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August 23, 2010

Ms. Shannon Harbour, P.E.  
NDEP-Bureau of Corrective Actions  
901 S Stewart St  
Carson City, NV 89701

**Subject: Status Update RE: December 14, 2009 Order  
Tronox LLC, Henderson Nevada: NDEP Facility ID # H-000539**

Dear Ms. Harbour:

This letter provides Tronox LLC's (TRX's) status update on Items 3-5 of the December 14, 2009 Order, per Nevada Division of Environmental Protection's (NDEP's) request dated July 30, 2010.

***Item 3*** – *A detailed plan, including a detailed schedule and timeline, that explains how TRX will ensure that the existing groundwater treatment system (GWTS) will remain fully operational, as defined herein, until the remedial actions are completed.*

**Item 3 Status –**

Tronox has taken various measures to assure that the existing GWTS will remain fully operational. Since 2003, we have contracted with Veolia Water North America to operate and maintain the GWTS. The contract contains automatic renewal provisions to extend the term of the agreement in five year increments. Tronox structured this service agreement to meet operation performance metrics and to maintain continuity over the lifetime of the GWTS. Funding for long term continued operation of the GWTS will be provided as described in Item 5 below.

Tronox and Veolia have established various measures to assure operation of the GWTS with minimal downtime, including: routine monitoring, cleaning, and adjustment of process equipment and controls; the performance of other routine maintenance procedures; maintaining an inventory of spare parts and supplies; and provision for backup power in the event of a power outage.

Additionally, we are proceeding with various initiatives to develop a long-term sustainable strategy to remediate groundwater in accordance with NDEP requirements. These include: a) the completion of a capture zone evaluation for the existing GWTS, b) optimization of the GWTS based on the capture zone evaluation, c) pilot testing to remediate perchlorate using an in-situ bioremediation, and d) pilot testing to remediate perchlorate in vadose soils using soil flushing (possibly with addition of electron donor to stimulate in-situ biodegradation). These initiatives are discussed further in Item 4 below.

**Item 4** – *A detailed plan, including a detailed schedule and timeline which explains how TRX will complete the Remedial Alternative Studies (RAS) required under the August 1, 1996 Consent Agreement (the Phase II Consent Order). The RAS documents shall address the issue of source control and reduction, and optimization of groundwater treatment.*

**Item 4 Status** – Tronox has prepared detailed plans, including schedules and timelines, to ensure that Tronox will complete the RAS required under the August 1, 1996 Consent Agreement (the Phase II Consent Order).

These plans include the Removal Action Workplan (RAW) and all supporting documentation for soil source control and reduction, consistent with continued use of the Site for commercial/industrial purposes. Removal activities have been initiated, with a goal of removing approximately 700,000 cubic yards of impacted soil and manganese tailings by the end of this year. Soils exceeding NDEP criteria in Site parcels A, B, C, D, F, G and H have been excavated. Approximately 240,000 cubic yards of manganese tailings have already been removed and work has been initiated on excavating the remaining 400,000 cubic yards of impacted soil. Alternative remedial approaches are being developed for leachable chemicals (including flushing, in situ bioremediation, targeted mass removal, and monitored natural attenuation). These approaches will be documented in Technical Memoranda which will serve as the RAS for each constituent or group of constituents.

In instances where excavation of soils exceeding risk based limits is not currently possible (e.g., dikes for active ponds), institutional and/or engineering controls will be established through environmental covenants to minimize exposure to Site workers. We will complete a human health risk assessment to confirm that residual chemical concentrations are health protective, consistent with the commercial/industrial use scenario for the Site.

For optimization of the groundwater remediation program, work plans for enhanced capture zone and an in-situ biological treatment pilot test have been prepared. The capture zone evaluation (CZE) is progressing according to the schedule presented in the Work Plan, and a report documenting the evaluation results will be submitted in early December. The goals of this work are to enhance capture zone definition, to improve capture at the Interceptor and Athens Road Well Fields if necessary, and to optimize the system in terms of mass removal and overall capture. The in-situ biological treatment work plan is still in progress and the pilot test is expected to be underway within a month. The goal of the pilot test will be to determine whether in-situ biological treatment can be used to treat perchlorate in groundwater approaching the Seep Area. Groundwater collection in the Seep Area would be reduced in an effort to free the treatment system's capacity for on-Site groundwater.

**Item 5** – *Documentation of financial assurance evidencing the existence of the funds necessary to conduct the required corrective actions at the Site.*

**Item 5 Status** – Tronox is currently funding most soil and groundwater remediation activities through its insurance policy issued by Chartis Insurance Company. Work on remediating the Beta Ditch on the Tronox Site (RZ-E) is expected to be funded by the BMI soils insurance policy (Chartis). Tronox is currently evaluating the amount of remaining coverage on its policy. It is expected that the policy limits will be reached in December 2010 prior to the policy's expiration on December 31, 2010. As NDEP is aware, pursuant to settlement discussions with various parties, including the state of Nevada, and various other Nevada agencies, Tronox will be funding an Environmental Response Trust pursuant to the Environmental Claims Settlement Agreement to be entered into in connection with its chapter 11 plan of reorganization. The funding for the Environmental Response Trust will include a cash component,

a portion of the potential proceeds from Tronox's pending litigation against Anadarko Petroleum Corporation, the assignment of the remainder of the Chartis policy and an assignment of proceeds from Tronox's settlement with the United States Department of the Navy (expected to be 21% of the perchlorate remediation costs beginning in 2011). This Environmental Response Trust is intended to have the necessary financial resources to implement corrective actions at the Site.

Please contact me at (405) 775-5443 if you have any comments or questions concerning this correspondence.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mathew Paque', with a long horizontal flourish extending to the right.

Mathew Paque  
Associate Staff Counsel