net	1,736	1,058
Intangible assets, net	260	272
Inventories, net	14	57
Long-term deferred tax assets	8	9
Other long-term assets	75	61
Total assets	$5,592	$ 5,065
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$203	$ 160
Accrued liabilities	156	147
Short-term debt	150	—
Long-term debt due within one year	17	18
Income taxes payable	26	32
Deferred tax liabilities	8	9
Total current liabilities	560	366
Noncurrent Liabilities		
Long-term debt	2,967	2,375
Pension and postretirement healthcare benefits	168	172
Asset retirement obligations	82	85
Long-term deferred tax liabilities	190	204
Other long-term liabilities	96	75
Total liabilities	4,063	3,277
Contingencies and Commitments		
Shareholders' Equity		
	1	1

Tronox Limited Class A ordinary shares, par value $0.01 — 65,531,044 shares issued and 64,483,113 share outstanding at June 30, 2015 and 65,152,145 shares issued and 63,968,616 shares outstanding at December 31, 2014		
Tronox Limited Class B ordinary shares, par value $0.01 — 51,154,280 shares issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Capital in excess of par value	1,490	1,476
Retained earnings	302	529
Accumulated other comprehensive loss	(432)	(396)
Total shareholders’ equity	1,361	1,610
Noncontrolling interest	168	178
Total equity	1,529	1,788
Total liabilities and equity	$5,592	$ 5,065

See notes to unaudited condensed consolidated financial statements.

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TRONOX LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Millions of U.S. dollars)

	Six Months Ended June 30, 2015	2014
Cash Flows from Operating Activities:		
Net loss	$(164)	$(52)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	140	157
Deferred income taxes	(2)	(45)
Share-based compensation expense	13	11
Amortization of deferred debt issuance costs and discount on debt	5	5
Pension and postretirement healthcare benefit expense	1	3
Loss on extinguishment of debt	—	8
Other noncash items affecting net loss	14	11
Contributions to employee pension and postretirement plans	(8)	(7)
Changes in assets and liabilities:		
Increase in accounts receivable	(52)	(64)
Decrease in inventories	53	2
Decrease in prepaid and other assets	7	8
Increase (decrease) in accounts payable and accrued liabilities	1	(10)
Increase in taxes payable	4	9
Other, net	1	(1)
Cash provided by operating activities	13	35
Cash Flows from Investing Activities:		
Capital expenditures	(93)	(67)
Acquisition of business	(1,653)	—
Cash used in investing activities	(1,746)	(67)
Cash Flows from Financing Activities:		
Repayments of debt	(9)	(11)
Proceeds from debt	750	—
Debt issuance costs	(15)	(2)
Dividends paid	(59)	(58)
Proceeds from the exercise of warrants and options	3	2
Cash provided by (used in) financing activities	670	(69)
Effects of exchange rate changes on cash and cash equivalents	(8)	(2)
Net decrease in cash and cash equivalents	(1,071)	(103)
Cash and cash equivalents at beginning of period	1,276	1,475
Cash and cash equivalents at end of period	$205	$1,372

See notes to unaudited condensed consolidated financial statements.

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TRONOX LIMITED
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)
(Millions of U.S. dollars)

	Tronox Limited Class A Ordinary Shares	Tronox Limited Class B Ordinary Shares	Capital in Excess of par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Non-controlling Interest	Total Equity
Balance at January 1, 2015	$ 1	$ —	$1,476	$ 529	$ (396)	$ 1,610	$ 178	$1,788
Net income (loss)	—	—	—	(168)	—	(168)	4	(164)
Other comprehensive loss	—	—	—	—	(36)	(36)	(14)	(50)
Share-based compensation	—	—	12	—	—	12	—	12
Class A and Class B share dividends	—	—	—	(59)	—	(59)	—	(59)
Warrants and options exercised	—	—	2	—	—	2	—	2
Balance at June 30, 2015	$ 1	$ —	$1,490	$ 302	$ (432)	$ 1,361	$ 168	$1,529

See notes to unaudited condensed consolidated financial statements.

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TRONOX LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Millions of U.S. dollars, except share, per share and metric tons data or unless otherwise noted)

1. The Company

Tronox Limited and its subsidiaries (collectively referred to as "Tronox," "we," "us," or "our") is a public limited company registered under the laws of the State of Western Australia. We are a global leader in the production and marketing of titanium bearing mineral sands and titanium dioxide ("TiO_2") pigment, and the world's largest producer of natural soda ash. Titanium feedstock is primarily used to manufacture TiO_2 . Zircon, a hard, glossy mineral, is used for the manufacture of ceramics, refractories, TV screen glass, and a range of other industrial and chemical products. Pig iron is a metal material used in the steel and metal casting industries to create wrought iron, cast iron, and steel. Our TiO_2 products are critical components of everyday applications such as paint and other coatings, plastics, paper, and other uses and our related mineral sands product streams include titanium feedstock, zircon, and pig iron. Our soda ash products are used by customers in the glass, detergent, and chemicals manufacturing industries.

We have global operations in North America, Europe, South Africa, and the Asia-Pacific region. Within our TiO_2 segment, we operate three pigment production facilities at the following locations: Hamilton, Mississippi; Botlek, The Netherlands; and Kwinana, Western Australia, and we operate three separate mining operations: KwaZulu-Natal ("KZN") Sands and Namakwa Sands both located in South Africa, and Cooljarloo located in Western Australia.

On April 1, 2015 (the "Alkali Transaction Date"), we completed the previously announced acquisition of 100% of the Alkali Chemicals business ("Alkali") from FMC Corporation ("FMC") for an aggregate purchase price of approximately $1.65 billion in cash (the "Alkali Transaction"), subject to a customary post-closing adjustment in respect of working capital. See Note 2 for additional information regarding the Alkali Transaction.

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

On September 25, 2011, Tronox Incorporated entered into a definitive agreement (as amended) with Exxaro Resources Limited ("Exxaro") and certain of its affiliated companies, to acquire 74% of Exxaro's South African mineral sands operations (the "Exxaro Transaction"). On June 15, 2012, the date of the Exxaro Transaction, Tronox Limited issued Class B ordinary shares ("Class B Shares") to Exxaro and one of its subsidiaries in consideration for the mineral sands business, and the existing business of Tronox Incorporated was combined with the mineral sands business in an integrated series of transactions whereby Tronox Limited became the parent company. Under the terms of the Shareholder's Deed entered into upon completion of the Exxaro Transaction, Exxaro agreed that for a three-year period after the completion of the Exxaro Transaction (the "Standstill Period"), it would not engage in any transaction or other action that would result in its beneficial ownership of the voting shares of Tronox Limited exceeding 45% of the total issued shares of Tronox Limited. In addition, except under certain circumstances, Exxaro agreed not to sell, pledge or otherwise transfer any such voting shares during the Standstill Period. After the Standstill Period, which concluded on June 14, 2015, Exxaro has agreed not to acquire any voting shares of Tronox Limited if, following such acquisition, Exxaro will have a voting interest in Tronox Limited of 50% or more unless Exxaro brings any proposal to make such an acquisition to the Board of Directors of Tronox Limited on a confidential basis. In the event an agreement regarding the proposal is not reached, Exxaro is permitted to make a takeover offer for all the shares of Tronox Limited not held by affiliates of Exxaro, subject to certain non-waivable conditions. At June 30, 2015, Exxaro held approximately 44% of the voting securities of Tronox Limited. See Note 19 for additional information regarding Exxaro transactions.

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Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited, and have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements, and should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014. The Condensed Consolidated Balance Sheet as of December 31, 2014 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

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

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

Restricted Cash

At June 30, 2015 and December 31, 2014, we had restricted cash in Australia related to outstanding letters of credit of $5 million and $3 million, respectively.

Recent Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, Interest—imputation of interest. ASU 2015-03 changes and simplifies the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability is presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. We are required to adopt this standard in the first quarter of 2016. We have not yet determined the impact, if any, that ASU 2015-02 will have on our consolidated financial statements.

In February 2015, the Financial Accounting Standards Board (the "FASB") issued ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 changes the consolidation evaluation for entities that are required to evaluate whether they should consolidate certain legal entities. We are required to adopt this standard in the first quarter of 2016. The standard permits the use of a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption, or a reporting entity may also apply the amendments retrospectively. We have not yet determined the impact, if any, that ASU 2015-02 will have on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-9, Revenue from Contracts with Customers ("ASU 2014-9"), which states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for periods beginning after December 31, 2017, and will be applied either retrospectively or on a modified retrospective basis. We have not yet determined the impact, if any, that ASU 2014-9 will have on our consolidated financial statements.

2. Acquisition of Alkali Chemicals Group

We acquired Alkali because it diversifies our end markets and revenue base, and increases our participation in faster growing emerging market economies. We believe it also provides us greater opportunity to utilize a portion of our U.S. tax attributes in future periods. See Note 4 for a discussion of the tax impact of the Alkali Transaction. We accounted for the Alkali Transaction under ASC 805, Business Combinations ("ASC 805"), which requires recording assets acquired and liabilities assumed at fair value. Under the acquisition method of accounting, each tangible and separately identifiable intangible asset acquired and liabilities assumed was recorded based on their preliminary estimated fair values on the Alkali Transaction Date. The results of the Alkali chemical business are included in the Alkali segment. The initial valuations were derived from estimated fair value assessments and assumptions used by management, and are preliminary. Further adjustments may result before the end of the measurement period, which ends no later than March 31, 2016.

We funded the Alkali Transaction through existing cash and new debt. See Note 12 for further details of the Alkali Transaction financing.

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Purchase Price Allocation

	Valuation
Consideration:	
Purchase price	$ 1,650
Fair Value of Assets Acquired and Liabilities Assumed:	
Current Assets:	
Accounts receivable	$ 147
Inventories	48
Prepaid and other assets	29
Total Current Assets	224
Property, plant and equipment (1)	767
Mineral leaseholds (2)	738
Non-compete agreement	1
Other long-term assets	3
Total Assets	$ 1,733
Current Liabilities:	
Accounts payable	46
Accrued liabilities	25
Total Current Liabilities	71
Noncurrent Liabilities:	
Other	12
Total Liabilities	83
Net Assets	$ 1,650

(1) The fair value of property, plant and equipment was determined using the cost approach, which estimates the replacement cost of each asset using current prices and labor costs, less estimates for physical, functional and technological obsolescence, based on the estimated useful life ranging from 5 to 38 years.

(2) The fair value of mineral rights was determined using the Discounted Cash Flow ("DCF") method, which was based upon the present value of the estimated future cash flows for the expected life of the asset taking into account the relative risk of achieving those cash flows and the time value of money. A discount rate of 10.4% was used taking into account the risks associated with such assets.

In connection with the Alkali Transaction, subject to a customary post-closing adjustment relating to working capital, we recorded a $3 million receivable which is included in "Accounts receivable, net of allowance for doubtful accounts" in the unaudited Condensed Consolidated Balance Sheets.

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

Condensed Combined Financial Information

The following condensed financial information presents the resulting operations of Alkali from the Alkali Transaction Date to June 30, 2015:

	For the Period April 1, 2015 through June 30, 2015
Net sales	$ 208
Income from operations	$ 25
Net income	$ 18

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Supplemental Pro forma financial information

The following unaudited pro forma information gives effect to the Alkali Transaction as if it had occurred on January 1, 2014. The unaudited pro forma financial information reflects certain adjustments related to the acquisition, such as (1) conforming the accounting policies of Alkali to those applied by Tronox, (2) to record certain incremental expenses resulting from purchase accounting adjustments, such as incremental depreciation expense in connection with fair value adjustments to property, plant and equipment, and depletion expense in connection with fair value adjustments to mineral leaseholds, (3) to record the effect on interest expense related to borrowings in connection with the Alkali Transaction and (4) to record the related tax effects. The unaudited pro forma financial information was adjusted for the effect of certain non-recurring items as of January 1, 2014 such as the impact of transaction costs related to the Alkali Transaction of approximately $27 million, inventory step-up amortization of $9 million and $8 million of interest expense incurred on the Bridge Facility (see Note 12). These non-recurring items were excluded from the unaudited supplemental pro forma financial information for the three and six months ended June 30, 2015. The unaudited pro forma financial information is for illustrative purposes only and should not be relied upon as being indicative of the historical results that would have been obtained if the Alkali Transaction had actually occurred on that date, nor the results of operations in the future.

In accordance with ASC 805, the supplemental pro forma results of operations for the three and six months ended June 30, 2015 and 2014, as if the Alkali Transaction had occurred on January 1, 2014, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	$617	$684	$1,197	$1,288
Income (loss) from operations	$(29)	$43	$(10)	$7
Net income (loss)	$(89)	$19	$(119)	$(70)
Income (loss) per share, basic and diluted	$(0.78)	$0.15	$(1.07)	$(0.68)

3. Restructuring Expense

During September 2014, we initiated a cost improvement initiative. The initiative resulted in a reduction in our workforce by approximately 135 employees and outside contractor positions. At December 31, 2014, the remaining liability was $4 million. During the three and six months ended June 30, 2015, we paid $2 million and $4 million, respectively, in cash related to such restructuring. During the second quarter of 2015, we determined that our sodium chlorate plant in Hamilton, Mississippi will cease production in late November 2015, which will involve a reduction in our workforce by approximately 40 employees. The charge resulting from this was $2 million, which was recorded in “Restructuring expense” in the unaudited Condensed Consolidated Statements of Operations during the three and six months ended June 30, 2015. The charges primarily consist of employee severance costs. We expect to pay the $2 million during the second half of 2015.

4. Income Taxes

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014

Income tax benefit (provision)	$(11)	$25	$(18)	$26
Loss before income taxes	$(107)	$(23)	$(146)	$(78)
Effective tax rate	(10)%	109%	(12)%	33 %

The statutory tax rates on income earned in South Africa (28% for limited liability companies), The Netherlands (25% for corporations), and the United Kingdom (20.25% for corporations and limited liability companies and not applicable for certain limited liability partners) are lower than the Australian statutory rate of 30%. The statutory tax rate, applied against losses in the United States (35% for corporations), is higher than the Australian statutory rate of 30%.

The effective tax rate for the three and six months ended June 30, 2015 and 2014 differs from the Australian statutory rate of 30% primarily due to valuation allowances, income in foreign jurisdictions taxed at rates lower than 30%, and withholding tax accruals. We recorded less tax benefit on book losses for the period ended June 30, 2015 due to full valuation allowances in Australia and The Netherlands.

As a result of the Alkali Transaction, we expect to have a greater opportunity to utilize a portion of our U.S. tax attributes in future periods. This expectation, however, does not change our judgement regarding the utilization of existing deferred tax assets.

We continue to maintain full valuation allowances related to the total net deferred tax assets in Australia, the United States, and The Netherlands, as we cannot objectively assert that these deferred tax assets are more likely than not to be realized. Future provisions for income taxes will include no tax benefits with respect to losses incurred and tax expense only to the extent of current state tax payments until the valuation allowances are eliminated. Additionally, we have valuation allowances against specific tax assets in South Africa.

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

Anadarko Litigation

On January 23, 2015, Anadarko Petroleum Corp. (“Anadarko”) paid $5.2 billion, including approximately $65 million of accrued interest, pursuant to the terms of a settlement agreement with Tronox Incorporated. We did not receive any portion of the settlement amount. Instead, 88% of the $5.2 billion went to trusts and other governmental entities for the remediation of polluted sites by Kerr-McGee Corporation (“Kerr-McGee”). The remaining 12% was distributed to a tort trust to compensate individuals injured as a result of Kerr-McGee’s environmental failures.

We received a private letter ruling from the U.S. Internal Revenue Service confirming that the trusts that held the claims against Anadarko are grantor trusts of Tronox Incorporated solely for federal income tax purposes. As a result, we believe we are entitled to tax deductions equal to the amount spent by the trusts to remediate environmental matters and to compensate the injured individuals. These deductions will accrue over the life of the trusts as the $5.2 billion is spent. We believe that these expenditures and the accompanying tax deductions may continue for decades. At December 31, 2014, we had recorded deferred tax assets of $2.0 billion related to the $5.2 billion of expected future tax deductions from trust expenditures. These deferred tax assets are fully offset by valuation allowances. At June 30, 2015, approximately $1.8 billion of the trust expenditures expected from the litigation proceeds have been incurred.

5. Loss Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator – Basic and Diluted:				
Net income (loss)	$(118)	$2	$(164)	$(52)
Less: Net income attributable to noncontrolling interest	1	2	4	6
Undistributed net loss	(119)	—	(168)	(58)
Percentage allocated to ordinary shares (1)	100%	100%	100%	100%
Loss available to ordinary shares	$(119)	$—	$(168)	$(58)
Denominator – Basic and Diluted:				
Weighted-average ordinary shares (in thousands)	115,569	113,962	115,472	113,770
Loss per Ordinary Share (2):				
Basic and diluted loss per ordinary share	$(1.03)	$—	$(1.45)	$(0.51)

(1) Our participating securities do not have a contractual obligation to share in losses; therefore, when we have a net loss, none of the loss is allocated to participating securities. Consequently, for the three and six months ended June 30, 2015 and 2014, the two-class method did not have an effect on our loss per ordinary share calculation, and as such, dividends paid during the year did not impact this calculation.

(2) Loss per ordinary share amounts were calculated from exact, not rounded income (loss) and share information.

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

	June 30, 2015		June 30, 2014	
	Shares	Average Exercise Price	Shares	Average Exercise Price
Options	2,294,649	$ 21.12	2,816,072	$ 21.11
Series A Warrants (1)	1,282,734	$ 10.75	1,603,335	$ 11.26
Series B Warrants (1)	1,736,651	$ 11.86	2,049,291	$ 12.42
Restricted share units	1,561,349	$ 23.04	985,136	$ 22.06

(1) Series A Warrants and Series B Warrants were converted into Class A ordinary shares at June 30, 2015 and 2014 using a rate of 5.36 and 5.24, respectively. See Note 15.

6. Accounts Receivable, Net of Allowance for Doubtful Accounts

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

	June 30, 2015	December 31, 2014
Trade receivables	$ 454	$ 272
Other	20	6
Subtotal	474	278
Allowance for doubtful accounts	(2)	(1)
Accounts receivable, net of allowance for doubtful accounts	$ 472	$ 277

Bad debt expense was $6 million and less than $1 million for the three months ended June 30, 2015 and 2014, respectively, and $6 million and less than $1 million for the six months ended June 30, 2015 and 2014, respectively, and was recorded in “Selling, general and administrative expenses” in the unaudited Condensed Consolidated Statements of Operations.

7. Inventories, Net

Inventories, net consisted of the following:

	June 30, 2015	December 31, 2014
Raw materials	$ 259	$ 329
Work-in-process	52	77
Finished goods, net	357	303
Materials and supplies, net (1)	126	118
Total	794	827
Less: Inventories, net – non-current	(14)	(57)
Inventories, net - current	$ 780	$ 770

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

Finished goods includes inventory on consignment of $43 million and $42 million at June 30, 2015 and December 31, 2014, respectively. At both June 30, 2015 and December 31, 2014, inventory obsolescence reserves were $14 million. During the three months ended June 30, 2015 and 2014, we recognized a net lower of cost or market charge of $49 million and a net lower of cost or market benefit of $5 million, respectively, which was included in “Cost of goods sold” in the unaudited Condensed Consolidated Statements of Operations. During the six months ended June 30, 2015 and 2014, we recognized a net lower of cost or market charge of $58 million and $7 million, respectively, which was included in “Cost of goods sold” in the unaudited Condensed Consolidated Statements of Operations. The net lower of cost or market charge for both the three and six months ended June 30, 2015 included a $41million charge associated with the sale of ilmenite to a non-TiO_2 producer that we expect will generate approximately $35 million to $37 million in cash over the course of the next 18 months (subject to specified extensions) at a contractual price that is below the carrying cost assigned to such material as part of the Exxaro Transaction.

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8. Property, Plant and Equipment, Net

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

	June 30, 2015	December 31, 2014
Land and land improvements	$139	$ 80
Buildings	258	187
Machinery and equipment	1,803	1,225
Construction-in-progress	250	149
Other	47	35
Subtotal	2,497	1,676
Less accumulated depreciation and amortization	(530)	(449)
Property, plant and equipment, net	$1,967	$ 1,227

Depreciation expense related to property, plant and equipment during the three months ended June 30, 2015 and 2014 was $48 million and $42 million, respectively, of which $47 million and $41 million, respectively, was recorded in “Cost of goods sold” in the unaudited Condensed Consolidated Statements of Operations and $1 million and $1 million, respectively, was recorded in “Selling, general and administrative expenses” in the unaudited Condensed Consolidated Statements of Operations. Depreciation expense related to property, plant and equipment during the six months ended June 30, 2015 and 2014 was $85 million and $81 million, respectively, of which $83 million and $79 million, respectively, was recorded in “Cost of goods sold” in the unaudited Condensed Consolidated Statements of Operations and $2 million and $2 million, respectively, was recorded in “Selling, general and administrative expenses” in the unaudited Condensed Consolidated Statements of Operations.

9. Mineral Leaseholds, Net

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

	June 30, 2015	December 31, 2014
Mineral leaseholds	$2,050	$ 1,336
Less accumulated depletion	(314)	(278)
Mineral leaseholds, net	$1,736	$ 1,058

Depletion expense related to mineral leaseholds during the three months ended June 30, 2015 and 2014 was $21 million and $35 million, respectively, and during the six months ended June 30, 2015 and 2014 was $42 million and $62 million, respectively which was recorded in “Cost of goods sold” in the unaudited Condensed Consolidated Statements of Operations.

10. Intangible Assets, Net

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

June 30, 2015			December 31, 2014		
Gross Cost	Accumulated Amortization	Net Carrying Amount	Gross Cost	Accumulated Amortization	Net Carrying Amount

Customer relationships	$294	$ (88)	$ 206	$294	$ (79)	$ 215
TiO_2 technology	32	(7)	25	32	(6)	26
Internal-use software	40	(12)	28	39	(10)	29
Other	9	(8)	1	9	(7)	2
Intangible assets, net	$375	$ (115)	$ 260	$374	$ (102)	$ 272

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Amortization expense related to intangible assets during the three months ended June 30, 2015 and 2014 was $6 million and $7 million, respectively, and during the six months ended June 30, 2015 and 2014 was $13 million and $14 million, respectively, which was recorded in “Selling, general and administrative expenses” in the unaudited Condensed Consolidated Statements of Operations. Estimated future amortization expense related to intangible assets is $13 million for the remainder of 2015, $25 million for 2016, $25 million for 2017, $25 million for 2018, $25 million for 2019, and $147 million thereafter.

11. Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2015	December 31, 2014
Employee-related costs and benefits	$ 63	$ 62
Taxes other than income taxes	19	37
Interest	35	22
Sales rebates	21	19
Other	18	7
Accrued liabilities	$ 156	$ 147

12. Debt

Short-term debt consisted of the following:

	June 30, 2015	December 31, 2014
UBS Revolver	$ 150	$ —
Short-term debt (1)	$ 150	$ —

(1) Average effective interest rate of 2.4% during 2015.

UBS Revolver

We have a global senior secured asset-based syndicated revolving credit facility with UBS AG (“UBS”) with a maturity date of June 18, 2017 (the “UBS Revolver”). Through March 31, 2015, the UBS Revolver provided us with a committed source of capital with a principal borrowing amount of up to $300 million, subject to a borrowing base.

On April 1, 2015, in connection with the Alkali Transaction, we entered into an amended and restated asset-based revolving syndicated facility agreement with UBS, which provides for up to $500 million of revolving credit lines, with a $85 million sublimit for letters of credit with a new maturity that is the earlier of the date which is five (5) years after the closing date and the date which is 3 months prior to the maturity of the Term Loan Agreement; provided that in no event shall the Revolving Maturity be earlier than June 18, 2017. Availability of revolving credit loans and letters of credit are subject to a borrowing base. Borrowings bear interest at our option, at either a base rate or an adjusted LIBOR rate and borrowings in Euros bear interest at an adjusted LIBOR rate, in each case plus an applicable margin. The base rate is defined as the greatest of (a) the Administrative Agent’s prime rate, (b) the Federal funds effective rate plus 0.50% and (c) the adjusted LIBOR rate for a one-month period plus 1.00%. The applicable margin ranges from 0.50% to 1.00% for borrowings at the base rate and from 1.50% to 2.00% for borrowings at the adjusted

LIBOR rate, in each case, based on the average daily borrowing availability.

On April 1, 2015, we borrowed $150 million against the UBS Revolver, which was outstanding at June 30, 2015. At December 31, 2014, there were no outstanding borrowings on the UBS Revolver. During the three and six months ended June 30, 2014, we had no drawdowns or repayments on the UBS Revolver. We incurred $2 million of deferred debt issuance costs related to the UBS Revolver, which were capitalized and included in "Other long-term assets" in the unaudited Condensed Consolidated Balance Sheet at June 30, 2015. At June 30, 2015 and December 31, 2014, our borrowing base was $298 million and $276 million, respectively.

ABSA Revolving Credit Facility

We have a R1.3 billion (approximately $107 million at June 30, 2015) revolving credit facility with ABSA Bank Limited ("ABSA") acting through its ABSA Capital Division with a maturity date of June 14, 2017 (the "ABSA Revolver"). The ABSA Revolver bears interest at (i) the base rate (defined as one month JIBAR, which is the mid-market rate for deposits in South African Rand for a period equal to the relevant period which appears on the Reuters Screen SAFEY Page alongside the caption YLD) as of 11h00 Johannesburg time on the first day of the applicable period, plus (ii) the Margin, which is 3.9%.

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During the three and six months ended June 30, 2015 and 2014, we had no drawdowns or repayments on the ABSA Revolver. At both June 30, 2015 and December 31, 2014, there were no outstanding borrowings on the ABSA Revolver.

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

	Original Principal	Annual Interest Rate	Maturity Date	June 30 2015	December 31, 2014
Term Loan, net of unamortized discount (1)	$ 1,500	Variable	3/19/2020	$ 1,461	$ 1,468
Senior Notes due 2020	$ 900	6.375 %	8/15/2020	900	900
Senior Notes due 2022	$ 600	7.50 %	3/15/2022	600	—
Co-generation Unit Financing Arrangement	$ 16	6.5 %	2/1/2016	2	3
Lease financing				21	22
Total borrowings				2,984	2,393
Less: Long-term debt due within one year				(17)	(18)
Long-term debt				$ 2,967	$ 2,375

(1) Average effective interest rate of 4.5% and 4.8% during 2015 and 2014, respectively.

At June 30, 2015, the scheduled maturities of our long-term debt were as follows:

	Total Borrowings
2015	$ 9
2016	16
2017	16
2018	16
2019	16
Thereafter	2,918
Total	2,991
Remaining accretion associated with the Term Loan	(7)
Total borrowings	$ 2,984

Term Loan

On April 23, 2014, we, along with our wholly owned subsidiary, Tronox Pigments (Netherlands) B.V., and certain of our subsidiaries named as guarantors, entered into a Third Amendment to the Credit and Guaranty Agreement (the “Third Agreement”) on our $1.5 billion senior secured term loan (the “Term Loan”) with the lender parties thereto and Goldman Sachs Bank USA, as administrative agent, which amends the Second Agreement. The Term Loan was issued net of an original issue discount. At both June 30, 2015 and December 31, 2014, the unamortized discount was approximately $7 million. During the three months ended June 30, 2015 and 2014, we made principal repayments of $4 million and $6 million, respectively, and during the six months ended June 30, 2015 and 2014 we made principal repayments of $8 million and $10 million, respectively.

Senior Notes due 2020

On August 20, 2012, our wholly owned subsidiary, Tronox Finance LLC (“Tronox Finance”), completed a private placement offering of $900 million aggregate principal amount of senior notes at par value (the “Senior Notes due

2020”). The Senior Notes due 2020 bear interest semiannually at a rate equal to 6.375%, and are fully and unconditionally guaranteed on a senior, unsecured basis by us and certain of our subsidiaries. The Senior Notes due 2020 were initially offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

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

Senior Notes due 2022

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

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

On April 1, 2015, in connection with the Alkali Transaction, Evolution merged with and into Tronox Finance, Tronox Finance assumed the obligations of Evolution under the Indenture and the Senior Notes due 2022, and the proceeds from the offering were released to us to partially pay the purchase price for the Alkali Transaction. We and certain of our subsidiaries entered into a supplemental indenture (the "First Supplemental Indenture"), by and among us, Tronox Finance, the guarantors party thereto, and the Trustee, pursuant to which we and such subsidiaries became guarantors of the Senior Notes due 2022 under the Indenture. The Senior Notes due 2022 have not been registered under the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Debt issuance costs related to the Senior Notes due 2022 of $13 million, were capitalized and included in "Other long-term assets" in the unaudited Condensed Consolidated Balance Sheets at June 30, 2015.

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

Lease Financing

We have capital lease obligations in South Africa, which are payable through 2031 at a weighted average interest rate of approximately 14%. At June 30, 2015 and December 31, 2014, such obligations had a net book value of assets recorded under capital leases aggregating $18 million and $20 million, respectively. During each of the three and six months ended June 30, 2015 and 2014, we made principal payments of less than $1 million.

Bridge Facility

In connection with the Alkali Transaction, we entered into a $600 million senior unsecured bridge facility (the "Bridge Facility"). The Bridge Facility was not utilized and terminated with the completion of the Alkali Transaction. During both the three and six months ended June 30, 2015, we incurred $8 million of financing fees related to the Bridge Facility, which were included in "Interest and debt expense, net" in the unaudited Condensed Consolidated Statements of Operations.

Fair Value

Our debt is recorded at historical amounts. At both June 30, 2015 and December 31, 2014, the fair value of the Term Loan was $1.5 billion. At June 30, 2015 and December 31, 2014, the fair value of the Senior Notes due 2020 was $842 million and $903 million, respectively. At June 30, 2015, the fair value of the Senior Notes due 2022 was $572 million. We determined the fair value of the Term Loan, the Senior Notes due 2020 and the Senior Notes due 2022 using quoted market prices. The fair value hierarchy for the Term Loan, the Senior Notes due 2020 and the Senior Notes due 2022 is a Level 1 input. Balances outstanding under our UBS Revolver are carried at contracted amounts, which approximate fair value based on the short term nature of the borrowing and the variable interest rate. The fair value hierarchy for our UBS Revolver is a Level 2 input.

Debt Covenants

At June 30, 2015, we had financial covenants in the UBS Revolver, the ABSA Revolver and the Term Loan; however, only the ABSA Revolver had a financial maintenance covenant that applies to local operations and only when the ABSA Revolver is drawn upon. The Term Loan and the UBS Revolver are subject to an intercreditor agreement pursuant to which the lenders’ respective rights and interests in the security are set forth. We were in compliance with all our financial covenants as of and for the three and six months ended June 30, 2015.

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Interest and Debt Expense, Net

Interest and debt expense, net consisted of the following:

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Interest on debt	$42	$ 31	$74	$ 63
Amortization of deferred debt issuance costs and discounts on debt	3	3	5	5
Bridge Facility	8	—	8	—
Other	1	—	2	1
Capitalized interest	(2)	(1)	(3)	(2)
Total interest and debt expense, net	$52	$ 33	$86	$ 67

In connection with obtaining debt, we incurred debt issuance costs, which are being amortized through the respective maturity dates using the effective interest method. At June 30, 2015 and December 31, 2014, we had $55 million and $44 million, respectively, of deferred debt issuance costs, which were recorded in “Other long-term assets” in the unaudited Condensed Consolidated Balance Sheets.

13. Asset Retirement Obligations

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

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Balance, January 1,	$86	$98	$90	$96
Additions	—	1	1	1
Accretion expense	2	2	3	3
Remeasurement/translation	1	—	(5)	2
Changes in estimates, including cost and timing of cash flows	—	—	1	1
Settlements/payments	(1)	(1)	(2)	(3)
Ending balance	$88	$100	$88	$100
Current portion included in accrued liabilities	$6	$6	$6	$6
Noncurrent portion	$82	$94	$82	$94

Environmental Rehabilitation Trust

In accordance with applicable regulations, we have established an environmental rehabilitation trust for the prospecting and mining operations in South Africa, which receives, holds, and invests funds for the rehabilitation or management of asset retirement obligations. The trustees of the fund are appointed by us, and consist of sufficiently qualified employees capable of fulfilling their fiduciary duties. At June 30, 2015 and December 31, 2014, the environmental rehabilitation trust assets were $14 million and $17 million, respectively, which were recorded in "Other long-term assets" in the unaudited Condensed Consolidated Balance Sheets.

14. Commitments and Contingencies

Purchase Commitments—At June 30, 2015, purchase commitments were $121 million for the remainder of 2015, $108 million for 2016, $82 million for 2017, $80 million for 2018, $63 million for 2019, and $339 million thereafter.

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Letters of Credit—At June 30, 2015, we had outstanding letters of credit, bank guarantees, and performance bonds of $51 million, of which $25 million were letters of credit issued under the UBS Revolver, $21 million were bank guarantees issued by ABSA and $5 million were performance bonds issued by Westpac Banking Corporation.

Other Matters—From time to time, we may be party to a number of legal and administrative proceedings involving legal, environmental, and/or other matters in various courts or agencies. These proceedings, individually and in the aggregate, may have a material adverse effect on us. These proceedings may be associated with facilities currently or previously owned, operated or used by us and/or our predecessors, some of which may include claims for personal injuries, property damages, cleanup costs, and other environmental matters. Current and former operations may also involve management of regulated materials that are subject to various environmental laws and regulations including the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act or state equivalents. Similar environmental laws and regulations and other requirements exist in foreign countries in which we operate. Currently, we are not party to any pending legal or administrative proceedings that may have a material adverse effect, either individually or in the aggregate, on our business, financial condition or results of operations.

15. Shareholders' Equity

The changes in outstanding Class A ordinary shares ("Class A Shares") and Class B Shares for the six months ended June 30, 2015 were as follows:

Class A Shares:	
Balance at January 1, 2015	63,968,616
Shares issued for share-based compensation	364,491
Shares issued upon warrants exercised	8,533
Shares issued upon options exercised	141,473
Balance at June 30, 2015	64,483,113
Class B Shares:	
Balance at January 1, 2015	51,154,280
Balance at June 30, 2015	51,154,280

Warrants

We have outstanding Series A Warrants (the "Series A Warrants") and Series B Warrants (the "Series B Warrants," and together with the Series A Warrants, the "Warrants"). At June 30, 2015, holders of the Warrants were entitled to purchase 5.36 Class A Shares and receive $12.50 in cash at an exercise price of $57.61 for each Series A Warrant and $63.58 for each Series B Warrant. The Warrants have a seven-year term from the date initially issued and will expire on February 14, 2018. A holder may exercise the Warrants by paying the applicable exercise price in cash or exercising on a cashless basis. The Warrants are freely transferable by the holder. At June 30, 2015 and December 31, 2014, there were 239,316 and 240,816 Series A Warrants outstanding, respectively, and 324,002 and 324,383 Series B Warrants outstanding, respectively.

Dividends

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

	Three Months	Three Months

	Ended March 31, 2015	Ended June 30, 2015
Dividend per share	$ 0.25	$ 0.25
Total dividend	$ 29	$ 30
Record date (close of business)	March 9	May 18

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Accumulated Other Comprehensive Loss Attributable to Tronox Limited

The tables below present changes in accumulated other comprehensive income (loss) by component for the three and six months ended June 30, 2015 and 2014.

	Cumulative Translation Adjustment	Pension Liability Adjustment	Total
Balance, January 1, 2015	$ (279)	$ (117)	$(396)
Other comprehensive income (loss)	(48)	1	(47)
Balance, March 31, 2015	$ (327)	$ (116)	$(443)
Other comprehensive income	10	1	11
Balance, June 30, 2015	$ (317)	$ (115)	$(432)

	Cumulative Translation Adjustment	Pension Liability Adjustment	Total
Balance, January 1, 2014	$ (215)	$ (69)	$(284)
Other comprehensive income (loss)	(5)	3	(2)
Balance, March 31, 2014	$ (220)	$ (66)	$(286)
Other comprehensive loss	(10)	—	(10)
Balance, June 30, 2014	$ (230)	$ (66)	$(296)

16. Noncontrolling Interest

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

Noncontrolling interest activity was as follows:

	2015	2014
Balance, January 1	$178	$199
Net income attributable to noncontrolling interest	3	4
Effect of exchange rate changes	(15)	(3)
Balance, March 31	$166	$200
Net income attributable to noncontrolling interest	1	2
Effect of exchange rate changes	1	(3)
Balance, June 30	$168	$199

17. Share-Based Compensation

Compensation expense consisted of the following:

	Three Months Ended	Six Months Ended

	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Restricted shares and restricted share units	$ 6	$ 4	$ 9	$ 7
Options	1	2	3	4
T-Bucks Employee Participation Plan	—	—	1	1
Long-term incentive plan	—	—	—	(1)
Total share-based compensation expense	$ 7	$ 6	$ 13	$ 11

Tronox Limited Management Equity Incentive Plan

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

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Restricted Shares

During the six months ended June 30, 2015, we granted restricted shares which vest ratably over a three-year period. These awards are classified as equity awards, and are accounted for using the fair value established at the grant date.

The following table presents a summary of activity for the six months ended June 30, 2015:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2015	635,295	$ 22.82
Granted	66,108	22.60
Vested	(166,587)	22.05
Forfeited	(35,119)	29.28
Outstanding, June 30, 2015	499,697	$ 22.60
Expected to vest, June 30, 2015	497,338	$ 22.60

At June 30, 2015, there was $3 million of unrecognized compensation expense related to nonvested restricted shares, adjusted for estimated forfeitures, which is expected to be recognized over a weighted-average period of 1.2 years. The weighted-average grant-date fair value of restricted shares granted during the six months ended June 30, 2015 and 2014 was $22.60 per share and $22.17 per share, respectively. The total fair value of restricted shares that vested during the six months ended June 30, 2015 was $4 million.

Restricted Share Units (“RSUs”)

During the six months ended June 30, 2015, we granted RSUs which have time and/or performance conditions. Both the time-based awards and the performance-based awards are classified as equity awards. The time-based awards vest ratably over a three-year period, and are valued at the weighted average grant date fair value. The performance-based awards cliff vest at the end of the three years. Included in the performance-based awards are RSUs for which vesting is determined by a Total Stockholder Return (“TSR”) calculation over the applicable measurement period. The TSR metric is considered a market condition for which we use a Monte Carlo simulation to determine the grant date fair value.