

Tata Chemicals North America Inc. and Subsidiaries

**Consolidated Financial Statements and
Independent Auditors' Report
March 31, 2017 and 2016**

Tata Chemicals North America Inc. and Subsidiaries
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March 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of
Tata Chemicals North America Inc. and Subsidiaries
Rockaway, New Jersey

We have audited the accompanying consolidated financial statements of Tata Chemicals North America Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, cash flows, and changes in shareholder's equity (deficit) for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tata Chemicals North America Inc. and Subsidiaries as of March 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

June 8, 2017

Tata Chemicals North America Inc. and Subsidiaries
Consolidated Statements of Income
Years Ended March 31, 2017 and 2016

	2017	2016
<i>(in thousands)</i>		
Net revenues	\$ 476,115	\$ 460,471
Cost of revenues	377,106	359,917
Selling, general and administrative expense	<u>20,980</u>	<u>18,833</u>
Operating profit	78,029	81,721
Interest expense, net	12,076	13,525
Unrealized (gain) loss on interest rate swaps	(1,946)	994
Unrealized gain on natural gas futures	(753)	(3,783)
Other expense, net	<u>1,500</u>	<u>2,484</u>
Income before tax provision	67,152	68,501
Provision for income taxes	<u>9,328</u>	<u>6,603</u>
Net income	57,824	61,898
Net income attributable to noncontrolling interest	<u>26,261</u>	<u>28,419</u>
Net income attributable to Tata Chemicals North America Inc.	<u>\$ 31,563</u>	<u>\$ 33,479</u>

See notes to consolidated financial statements.

Tata Chemicals North America Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended March 31, 2017 and 2016

	2017	2016
<i>(in thousands)</i>		
Net income	\$ 57,824	\$ 61,898
Other comprehensive income, net of tax expense		
Defined benefit plan adjustments, net of tax of \$(4,130) and \$(384)	<u>10,338</u>	<u>479</u>
Comprehensive income	68,162	62,377
Less: Comprehensive income attributable to the noncontrolling interest	<u>26,261</u>	<u>28,419</u>
Comprehensive income attributable to Tata Chemicals North America Inc.	<u>\$ 41,901</u>	<u>\$ 33,958</u>

See notes to consolidated financial statements.

Tata Chemicals North America Inc. and Subsidiaries
Consolidated Balance Sheets
March 31, 2017 and 2016

	2017	2016
<i>(in thousands, except share data)</i>		
Assets		
Current assets		
Cash and cash equivalents	\$ 37,959	\$ 88,192
Short-term investment	30,000	-
Receivables (net of allowance for doubtful accounts of \$467 and \$200)	81,935	85,416
Inventories	21,415	24,056
Prepaid royalties and other current assets	<u>17,782</u>	<u>19,277</u>
Total current assets	189,091	216,941
Property, plant, and equipment, net	187,525	162,047
Goodwill	122,658	122,658
Intangible assets—net	1,144	1,572
Other assets	<u>16,747</u>	<u>23,203</u>
Total assets	<u>\$ 517,165</u>	<u>\$ 526,421</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 37,005	\$ 33,949
Current portion of long-term debt	10,469	13,615
Accrued liabilities	<u>24,348</u>	<u>31,366</u>
Total current liabilities	71,822	78,930
Other liabilities	125,143	134,294
Net investment in deconsolidated subsidiary (Note 11)	16,433	16,433
Long-term debt	<u>230,286</u>	<u>259,216</u>
Total liabilities	<u>443,684</u>	<u>488,873</u>
Commitments and contingencies (Note 17)		
Shareholder's equity (deficit)		
Tata Chemicals North America Inc. shareholder's deficit:		
Common stock, \$0.01 par value; 1,000 shares authorized		
100 shares issued and outstanding at		
March 31, 2017 and 2016	-	-
Paid-in capital	228,839	228,806
Accumulated other comprehensive loss	(33,258)	(41,112)
Accumulated deficit	<u>(168,135)</u>	<u>(189,698)</u>
Total Tata Chemicals North America Inc. shareholder's equity (deficit)	27,446	(2,004)
Noncontrolling interest	<u>46,035</u>	<u>39,552</u>
Total shareholder's equity	<u>73,481</u>	<u>37,548</u>
Total liabilities and shareholder's equity	<u>\$ 517,165</u>	<u>\$ 526,421</u>

See notes to consolidated financial statements.

Tata Chemicals North America Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2017 and 2016

	2017	2016
<i>(in thousands)</i>		
Cash flows from operating activities		
Net income	\$ 57,824	\$ 61,898
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	17,390	15,955
Provision of bad debt	267	-
Amortization of intangible assets	427	428
Amortization of financing fees	1,538	1,497
Other expense - joint venture	549	1,981
Deferred tax benefit	2,544	(5,792)
Accretion of asset retirement obligation	965	828
Equity in income taxes of affiliate	33	-
Unrealized gains	(2,050)	(2,789)
Loss on sale of assets	158	273
Changes in assets and liabilities		
Decrease in receivables	3,214	13,505
Decrease (increase) in inventories	2,641	(12,617)
(Decrease) in accounts payable	(2,435)	(1,830)
(Decrease) in accrued liabilities	(5,255)	(2,636)
Increase in other liabilities	4,702	7,126
Decrease in prepaid royalties and other current and non-current assets	<u>1,276</u>	<u>333</u>
Net cash provided by operating activities	<u>83,788</u>	<u>78,160</u>
Cash flows used in investing activities		
Capital expenditures	(37,607)	(31,539)
(Purchase) sale of short-term investments	(30,000)	30,000
Additional contributions to joint venture	<u>(534)</u>	<u>(1,084)</u>
Net cash used in investing activities	<u>(68,141)</u>	<u>(2,623)</u>
Cash flows used in financing activities		
Repayment of debt and capital lease obligations	(33,651)	(30,134)
Dividends	(10,000)	(20,000)
Cash distributions to noncontrolling interest	<u>(22,229)</u>	<u>(26,317)</u>
Net cash used in financing activities	<u>(65,880)</u>	<u>(76,451)</u>
(Decrease) in cash and cash equivalents	(50,233)	(914)
Cash and cash equivalents		
Beginning of year	<u>88,192</u>	<u>89,106</u>
End of year	<u>\$ 37,959</u>	<u>\$ 88,192</u>
Supplemental information		
Cash paid for income taxes	\$ 7,908	\$ 9,566
Cash paid for interest	11,027	12,495
Non-cash investing activities		
Accounts payable and accrued liabilities incurred to acquire property and equipment	\$ 10,785	\$ 5,366
Accrued liability related to Natronx railcar leases	\$ (58)	\$ 897

See notes to consolidated financial statements.

Tata Chemicals North America Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholder's Equity (Deficit)
Years Ended March 31, 2017 and 2016

<i>(in thousands, except share data)</i>	Shares	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Noncontrolling Interest	Total
Balance—April 1, 2015	100	\$ -	\$ 228,806	\$ (40,908)	\$ (203,177)	\$ 36,767	\$ 21,488
Net income	-	-	-	-	33,479	28,419	61,898
Distribution to noncontrolling shareholder	-	-	-	-	-	(26,317)	(26,317)
Dividends	-	-	-	-	(20,000)	-	(20,000)
Other comprehensive income	-	-	-	(204)	-	683	479
Balance—March 31, 2016	100	-	228,806	(41,112)	(189,698)	39,552	37,548
Net income	-	-	-	-	31,563	26,261	57,824
Distribution to noncontrolling shareholder	-	-	-	-	-	(22,229)	(22,229)
Dividends	-	-	-	-	(10,000)	-	(10,000)
Other comprehensive income	-	-	33	7,854	-	2,451	10,338
Balance—March 31, 2017	<u>100</u>	<u>\$ -</u>	<u>\$ 228,839</u>	<u>\$ (33,258)</u>	<u>\$ (168,135)</u>	<u>\$ 46,035</u>	<u>\$ 73,481</u>

See notes to consolidated financial statements.

Tata Chemicals North America Inc. and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(in thousands)

1. Basis of Presentation

Description of Business

Tata Chemicals North America Inc. and Subsidiaries, (“TCNA” or the “Company”) is a leading North American manufacturer and supplier of soda ash to a broad range of industrial and municipal customers. The primary end markets for soda ash include glass production, sodium-based chemicals, powdered detergents, water treatment, and other industrial end uses.

On March 27, 2008 TCNA was acquired by a subsidiary of Tata Chemicals Limited (“TCL”). Subsequent to the acquisition agreement and plan of merger with TCL, TCNA became a wholly-owned subsidiary of Valley Holdings, Inc. (“VHI”), a United States subsidiary of TCL. The consolidated financial statements of TCNA are prepared on a historical cost basis and do not reflect the pushdown of the acquisition of TCNA by TCL.

For the purposes of these consolidated financial statements, fiscal 2017 is defined as the year ended March 31, 2017 and fiscal 2016 is defined as the year ended March 31, 2016.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements reflect the results of operations and financial position of the Company, including wholly-owned subsidiaries and Tata Chemicals (Soda Ash) Partners Holdings and Subsidiaries (“TCSAP Holdings”) of which the Company owns 75%. The Andover Group, Inc. (“Andover”), an indirect wholly owned subsidiary of Owens-Illinois owns the remaining 25% interest in TCSAP Holdings. General Chemical Canada Ltd. (“GCCL”) is not included and has been deconsolidated due to loss of control (See Note 11). Intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include useful lives of assets, realization of deferred tax assets, valuation of goodwill, assumptions related to pension and postretirement obligations, cash flow estimates used to test recoverability of assets and the estimated asset retirement obligation. Actual results could differ from those estimates.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews a customer’s credit history before extending credit. The Company records a provision for estimated losses based upon the inability of its customers to make required payments using historical experience and periodically adjusts these provisions to reflect actual experience. Additionally, the Company will establish a specific allowance for doubtful accounts when it becomes aware of a specific customer’s inability or unwillingness to meet its financial obligations (e.g., bankruptcy filing).

Tata Chemicals North America Inc. and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(in thousands)

Fair Value of Financial Instruments

The fair values of cash and cash equivalents, receivables, and accounts payable approximate their carrying values due to the short-term nature of the instruments. The carrying value of the Company's debt approximates fair value since its debt instruments are at a floating rate and management believes this reflects the terms and conditions that would be available in the market at March 31, 2017 and 2016.

Income Taxes

The Company accounts for income taxes under Financial Accounting Standards Board ("FASB") Accounting Codification Standard ("ASC") 740, *Income Taxes*. Income taxes are recognized for the amount of taxes payable for the current year and deferred tax assets and liabilities for the future tax consequence of events that have been recognized differently in the consolidated financial statements than for tax purposes. Deferred tax assets and liabilities are established using statutory tax rates and are adjusted for tax rate changes. The Company follows ASC 740, which clarifies the accounting for uncertainty in income tax recognized in an entity's consolidated financial statements. ASC 740 requires companies to determine whether it is "more likely than not" that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the consolidated financial statements. For those tax positions where it is "not more likely than not" that a tax benefit will be sustained, no tax benefit is recognized. Where applicable, associated interest and penalties are also recorded.

Inventory

Inventory is stated at the lower of cost or market, with cost being determined using the average cost method. Production inventory costs include material, labor, and factory overhead. The Company provides inventory allowances based on excess and obsolete inventories determined primarily by future demand forecasts.

Property, Plant and Equipment

Certain property, plant and equipment are carried at cost and are depreciated using the straight-line method, using estimated lives which range from 2 to 50 years. The majority of mines, machinery and equipment are depreciated using the units-of-production method. Maintenance and repair costs are charged to expense as incurred. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is reported as income or expense, respectively.

Impairment of Long-Lived Assets

Management periodically evaluates the need to recognize impairment losses relating to long-lived assets in accordance with FASB ASC Topic 360, *Property, Plant and Equipment*. Long-lived assets are evaluated for recoverability whenever events or changes in circumstances indicate that an asset may have been impaired. In evaluating an asset for recoverability, we estimate the future undiscounted cash flows expected to result from the use of the asset and eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset, management would write the asset down to fair value and record impairment charges, accordingly. The estimation of fair value is measured by discounting expected future cash flows. The recoverability assessment related to long-lived assets requires judgments and estimates of future revenues, gross margin rates and operating expenses. The Company bases these estimates upon its past and expected future performance. The Company believes its estimates are appropriate in light of current market conditions. However, future impairment charges could be required for certain long-lived assets if the Company does not achieve its current revenue or cash flow projections.

Tata Chemicals North America Inc. and Subsidiaries

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(in thousands)

Goodwill and Intangible Assets

Goodwill is not amortized into results of operations, but instead is reviewed for impairment and written down and charged to results of operations only in the periods in which the recorded value of goodwill is more than its fair value. The Company records impairment losses on goodwill and other intangible assets based upon an annual review of the value of the assets, or when events and circumstances indicate that the asset might be impaired and when the recorded value of the asset is more than its fair value. The Company's estimates of fair value are based upon its current operating forecast, which the Company believes to be reasonable. Significant assumptions that underlie the fair value estimates include future growth rates and weighted average cost of capital rates. However, different assumptions regarding the current operating forecast could materially affect the estimate. Intangible assets are attributable to long-term customer relationships and patents and are being amortized on a straight-line basis over periods ranging from 12.75 to 15 years, which estimates the economic useful lives of these assets.

Deferred Financing Costs

Deferred financing costs associated with debt issues are being amortized over the terms of the related debt using the effective interest and the straight-line methods.

Asset Retirement Obligations

The Company provides for the expected costs to be incurred for the eventual reclamation of properties pursuant to local law. Reclamation costs are being accrued in accordance with FASB ASC 410, *Asset Retirement and Environmental Obligations*. The Company accounts for its land reclamation liability as an asset retirement obligation, which requires that obligations associated with the retirement of a tangible long-lived asset be recorded as a liability when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, the liability is accreted to its future value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

Royalties

Trona reserves are mined pursuant to lease arrangements with various land owners. Such arrangements generally provide for royalty payments based on the selling price of soda ash. Royalties are included as a component of cost of revenues.

Cash and Cash Equivalents

The Company's cash and cash equivalents include cash and short-term highly liquid investments with an original maturity of three months or less. The Company maintains cash and cash equivalents in bank deposit and money market accounts that may exceed federally insured limits. The financial institutions where the Company's cash and cash equivalents are held are generally highly rated. The Company has not experienced any losses in such accounts and believes it is not exposed to significant credit risk.

Derivative Financial Instruments

Derivative financial instruments are used to mitigate natural gas purchase price and interest rate change exposure. All contracts are marked-to-market and realized changes in value are recognized within cost of revenues in the period incurred. The Company does not hold or issue derivative instruments for trading purposes.

Tata Chemicals North America Inc. and Subsidiaries

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(in thousands)

Foreign Currency Translation

Cumulative translation adjustments, arising primarily from consolidating the assets and liabilities of the Company's foreign operations at current rates of exchange as of the respective balance sheet date, are applied directly to stockholder's equity and are included as part of accumulated other comprehensive income or loss. Income and expense items for the Company's foreign operations are translated using monthly average exchange rates. Upon complete sale or liquidation of an investment, cumulative translation adjustments are removed from equity and reported as part of the gain or loss on the sale or liquidation.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. Delivery has occurred when title and risk of loss has passed to the customer consistent with the related shipping terms, generally at the time products are shipped. Included in net revenues and cost of revenues are related shipping and handling fees and costs.

Employee Medical Benefits

The Company is self-insured for expenses relating to employee medical benefits. All employees have an option to participate in the Company's self-funded comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. The Company has purchased stop-loss coverage in order to limit its exposure to any significant individual medical claims. Self-insured medical costs are accrued based upon actuarial assumptions and the Company's historical experience.

Environmental Matters

The Company is subject to extensive federal, state, and local environmental laws and regulations. These laws, which change frequently, regulate or propose to regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of such substances. Environmental expenditures, which can include fines, penalties and certain corrective actions, are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated.

Noncontrolling Interest

The Company accounts for noncontrolling interests under FASB ASC 810, *Consolidation*, which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This guidance also requires presentation on the face of the consolidated statement of income of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest, resulting in an increase to consolidated net income.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers* (Topic 606). This ASU supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)," and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The provisions of ASU 2014-09 are effective for annual periods beginning after December 15, 2018, including interim

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(in thousands)

periods within that reporting period and are to be applied retrospectively; early application is not permitted. We are currently evaluating the effect that this ASU will have on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810)*. This ASU amends the guidance related to an entity's evaluation of whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. Early adoption, including adoption in an interim period, is permitted. The adoption of ASU No. 2015-02 is not expected to have a material effect on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"). ASU 2015-11 simplifies the subsequent measurement of inventory by requiring entities to remeasure inventory at the lower of cost and net realizable value, which is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU does not apply to inventory measured using the Last-in, First-out or retail inventory method. This ASU is effective for annual periods beginning after December 15, 2016 and interim periods within annual periods beginning after December 15, 2017. The adoption of ASU No. 2015-02 is not expected to have a material effect on our consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15, *Interest – Imputation of Interest* ("ASU 2015-15") and in April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest* ("ASU 2015-03"). ASU 2015-15 and ASU 2015-03 change and simplify the presentation of debt issuance costs. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-15 stated that it would also be acceptable to present the debt issuance costs related to a line of credit arrangement as a direct deduction from the carrying amount of the debt. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The adoption of ASU 2015-03 in the current year resulted in retrospective application of decreases to long-term debt and other long term assets as of March 31, 2016 of \$6,552. The adoption of ASU 2015-15 did not have an impact on our consolidated financial statements. As of March 31, 2017, debt issuance costs of \$5,014 are presented as a decrease to long-term debt.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02") which includes a lessee accounting model that recognizes two types of leases – finance leases and operating leases. The standard requires that a lessee recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as finance or operating lease. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative

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(in thousands)

period presented. We are currently evaluating the effect that this ASU will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08"), that clarifies that an entity is a principal when it controls the specified good or service before that good or service is transferred to the customer, and is an agent when it does not control the specified good or service before it is transferred to the customer. The effective date for this Update is the same as the effective date of Update 2014-09 (Revenue from Contracts with Customers (Topic 606)). Accounting Standards Update No. 2015-14 (Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date) deferred the effective date of Update 2014-09 to annual periods beginning after December 15, 2018 and interim periods in the following fiscal year. Early adoption is permitted only as of the interim and annual reporting periods beginning after December 15, 2017. We are currently evaluating the effect that this ASU will have on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires that entities use a current expected credit loss model which is a new impairment model based on expected losses rather than incurred losses. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost. The entity's estimate would consider relevant information about past events, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2020. We do not expect the adoption of ASU 2016-13 to have a material impact on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15") which provides guidance intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted. We have not yet determined the impact, if any, that ASU 2016-15 will have on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"), which requires that the reconciliation of the beginning-of-period and end-of-period amounts shown in the statement of cash flows include restricted cash and restricted cash equivalents. ASU 2016-18 does not define restricted cash or restricted cash equivalents, but an entity will need to disclose the nature of the restrictions. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted. We do not expect the adoption of ASU 2016-18 to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"), which clarifies the definition of a business with the objective of adding guidance to assist companies and other reporting organizations with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The impact, if any, that ASU 2017-01 will have on our consolidated financial statements will depend on the nature of future acquisitions of assets or businesses.

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(in thousands)

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This standard eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge (i.e. Step 2 of the current guidance), instead measuring the impairment charge as the excess of the reporting unit's carrying amount over its fair value (i.e. Step 1 of the current guidance). The guidance is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for impairment testing dates after January 1, 2017. The adoption of this standard is not expected to have a significant impact on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The new guidance requires companies with sponsored defined benefit pension and/or other postretirement benefit plans to present the service cost component of net periodic benefit cost in the same income statement line item as other compensation costs. The other components of net periodic benefit cost will be presented separately and not included in operating income. In addition, only service costs are eligible to be capitalized as an asset. The standard will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, and the guidance will generally be applied retroactively, whereas the capitalization of the service cost component will be applied prospectively. Early adoption is permitted with all of the amendments adopted in the same period. If an entity early adopts the guidance in an interim period, any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. We have not yet determined the impact, if any, that ASU 2017-17 will have on our consolidated financial statements.

3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. The Company makes certain assumptions it believes that market participants would use in pricing assets or liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. Credit risk of the Company and its counterparties is incorporated in the valuation of assets and liabilities through the use of credit reserves, the impact of which is immaterial for the years ended March 31, 2017 and 2016. The Company believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. These tiers include: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data.

The Company's financial assets and liabilities recorded at fair value on a recurring basis include derivative instruments. The Company's derivative liabilities consist of interest rate swaps, commodity futures contracts and foreign currency forward contracts. The notional amounts of the interest rate swaps do not qualify risk or represent assets or liabilities of the Company, but are used in the

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determination of the cash settlement under the agreements. The counterparties to these swaps are major financial institutions. The Company does not anticipate nonperformance by these counterparties.

The following table presents the fair values for those assets and liabilities measured on a recurring basis as of March 31, 2017:

	Fair Value Measurements		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 37,959	\$ -	\$ 37,959
Short-term investments	30,000	-	30,000
Non-qualified pension asset	<u>1,513</u>	<u>-</u>	<u>1,513</u>
Total	<u>\$ 69,472</u>	<u>\$ -</u>	<u>\$ 69,472</u>
Liabilities:			
Interest rate swaps	\$ -	\$ 1,047	\$ 1,047
Foreign Currency hedge contracts	-	649	649
Commodity futures contracts	<u>-</u>	<u>391</u>	<u>391</u>
Total	<u>\$ -</u>	<u>\$ 2,087</u>	<u>\$ 2,087</u>

The following table presents the fair values for those assets and liabilities measured on a recurring basis as of March 31, 2016:

	Fair Value Measurements		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 88,192	\$ -	\$ 88,192
Short-term investments	-	-	-
Non-qualified pension asset	<u>2,351</u>	<u>-</u>	<u>2,351</u>
Total	<u>\$ 90,543</u>	<u>\$ -</u>	<u>\$ 90,543</u>
Liabilities:			
Interest rate swaps	\$ -	\$ 2,993	\$ 2,993
Commodity futures contracts	<u>-</u>	<u>1,144</u>	<u>1,144</u>
Total	<u>\$ -</u>	<u>\$ 4,137</u>	<u>\$ 4,137</u>

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Cash and Cash Equivalents, Short-Term Investments and Non-Qualified Pension Assets

Cash equivalents include investments with maturities of three months or less when purchased. The cash equivalents shown in the fair value table are comprised of investments in money market funds. Short-term investments include investment with maturities of more than three months and less than twelve months when purchased. Short-term investments in the fair value table are comprised of investment in money market funds. Non-qualified pension assets include investments in listed equity securities. The fair values of the shares of these funds are based on observable market prices and, therefore, have been categorized as Level 1 in the fair value hierarchy.

Interest Rate Swaps, Commodity Futures Contracts and Foreign Currency Forward Contracts

The inputs used in valuing interest rate swaps and commodity futures contracts are other than quoted prices in active markets that are either directly or indirectly observable over the terms of the instruments the Company holds, and accordingly, the Company classifies these net derivative liabilities as Level 2 in hierarchy.

4. Goodwill and Intangible Assets

A summary of intangible assets subject to amortization as of March 31, 2017 and 2016 is as follows:

	2017	2016	Useful Life
Customer related	\$ 6,390	\$ 6,390	15 years
Patents	<u>24</u>	<u>24</u>	12.75 years
	6,414	6,414	
Accumulated amortization	<u>5,270</u>	<u>4,842</u>	
Intangible assets—net	<u>\$ 1,144</u>	<u>\$ 1,572</u>	

For the years ended March 31, 2017 and 2016, the Company recognized \$428 and \$428 of amortization expense, respectively. The estimated amortization expense for the years subsequent to March 31, 2017, is as follows:

Years ending March 31,

2018	\$ 426
2019	426
2020	205
2021	87
2022	<u>-</u>
Total	<u>\$ 1,144</u>

The Company has \$122,658 in goodwill at March 31, 2017 and 2016 that is not subject to amortization. The Company evaluates this goodwill for impairment on an annual basis. There was no impairment of goodwill for the years ended March 31, 2017 and 2016.

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5. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2017 and 2016 are comprised of the following:

	2017	2016
Land and improvements	\$ 25,354	\$ 24,790
Buildings and leasehold improvements	37,928	36,617
Machinery and equipment	231,316	207,011
Construction-in-progress	18,122	12,540
Mines and quarries	<u>32,685</u>	<u>32,695</u>
	345,405	313,653
Less: Accumulated depreciation and amortization	<u>157,880</u>	<u>151,606</u>
	<u>\$ 187,525</u>	<u>\$ 162,047</u>

For the years ended March 31, 2017 and 2016, the Company recognized \$17,390 and \$15,955 of depreciation expense, respectively.

6. Investment in Joint Venture

Effective August 23, 2011, TCSAP Holdings, together with Tronox Corporation and Church and Dwight Co. Inc., has a one-third partnership interest in Natronx Technologies, LLC ("Natronx"). Natronx was formed for the development, commercialization, production, marketing, sale or distribution of dry injection sodium products for dry injection acid gas scrubbing markets. TCSAP Holdings accounts for Natronx under the equity method. Natronx started business during the third quarter 2012. TCSAP Holdings recorded a \$19,905 impairment charge associated with this investment during the year ended March 31, 2015 due to significant uncertainty surrounding the completion of the manufacturing facility and an estimated decrease in future market demand. The Board of Directors of Natronx has approved the termination of the Natronx business operations in March 2016 and Natronx exited the business during the second quarter of 2017. During 2017 and 2016, TCSAP Holdings has recorded additional contributions of \$606 and \$1,084, respectively. During 2016, TCSAP Holdings also recorded a rail car lease liability of \$897 to other expense in the income statement. During 2017, TCSAP Holdings made payments of \$145 and adjustments to the liability of \$(57), which were recorded to the other expense, net in the income statement. As of March 31, 2017 and 2016, the rail car lease liability is \$695 and \$897, respectively. The rail car lease liability represents the Company's share of rail car lease cost beyond the exit date of the business. As of March 31, 2017 and 2016, the investment in Natronx is valued at \$0.

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7. Accumulated Other Comprehensive Loss

The following table sets forth the components of accumulated other comprehensive loss as of March 31, 2017 and 2016:

	2017	2016
Pension and post retirement plan benefits, net of taxes of \$21,907 and \$26,037	\$ (33,241)	\$ (41,095)
Cumulative foreign currency translation adjustment	<u>(17)</u>	<u>(17)</u>
Total accumulated other comprehensive loss	<u>\$ (33,258)</u>	<u>\$ (41,112)</u>

8. Additional Financial Information

The summaries of selected balance sheet items as of March 31, 2017 and 2016 are as follows:

	2017	2016
Receivables		
Trade	\$ 76,774	\$ 78,772
Other	5,628	6,844
Allowance for doubtful accounts	<u>(467)</u>	<u>(200)</u>
	<u>\$ 81,935</u>	<u>\$ 85,416</u>
Inventories		
Raw materials	\$ 8,415	\$ 8,461
Work-in-process	100	100
Finished products	<u>12,900</u>	<u>15,495</u>
	<u>\$ 21,415</u>	<u>\$ 24,056</u>
Accrued Liabilities		
Wages, salaries, and benefits	\$ 7,037	\$ 6,501
Property, production and other taxes	8,718	8,709
Unrealized loss for interest rate swaps and natural gas futures	2,087	4,137
Due to related party (Note 16)	-	4,898
Other	6,483	7,098
Current portion of capital lease obligation	<u>23</u>	<u>23</u>
	<u>\$ 24,348</u>	<u>\$ 31,366</u>
Other Liabilities		
Accrued pension obligations	\$ 65,725	\$ 74,092
Accrued other post-retirement benefits	30,407	31,512
Asset retirement obligation	21,788	20,823
Accrued other	7,213	7,834
Capital lease obligation, less current portion	<u>10</u>	<u>33</u>
	<u>\$ 125,143</u>	<u>\$ 134,294</u>

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9. Debt

On August 9, 2013, the Company entered into a credit agreement with several lenders led by J.P. Morgan Chase Bank, N.A. ("JPM"), as administrative agent. The credit agreement provides for a \$340,000 credit facility, composed of a \$315,000 term loan ("Term loan") and a \$25,000 revolving line of credit ("Revolver"). The borrowing under this facility bears interest at either London Interbank Offered Rate ("LIBOR") plus applicable margin or an alternate base rate based upon the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBOR for a one month Interest Period on such day plus 1%. The applicable margin on the Term loan and Revolver is 2.75% per annum on LIBOR borrowings and 1.75% per annum on alternate base rate loans. The Term Loan and the Revolver mature on August 9, 2020 and August 9, 2018, respectively.

The term loan is secured by a first-priority interest in the Company's 75% interest in TCSAP Holdings, the Company's assets, and equity interest in foreign subsidiaries (TCNA(UK) Limited). The Company's term loan is subject to certain covenants including, but not limited to, certain provisions that restrict the Company's ability to make capital expenditures. The net proceeds of the loan were utilized to pay-off \$313,559 of principal and interest costs related to an existing term loan. As of March 31, 2017 and 2016, the Company had \$245,769 and \$279,383 of total debt outstanding under the Term Loan; offset by \$5,014 and \$6,552 of deferred finance fees, respectively.

The aggregate maturities of debt for each of the four years subsequent to March 31, 2017, are as follows:

Years ending March 31,

2018	\$ 10,469
2019	-
2020	-
2021	<u>235,300</u>
Total	<u>\$ 245,769</u>

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10. Income Taxes

Income tax expense for the years ended March 31, 2017 and 2016 are summarized below:

	2017	2016
Current		
Federal	\$ 6,450	\$ 11,019
State	306	1,369
Foreign	<u>27</u>	<u>6</u>
Total current	<u>6,783</u>	<u>12,394</u>
Deferred		
Federal	2,486	(5,610)
State	<u>59</u>	<u>(181)</u>
Total deferred	<u>2,545</u>	<u>(5,791)</u>
Total	<u>\$ 9,328</u>	<u>\$ 6,603</u>

A summary of the components of deferred tax assets and liabilities is as follows:

	2017	2016
Pension and post retirement benefits	\$ 27,553	\$ 30,618
Alternative Minimum Tax ("AMT")	34,162	30,451
Nondeductible accruals	995	862
Other	<u>431</u>	<u>1,111</u>
Deferred tax assets	63,141	63,042
Valuation allowance	<u>34,162</u>	<u>30,451</u>
Net deferred tax assets	<u>28,979</u>	<u>32,591</u>
Depreciation	4,285	4,662
Partnership basis cancellation of debt loss	5,516	5,504
Intangible assets	410	563
Partnership basis	<u>14,688</u>	<u>11,108</u>
Deferred tax liabilities	<u>24,899</u>	<u>21,837</u>
Net deferred tax assets	<u>\$ 4,080</u>	<u>\$ 10,754</u>

Net deferred assets of \$4,080 and \$10,754 is included in other assets as of March 31, 2017 and 2016, respectively.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes* ("ASU 2105-17"). ASU 2105-17 simplifies the presentation of deferred income taxes. The new guidance requires that all deferred tax liabilities and assets, along with any related valuation allowance, be classified as noncurrent on our consolidated financial position. This ASU is effective for annual periods beginning after December 2017, and interim periods within the fiscal years

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beginning after December 15, 2018. Early adoption is permitted and the standard may be applied either retrospectively or on a prospective basis to all deferred tax assets and liabilities. We elected to adopt ASU 2015-17 for 2016, on a prospective basis. For the years ended March 31, 2017 and 2016, the Company's effective income tax rate is lower than the statutory Federal income tax rate principally due to depletion and other permanent differences, partially offset by an increase in the valuation allowance and a permanent difference related to the impairment of joint venture investment (See Note 6).

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not some or all of tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Because of the limitation on percentage depletion under AMT, the Company expects an AMT liability for the foreseeable future. Thus, while such AMT credits do not expire, it is unlikely they will be utilized in the future as management estimates the Company will not generate sufficient regular taxable income after the deduction for depletion. As of March 31, 2017 and 2016, the Company had \$34,162 and \$30,451, respectively, of valuation allowance that relates to AMT credits. The increase in the valuation allowance of \$3,711 and \$3,543, for the years ended March 31, 2017 and 2016, respectively, was primarily due to AMT credits.

The Company, as required by federal tax law, files a consolidated income tax return with its parent VHI. Additionally, as required by state and local tax law, the Company files various state and local tax returns in these jurisdictions in a consolidated or combined basis with VHI. Other state and local income tax returns are filed on a standalone basis.

The federal tax provision is computed under the assumption that the Company files federal and state and local income tax returns on a stand-alone basis. As of March 31, 2017 and 2016, the federal income taxes receivable of \$1,539 and \$398, respectively, and state and local taxes receivable of \$231 and \$207, respectively, are due from VHI and are included in prepaid royalties and other current assets as of March 31, 2017 and 2016 in the balance sheets.

The Company files income tax returns in the US federal jurisdictions, various state jurisdictions and various foreign jurisdictions (UK and Canada). With few exceptions, the Company is not subject to audit by taxing authorities for the calendar years ended prior to December 31, 2009. The Company does not expect its unrecognized positions to change significantly over the next year.

11. GCCL Liquidation and Deconsolidation

On January 19, 2005, the Company's former Canadian subsidiary applied for relief under the Canada's Companies' Creditors Arrangement Act ("CCAA") and, on that date, the court granted GCCL's request for CCAA protection. During the pendency of the action, GCCL was unable to sell its business as a going-concern to any prospective purchaser and had no prospect for restructuring. On November 18, 2005, GCCL was assigned into bankruptcy in accordance with Canada's Bankruptcy and Insolvency Act. As of March 31, 2017, GCCL's receiver was still in the process of consummating various transactions for the sale of GCCL's assets.

As a result of the CCAA filing, TCNA had a loss of control over the financial and operating decisions of GCCL that were exercised by the court-appointed monitor. Therefore, GCCL was deconsolidated as of January 19, 2005, and the investment was accounted for under the cost method. The Company has an overall negative net investment in GCCL due to accumulated losses and has offset the net intercompany receivable balance against the investment account. The Company is carrying its net negative investment in the amount of \$16,433 on its balance sheet at March 31, 2017 and 2016, until

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relieved by the Canadian bankruptcy court. The Company expects that GCCL's asset liquidation process will not be completed in 2017. The Company does not believe that it will be required to fund this negative investment balance.

12. Commodity Futures Contracts, Interest Rate Swaps and Foreign Currency Forward Contracts

The Company enters into commodity futures contracts related to forecasted natural gas requirements that are used in the manufacturing process of its products. The objectives of entering into the commodity futures contracts are to limit the effects of fluctuations in the future market price paid for natural gas and the related volatility in cash flows. The maturities of the contracts are timed to coincide with the expected usage requirement over that period.

For the years ended March 31, 2017 and 2016, the Company reported a gain of \$753 and \$3,783, respectively, in the consolidated statements of income. Liabilities associated with the commodity futures contracts of \$391 and \$1,144 are included within the accrued liabilities in the balance sheets at March 31, 2017 and 2016, respectively. The notional amounts of the natural gas futures are \$15,518 expiring in December 2019.

The Company enters into interest rate swaps to manage its exposure to interest rate variations related to its borrowings. The objective and strategy is to reduce its exposure to variability in expected future cash outflows (forecasted interest payments) attributable to changes in the 3-month LIBOR rate relating to its LIBOR-indexed floating-rate debt (See Note 9). These interest rate swaps are not designated as hedges and are marked to fair value with the resulting gains or losses recorded in other income – net in the accompanying consolidated statements of income.

At March 31, 2017, the Company has interest rate swaps that began on various dates from November 1, 2013 through September 30, 2016 and end on various dates from March 31, 2018 through August 7, 2020 as follows:

Maturity Date	Interest Rate	Notional Amount
3/31/2018	1.7075%	40,000,000
3/29/2019	1.9870%	40,000,000
3/31/2019	1.2700%	20,000,000
8/7/2020	2.4220%	40,000,000
Total		<u>\$ 140,000,000</u>

For the years ended March 31, 2017 and 2016, the Company reported an unrealized gain of \$1,946 and an unrealized loss of \$994 in the consolidated statements of income, respectively. As of March 31, 2017 and 2016, the Company reported an unrealized loss on the balance sheets of \$1,047 and \$2,993, respectively, included in accrued liabilities.

The Company enters into foreign currency forward contracts to manage its exposure to foreign exchange rate variations related to its sales denominated in foreign currency. The objective and strategy is to reduce the potential for longer-term unfavorable changes in foreign exchange rates to decrease the U.S. dollar value derived from foreign currency denominated sales, primarily pound sterling. These foreign currency forward contracts are not designated as hedges and are marked to fair value with the resulting gains or losses recorded in other expense – net in the accompanying consolidated statements of income.

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At March 31, 2017, the Company has nine pound sterling foreign currency forward contracts with a value of £1,200,000 each that began on January 9, 2017 and end on various dates from April 28, 2017 through February 28, 2018. For the year ended March 31, 2017, the Company reported an unrealized loss of \$649 in the consolidated statements of income. As of March 31, 2017, the Company reported an unrealized loss of \$649 on the balance sheet, included in accrued liabilities.

13. Pension Plans and Other Postretirement Benefits

The Company maintains several defined benefit pension plans covering substantially all employees. A participating employee's annual postretirement pension benefit is determined by the employee's credited service and, in most plans, final average annual earnings with the Company. Vesting requirements are two years. The Company's funding policy is to annually contribute the statutorily required minimum amount as actuarially determined. The Company also maintains several plans providing other postretirement benefits covering substantially all hourly and certain salaried employees. The Company funds these benefits on a pay-as-you-go basis. The accumulated benefit obligation for all defined benefit plans was \$236,683 and \$236,661 as of March 31, 2017 and 2016, respectively.

The Company recorded adjustments to other comprehensive loss of \$6,175 and \$(864) with corresponding increases in noncontrolling interest of \$2,451 and \$683 and (decreases) in equity of \$7,854 and \$(204), net of tax of \$4,130 and \$(384) for the years ended March 31, 2017 and 2016, respectively.

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	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Components of net periodic benefit cost				
Service cost	\$ 5,431	\$ 5,636	\$ 402	\$ 415
Interest cost	10,388	10,171	1,321	1,296
Expected return on plan assets	(11,606)	(11,312)	-	-
Amortization of unrecognized:				
Prior service cost	111	111	(190)	(190)
Actuarial loss (gain)	4,107	5,625	(90)	(75)
Net periodic benefit cost	<u>\$ 8,431</u>	<u>\$ 10,231</u>	<u>\$ 1,443</u>	<u>\$ 1,446</u>
Change in benefit obligation				
Benefit obligation - beginning of year	\$ 251,746	\$ 255,032	\$ 32,802	\$ 34,046
Service cost	5,431	5,636	402	415
Interest cost	10,388	10,171	1,321	1,296
Plan amendments	930	-	-	-
Actuarial (gain)/loss	(6,723)	(9,760)	(1,094)	(1,042)
Benefits paid	(11,087)	(9,333)	(1,731)	(1,913)
Retiree Drug Subsidy	-	-	154	-
Benefit obligation - end of year	<u>\$ 250,685</u>	<u>\$ 251,746</u>	<u>\$ 31,854</u>	<u>\$ 32,802</u>
Change in plan assets				
Fair value of assets - beginning of year	\$ 177,491	\$ 188,540	\$ -	\$ -
Actual return on plan assets	15,217	(4,097)	-	-
Employer contributions	3,106	2,381	1,731	1,913
Benefits paid	(11,087)	(9,333)	(1,731)	(1,913)
Fair value of assets - end of year	<u>\$ 184,727</u>	<u>\$ 177,491</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status				
Funded status	<u>\$ (65,958)</u>	<u>\$ (74,255)</u>	<u>\$ (31,854)</u>	<u>\$ (32,803)</u>
Net amount accrued	<u>\$ (65,958)</u>	<u>\$ (74,255)</u>	<u>\$ (31,854)</u>	<u>\$ (32,803)</u>

The estimated net actuarial (gain)/loss, prior service cost/(credit), and transition (asset)/obligation for the pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost for the year ended March 31, 2018 are \$3,118, \$174, and \$0, respectively.

The estimated net actuarial (gain)/loss, prior service cost/(credit), and transition (asset)/obligation for the postretirement plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost for the year ended March 31, 2018 are \$(90), \$(264), and \$0, respectively.

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The amounts recognized in accumulated other comprehensive income as of March 31, 2017 and 2016 are summarized below:

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Prior service cost/(credit)	\$ 1,386	\$ 566	\$ (1,039)	\$ (1,229)
Net actuarial loss/(gain)	<u>58,800</u>	<u>73,241</u>	<u>(269)</u>	<u>735</u>
Total	<u>\$ 60,186</u>	<u>\$ 73,807</u>	<u>\$ (1,308)</u>	<u>\$ (494)</u>

The amounts recognized in other comprehensive income (loss) during the years ended March 31, 2017 and 2016 are summarized below:

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Net actuarial loss/(gain)	\$ (10,333)	\$ 5,650	\$ (1,094)	\$ (1,042)
Prior service cost	930	-	-	-
Reversal of amortization item:				
Net actuarial (gain)/loss	(4,108)	(5,625)	90	75
Prior service (cost)/credit	<u>(111)</u>	<u>(111)</u>	<u>190</u>	<u>190</u>
Total recognized in comprehensive income (loss)	<u>\$ (13,622)</u>	<u>\$ (86)</u>	<u>\$ (814)</u>	<u>\$ (777)</u>

The amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2016 are summarized below:

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Current liabilities	\$ (233)	\$ (163)	\$ (1,447)	\$ (1,291)
Noncurrent liabilities	<u>(65,725)</u>	<u>(74,092)</u>	<u>(30,407)</u>	<u>(31,512)</u>
Net liability at end of year	<u>\$ (65,958)</u>	<u>\$ (74,255)</u>	<u>\$ (31,854)</u>	<u>\$ (32,803)</u>

Assumptions

The weighted-average assumptions used to determine net periodic benefit cost were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Discount rate	4.24 %	4.08 %	4.16 %	3.99 %
Expected long-term return on plan assets	6.50 %	6.50 %	N/A	N/A
Rate of compensation increase	4.5–9.0%	4.5–9.0%	N/A	N/A

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The weighted-average assumptions used to determine the benefit obligation were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Discount rate	4.29 %	4.24 %	4.23 %	4.16 %
Rate of compensation increase	4.5–9.0%	4.5–9.0%	N/A	N/A

The discount rate for each plan is determined by discounting the plan's expected future benefit payments using a yield curve developed from high quality bonds as of the measurement date. The yield curve calculation matches the notional cash inflows or hypothetical bond portfolio with the expected benefit payments to arrive at one effective rate.

To determine the expected long-term rate of return on plan assets, the Company considers the current and expected asset allocation, as well as historical and expected returns on each plan asset class.

Assumed health care cost trend rates as of March 31, 2017 and 2016 were as follows:

	2017	2016
Health care cost trend rate assumed for next year	7.75 %	8.00%/7.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2027	2027/2025

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following annual effects:

	Percentage Point Increase	Percentage Point Decrease
Effect on total of service and interest cost	\$ 15	\$ (16)
Effect on postretirement benefit obligation	331	(351)

The dates used to measure plan assets and liabilities were March 31, 2017 and 2016 for all plans. Pension plan assets are invested primarily in stocks, bonds, short-term securities and cash equivalents.

Plan Assets

The assets of the Company's defined benefit plans are managed on a commingled basis in a Master Trust. The investment policy and allocation of the assets in the Master Trust were approved by the Company's Investment Committee, which has oversight responsibility for the Company's retirement plans.

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The following details the asset categories including target allocations for the pension plan as of March 31, 2017 and 2016:

Asset Category	2017		2016	
	Actual Allocation	Target Allocation	Actual Allocation	Target Allocation
Equity Securities	51 %	51 %	52 %	51 %
Debt Securities	44 %	45 %	44 %	45 %
Other	5 %	4 %	4 %	4 %

The pension fund assets are invested in accordance with the statement of Investment Policies and Procedures adopted by the Company, which are reviewed annually. Pension fund assets are invested on a going-concern basis with the primary objective of providing reasonable rates of return consistent with available market opportunities, a quality standard of investment, and moderate levels of risk. The expected rate of return is expected to be 6.50% over rolling ten-year periods. This expected rate of return is estimated upon an analysis of historical returns with consideration for the current economic environment.

Contributions

The Company expects to contribute \$3,019 to its pension plan and \$1,447 to its other postretirement benefit plan for the year ending March 31, 2018.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending March 31,	Pension Benefits	Other Benefits
2018	\$ 11,045	\$ 1,447
2019	11,654	1,574
2020	12,324	1,619
2021	12,967	1,628
2022	13,596	1,939
2023–2027	74,680	9,849

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Fair Values

The fair values of the Company's plan assets as of March 31, 2017, by asset category are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
Cash and cash equivalents	\$ 220	\$ 782	\$ -	\$ 1,002
Fixed income securities	16,566	65,226	-	81,792
Equity securities	-	94,008	-	94,008
Futures contracts	12	-	-	12
Real estate	-	7,422	-	7,422
Private equity	-	-	491	491
Total	<u>\$ 16,798</u>	<u>\$ 167,438</u>	<u>\$ 491</u>	<u>\$ 184,727</u>

The following table provides further details of Level 3 fair value measurements:

	<u>Private Equity</u>
Beginning balance - April 1, 2016	\$ 656
Total realized/unrealized (losses) gains	(19)
Purchases, sales and settlements	<u>(146)</u>
Ending balance - March 31, 2017	<u>\$ 491</u>

The fair values of the Company's plan assets as of March 31, 2016, by asset category are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
Cash and cash equivalents	\$ 220	\$ 35	\$ -	\$ 255
Fixed income securities	17,977	59,803	-	77,780
Equity securities	-	91,609	-	91,609
Futures contracts	(18)	-	-	(18)
Real estate	-	7,209	-	7,209
Private equity	-	-	656	656
Total	<u>\$ 18,179</u>	<u>\$ 158,656</u>	<u>\$ 656</u>	<u>\$ 177,491</u>

The following table provides further details of Level 3 fair value measurements:

	<u>Private Equity</u>
Beginning balance - April 1, 2015	\$ 1,062
Total realized/unrealized (losses) gains	(236)
Purchases, sales and settlements	<u>(170)</u>
Ending balance - March 31, 2016	<u>\$ 656</u>

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Valuation

Cash and cash equivalents are held in a commingled fund.

Fixed income securities are primarily valued using a market approach utilizing various underlying pricing sources and methodologies.

Equity securities, exchange traded equity funds and real estate are valued using a market approach based on quoted market prices for individual instruments.

Private equity investments for which readily determinable prices do not exist are valued using either the market or income approach by the General Partner. In establishing the estimated fair value the following are taken into consideration: a reasonable time for liquidation of the investment, the financial condition and operating results of the underlying portfolio company, the nature of the investment, restriction on marketability, market conditions and other factors the General Partner deems appropriate.

Other Defined Contribution Plans

The Company also sponsors defined contribution retirement savings plans. Participation in one of these plans is available to substantially all represented and non-represented employees. The Company matches employee contributions up to certain predefined limits for non-represented employees based upon eligible compensation and the employee's contribution rate. The Company's contribution to these plans was \$576 and \$498 for the years ended March 31, 2017 and 2016, respectively.

14. Asset Retirement Obligation

The Company provides for the expected costs to be incurred for the eventual reclamation of mining properties pursuant to local law. Included in long-term liabilities as of March 31, 2017 and 2016 was \$21,788 and \$20,823, respectively, related to these asset retirement obligations. The changes in the carrying amounts of the asset retirement obligation for the years ending March 31, 2017 and 2016 are as follows:

	2017	2016
Balance - beginning of year	\$ 20,823	\$ 16,353
Additions	-	3,642
Accretion expense	965	828
Balance - end of year	<u>\$ 21,788</u>	<u>\$ 20,823</u>

15. Variable Interest Entities (VIEs)

The consolidated financial statements include a variable interest entity ("VIE"), ALCAD, for which the Company is the primary beneficiary.

ALCAD is an equally-owned joint venture between Tata Chemicals (Soda Ash) Partners (the "Partnership") and Church & Dwight, Inc. ("C&D") (collectively, the "Partners"). The significant activities of ALCAD include (a) managing trona reserves contributed to it by the Partners, (b) extraction of trona for conversion into soda ash (which ALCAD has outsourced to the Partnership) and (c) distribution of soda ash (which ALCAD has agreed to provide solely to C&D). The Partnership was determined to be the primary beneficiary of ALCAD as it has control over the most

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significant activities of ALCAD which have been determined to be the managing of the trona reserves and extraction of trona and ultimate conversion to soda ash. The Partnership has the obligation to absorb losses and the right to receive benefits from ALCAD that could be significant to ALCAD.

During the years ended March 31, 2017 and 2016, this VIE earned income of \$16,960 and \$17,633, respectively, under the contractual arrangements with the Partnership which was recorded as net income attributable to noncontrolling interests in the consolidated statements of operations.

The liabilities recognized as a result of consolidating the VIEs do not necessarily represent additional claims on the general assets of the Partnership outside of the VIEs; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating the VIE do not necessarily represent additional assets that could be used to satisfy claims against the Partnership's general assets. There are no restrictions on the VIE assets that are reported in the Partnership's general assets. The total consolidated VIE assets and liabilities reflected in the Company's consolidated balance sheets are as follows:

	2017	2016
Accounts Receivable	<u>\$ 5,962</u>	<u>\$ 5,905</u>
Total Assets	<u>\$ 5,962</u>	<u>\$ 5,905</u>
Minority Interest Payable	<u>\$ 666</u>	<u>\$ 672</u>
Total Liabilities	<u>\$ 666</u>	<u>\$ 672</u>

The total accounts receivable of \$5,962 and \$5,905 are recorded in Receivables as of March 31, 2017 and 2016. The Minority Interest Payable of \$666 and \$672 are recorded in Accrued Liabilities as of March 31, 2017 and 2016.

16. Related Party Transactions

Soda Ash Supply Agreement

The Partnership has soda ash supply agreements with Owens-Illinois Inc. and its affiliates ("O-I"). These agreements set forth the terms and conditions for the Partnership to supply O-I with soda ash, at established market rates, over the life of the partnership agreement. These agreements, include no specific volume requirements. For the years ended March 31, 2017 and 2016, sales related to these agreements amounted to \$111,202 and \$94,984, respectively. As of March 31, 2017 and 2016, amounts due under these agreements totaled \$23,618 and \$16,503, respectively, and are included in receivables. Included in these amounts are sales under the trade finance agreement with Tata Chemicals International Pte Limited ("TCIPL"). Beginning April 2015, TCIPL provides financing for the sale of soda ash by TCSAP to Owens Illinois subsidiary companies in Latin America and Asia Pacific ("O-I LATAM"). TCSAP remains responsible for servicing the O-I LATAM accounts including negotiating pricing, logistical support and quality. TCIPL directly incorporates a finance charge into the final invoice to O-I LATAM. For the years ended March 31, 2017 and 2016, sales under these agreements amounted to \$41,865 and \$30,179, respectively. As of March 31, 2017 and 2016, amounts due under these agreements totaled \$12,638 and \$7,932, respectively.

Other

In the ordinary course of business, the Company purchases and reimburses costs from and sells materials to subsidiaries of TCL. During the years ended March 31, 2017 and 2016 the purchases and reimbursement of costs from these subsidiaries of TCL amounted to \$1,603 and \$1,521,

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respectively and accounts payable amounted to \$234 and \$288 at March 31, 2017 and 2016, respectively. During the years ended March 31, 2017 and 2016, the sales to these subsidiaries of TCL, excluding sales to TC IPL amounted to \$56,033 and \$42,887, respectively and accounts receivable at March 31, 2017 and 2016 amounted to \$12,747 and \$16,127, respectively. Additionally, during the years ended March 31, 2017 and 2016, the Company made advances to subsidiaries of TCL in the amount of \$0 and \$31, respectively and the amount included in receivables at March 31, 2017 and 2016 is \$0 and \$24.

As of March 31, 2017 and 2016, the Company has related party payable with VHI included in accrued liabilities of \$0 and \$4,899 respectively, which relates to federal, state and local taxes payable.

17. Commitments and Contingencies

Future minimum rental payments for capital and operating leases (primarily for transportation equipment, mining equipment, offices and warehouses) having initial or remaining noncancelable lease terms in excess of one year as of March 31, 2017 are as follows:

	Capital Leases	Operating Leases
Years ending March 31,		
2018	\$ 24	\$ 11,263
2019	10	6,156
2020	-	2,862
2021	-	1,178
2022	-	911
Thereafter	-	145
Total minimum payments	34	<u>\$ 22,515</u>
Less amount representing interest (interest imputed at a rate of 3.25%)	<u>(1)</u>	
Present value of minimum capital lease payments	33	
Less current portion of capital lease obligation	<u>(23)</u>	
Capital lease obligation, less current portion	<u>\$ 10</u>	

Rental expense for the years ended March 31, 2017 and 2016 was \$14,362 and \$14,790, respectively.

The Company is involved in certain claims, litigation, administrative proceedings and investigations relative to environmental and other matters. Although the amount of any ultimate liability which could arise with respect to these matters cannot be accurately predicted, it is the opinion of management, based upon currently available information and the accruals established that any such liability will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

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18. Subsequent Events

The Company has evaluated all events or transactions that occurred after March 31, 2017 through June 8, 2017 the date the consolidated financial statements were issued. There are no subsequent events that require adjustment to or disclosure in the consolidated financial statement.
